

# Corporate Governance

To establish a framework of transparent behavior, integrity and ethics for Grupo Nutresa by developing management, information disclosure and control policies, which are aligned with the highest international standards of corporate governance, thus having a positive impact on the company's reputation for the benefit of shareholders and other stakeholders.

## Strategy

[GRI 103-2]

**Updating the Organization's corporate governance practices.**

## Progress

[GRI 103-3]

- > The Business Ethics Program was implemented with the purpose of promoting transparency and ethics in all companies.
- > The Board of Directors and senior management backed this program by rejecting all types of corruption and bribery, and adopting measures to ensure its fulfillment.

**Socializing the good governance practices and raising awareness among employees.**

- > The Code of Corporate Governance was modified to include rules against corruption and bribery.
- > The in-person and virtual socialization of the "Actúo Íntegramente" (I act with integrity) strategy began. This strategy promotes ethical behavior and transparency among employees and third parties, and encourages them to avoid and declare conflicts of interest.
- > Among the practices adopted, the following stand out: inclusion of guidelines about the acceptance and offering of hospitalities, guidelines about how to address meetings with government employees, and the prohibition to hire agents, lobbyists or intermediaries.

**Watching over the compliance with the governance practices incorporated by the Company.**

- > The Committee of Ethics, Transparency and Conflicts of Interest analyzed and decided upon the cases of possible conflicts of interest reported by employees and third parties.
- > The Organization appointed the Compliance Officers, who are in charge of supervising compliance with the Business Ethics Program and the Anti-fraud, Anti-Corruption and Anti-Bribery Policy.

**Strengthening the reporting mechanisms for ethics and conduct issues.**

- > Grupo Nutresa defined a template for declaring conflicts of interest that all employees must sign on a regular basis. In this template, employees must report the absence or existence of situations that may constitute conflicts of interest.
- > The implementation of phone lines for the operation of the Ethics Hotline in international operations was socialized.



Employees from  
the Chocolates  
Business, Colombia

## Risks and opportunities

[GRI 103-1]

The Organization focuses on maintaining corporate governance aligned with the highest international standards. This allows it to ensure transparency and integrity in the administration and control of its operations, enabling an optimal performance from the governance bodies and the fulfillment of its strategic goals.

The Company delivers unabridged, clear and timely information to its shareholders and all other stakeholders with the purpose of ensuring transparency and promoting integrity and ethics by means of the implementation of policies, programs and behavioral guidelines that must be complied with by the governance bodies, employees, customers, suppliers and shareholders.

One of the most significant risks currently related to this matter is corruption. This risk is managed on a preventive basis by means of the establishment of policies and awareness-raising and training initiatives, and with permanent audits. Through these mechanisms, the Organization generates value and trust among its stakeholders, retaining and attracting local and foreign investors, customers and employees.



Employee from Servicios Nutresa, Colombia.

## Outlook

Grupo Nutresa's commitment for 2020 is to maintain the excellence of its corporate governance management by means of the implementation of advanced world-class practices.

In search for higher levels of corporate transparency, ethical behavior and integrity, the Organization focuses its efforts on keeping its internal policies and guidelines updated according to worldwide trends in the field, and on strengthening the interaction with its diverse stakeholders through the timely delivery of unabridged information.

The short-term objective consists in continuing to monitor compliance with the Code of Corporate Governance and with the Bylaws, and following up on the policies implemented in previous years. Furthermore, it is a priority to ensure that implemented changes are being executed in practice and in the Organization's daily activities, influencing Grupo Nutresa's culture and having a positive impact on sustainable management.

The Organization will keep on socializing the Code of Corporate Governance among employees and related audiences. With focus on generating value in the long term, the Company will continue to strengthen ethical behavior and transparency by embracing and internalizing organizational values and clarity with regards to observable behaviors in the matter.



Employees from the Biscuits Business, Colombia.

The Company delivers **complete, clear and timely** information to its shareholders and all other stakeholders with the purpose of ensuring transparency and promoting integrity and ethics.

## Success stories and acknowledgments [GRI 103-3]

**For the fifth year, Grupo Nutresa received the Investor Relations (IR) acknowledgment, which is awarded by the Colombian Stock Exchange to companies that have voluntarily adopted the best practices in terms of information disclosure and relations with investors. The Organization was selected as a leading company in the following categories: IR Issuer with the highest content standards, IR Issuer with the highest corporate governance standards, and most evolved IR Issuer.**

**ALAS20 acknowledged Carlos Ignacio Gallego as a Leading CEO in Sustainability.** This category is reserved for company leaders who, according to the perception of diverse stakeholders, show leadership in integrating sustainability into the businesses they direct, and who stand out due to their ability to create teams that are focused on sustainability.

## Progress in 2017 [GRI 103-3]

The Board of Directors is formed by seven members. In 2017, the Shareholders' Meeting reelected the seven members who formed the Board from April 2016 to March 2017.

All Board members have diverse profiles, knowledge and experience in finance, business, strategy, risks and sustainability, and they meet the skill set requirements defined as necessary for said governance body. The Organization has established a skills matrix with the expected abilities for the Board as a collegiate body and the current members fulfill said skills requirements. The skills matrix is published on the Company's website.

Grupo Nutresa has incorporated more rigorous criteria than the one established by law to determine the independence of the Board members, and such criteria is established in the Code of Corporate Governance. Under such criteria, four of the seven Board members are independent, including its Chairman.

In 2017, the Appointment and Remuneration Committee, based on the analysis conducted in 2016 by AtKearney, a consulting company specialized in corporate governance matters, analyzed the most convenient personal profiles for the Board of Directors, the tentative profile composition, the necessary time the members would need to adequately perform their duties, and the existing gaps between the profiles of the current members and the profiles identified as necessary for the Organization.

Said Committee submitted to the Board and the investors a report of the aforementioned analysis, which included a training plan for 2016 and 2017 with regard to the improvement opportunities identified. Based on this plan, the Board of Directors received training in the field of sustainability.

In 2017, the Organization approved several amendments to the **Code of Corporate Governance** intended to reinforce the ethical performance, the integrity and the prevention of situations representing conflicts of interest.

A report on the implementation of successful corporate governance practices and the Annual Corporate Governance Report were presented to both the shareholders and all the stakeholders via the Company's website with the purpose of communicating the most relevant facts and news related to the corporate governance of the Organization.

The Board gathered every month and all the support committees met twice in 2017, except for the Finance, Audit and Risks Committee, which held five meetings. All of them fulfilled the functions and meeting frequency provisions established in the Code of Corporate Governance.

Additionally, the Board conducted its annual self-evaluation through which it assessed the qualities, attributes and experience of the Board itself and its support committees, and identified several improvement opportunities. The Board worked on these improvement opportunities throughout the year.

In 2017, the Organization approved several amendments to the Code of Corporate Governance intended to reinforce ethical performance, integrity and the prevention of situations representing conflicts of interest. Among the amendments, the following stand out: inclusion of guidelines about the acceptance and offering of hospitalities, guidelines about how to address meetings with state employees, and the prohibition to hire agents, lobbyists or intermediaries.



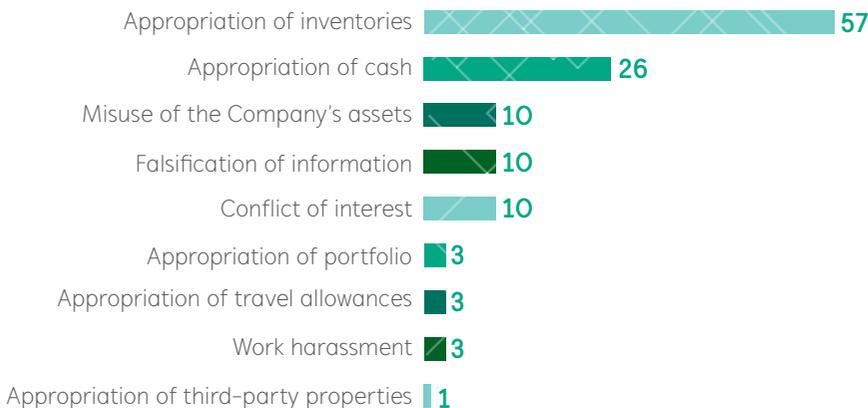
Employees from the Cold Cuts Business, Colombia.



**Ethics Hotline [ODS 16.5] [ODS 16.6]**

For Grupo Nutresa, ethics and transparency are fundamental pillars of its corporate operation and highly relevant principles for the fulfillment of its mission. Fraud, asset laundering and financing of terrorism, including the risk of corruption, are the most significant risks related to this matter, which are managed through policies, codes and awareness-raising and training initiatives, facilitating the development of relations with the corresponding stakeholders. [GRI 102-17] [ODS 16.5] [ODS 16.6]

**In 2017, the Organization found out about 123 incidents in which the Code of Corporate Governance was breached [GRI 205-3] [ODS 16.5], amounting to COP 944 million and being classified as follows:**



One hundred forty-five employees were involved in these incidents, 88% of whom worked under direct employment contracts and the rest under service provision contracts. The contractual relations with all of them were terminated and the corresponding legal actions were commenced.

With the purpose of mitigating the possible negative impacts of these type of wrongful acts, all the companies have insurance policies with adequate coverage.

The Organization also addressed 113 reports received through the Ethics Hotline, which were channeled by the responsible departments of each Business Unit. Of the total reports, 95% were related to direct employees and 5% involved third parties. Approximately 16% of the reported situations were confirmed. [GRI 205-3]

### Superior Achievement Acknowledgment System

The Superior Achievement Acknowledgment System establishes that 30% of the variable annual compensation of the CEO, the CFO and the Vice President Secretary General be paid with Company shares, and sale of such shares is limited until the Officers retire. The remaining amount is paid in a 3-year term, encouraging the Officers to remain in the Organization.

The variables used in this system include (internal and external) financial, social, market, environmental and sustainability metrics, whose annual goals are determined by the Appointment and Remuneration Committee.

For Grupo Nutresa, ethics and transparency are **fundamental pillars of its corporate actions** and highly relevant principles for the fulfillment of its mission.

### Business Ethics Program [ODS 16.5] [ODS 16.6]

In 2017, Grupo Nutresa implemented the Business Ethics Program, which promotes transparency and ethics. For its implementation, the following measures were adopted:



Update of the Anti-fraud and Anti-Corruption Policy to include the concept of bribery as a specific element. Therefore, the policy was renamed as Anti-fraud, Anti-Corruption and Anti-Bribery Policy.



Update of the Policy on Donations in Favor of Democracy and Political Activity.



Inclusion of disciplinary procedures in the Internal Work Rules to punish corruption and bribery conducts exhibited by employees.



Compulsion aimed at suppliers to avoid all types of corruption and bribery included through the amendment of the Code of Conduct for Suppliers.



Amendment of the Code of Corporate Governance, including measures against corruption and bribery. These measures include the following: guidelines for the acceptance and offering of hospitalities, indicating that no employee may receive or offer, while performing the corresponding duties or on behalf of the Company, gifts, invitations or courtesies whose value exceeds the amount of one hundred US dollars (USD 100). In addition, employees or representatives of the Organization who attend meetings with public officials must always be accompanied by another employee or representative. Another inclusion was the prohibition to support political candidates or parties with members or associates convicted of corruption or bribery crimes and the hiring of agents, lobbyists or intermediaries, except for specific cases authorized by the Company's CEO.



Prohibition to hire officers who have or had been involved in any administrative procedure carried out by the Company.



Employees from Opperar, Colombia.