

RESPONSIBLE SOURCING

Purpose

Ensuring the continuity of the business, capitalizing opportunities and managing the risks which are not directly controlled by the Company by incorporating economic, social and environmental variables in the management of the supply chain.

STRATEGY GRI 103-2	PROGRESS GRI 103-3
<p>Improving and broadening the coverage of the strategic sourcing model.</p>	<ul style="list-style-type: none"> » 16 remote and on-site training modules of the strategic sourcing model were developed for the negotiating teams. » United States was incorporated as a new region and to the Retail Food Business as a new business under the strategic sourcing model, generating thus savings that amounted to COP 4,0 billion. » A total of 335 regional negotiations were carried out in Costa Rica, Mexico, Dominican Republic, Peru, Chile and Colombia. » The strategic sourcing initiative for Grupo Nutresa as a whole addressed 155 categories and achieved savings that amounted to COP 82,17 billion within the operations in Chile, Peru, United States, Central America and Colombia.
<p>Closing sustainable sourcing gaps.</p>	<ul style="list-style-type: none"> » Social and environmental risks were identified in the sourcing chain for Tresmontes Lucchetti in both Chile and Mexico. » A project was started jointly with the World Wildlife Fund (WWF) in order to generate knowledge on and conduct a diagnostic of the palm oil production chain with the purpose of reducing the environmental and social risks inherent to said raw material faced by Grupo Nutresa.
<p>Promoting the implementation of inclusive businesses and the development of organizational capabilities among farmers.</p>	<ul style="list-style-type: none"> » 3 workshops were organized and held, and 54 inclusive business development initiatives were identified to be developed with suppliers. » 2.105 farmers from 34 associations were trained in the organizational development strengthening model.
<p>Incorporating sustainability-focused audits.</p>	<ul style="list-style-type: none"> » A sustainability-focused audit program was implemented with the aim of supplementing the current supplier audit programs. 30 audits were carried out by the Icontec (Colombian Institute of Technical Standards and Certification).

Risks and opportunities

GRI 103-1

Managing responsible sourcing strategies allows Grupo Nutresa to mitigate the risks identified in its purchase categories and which depend on Grupo Nutresa's own operation or on operations of third parties, such as the high volatility in the prices of direct raw materials, shortage of raw materials due to climate change, noncompliance of quality, safety and sustainability practices, low generational replacement intensified by the migration of farmers to the cities, and infringement of Human Rights as a consequence of practices such as child labor, unfair salaries and forced labor.

Environmental and social sustainability criteria have been included into the goods and service supplier selection and hiring stages, and policies related to the sustainable sourcing have been developed. Additionally, the Organization has been consolidating the responsible sourcing model with the aim of fulfilling the needs and expectations of its diverse stakeholders and allowing, thus, to mitigate the risks related to the supply process.



The "Cacao para el Futuro" (Cocoa for the Future) project benefits 55 farmers from the Mid Magdalena and Northeast Antioquia regions in Colombia.

Grupo Nutresa, with the support from specialized organizations such as the WWF, started addressing the risks found in the production chains of the ten main commodities. This is one of the greatest opportunities to achieve, jointly with the suppliers, a reduction in the social and environmental impacts on the agricultural chains.



Production of cashew nuts in the Montes de María region in Colombia. With the support from Grupo Nutresa, the associations strengthen their organizational capabilities.

Outlook

The digital economy is a trend that will impact the sourcing and engagement processes with the suppliers. Currently, a project is being developed with the purpose of achieving a 100% digital engagement with the suppliers, covering the virtual process from the negotiation to the payment. Furthermore, the internal information management processes will intensively use multi-dimensional analysis systems in order to ensure the traceability of the entire supply chain.

The Organization will continue to work on the development of the organizational and community-focused capabilities of the farmers and their base associations with the aim of elevating their and their families' socioeconomic level, boosting income generation, improving their quality of life, and ensuring the continuity of the supply.

The market demand in terms of new products that meet high nutritional, healthiness, sustainability and quality profiles translates into challenges with regard to both the development of and the search for raw materials with a high value added. Co-creation and open innovation will be mechanisms that will facilitate said developments in a collaborative manner with the diverse stakeholders.

Success stories and acknowledgments

GRI 103-3

LEED certification granted to Gestión Cargo

Gestión Cargo's new distribution center was granted the LEED (Leadership in Energy and Environmental Design) certification for its compliance with world-class sustainable construction practices. As a result, the Company achieved a reduction of 165.000 kWh/year in terms of energy consumption and 52 m³/year in terms of water consumption.



Gestión Cargo distribution center, Cartagena.

Winner of the Exemplary Supplier Award in the Large Company category: Racafe & Cía S.C.A.



Incorporation of the National Sesame Seed Federation

With the association of more than 450 farmers from the Colombian region known as Montes de María, the first National Sesame Seed Federation (abbreviated FNA in Spanish) was incorporated. This achievement was the result of the support by both Fundación Nutresa and Compañía de Galletas Noel. The Swedish Embassy and Corporación Reconciliación Colombia (Colombian Reconciliation Corporation) presented these farmers with an award in acknowledgment of their work.

Winners of the second edition of the 2016 Grupo Nutresa Exemplary Supplier event

In this event, 19 accolades were awarded to 14 of approximately 230 companies that participated in both Colombia and Costa Rica. This program is aimed at systematically identifying and recognizing the practices, projects and initiatives related to the economic, social and environmental sustainability of the suppliers.

Winner of the Exemplary Supplier Award in the SME category: Piloto S.A.S.



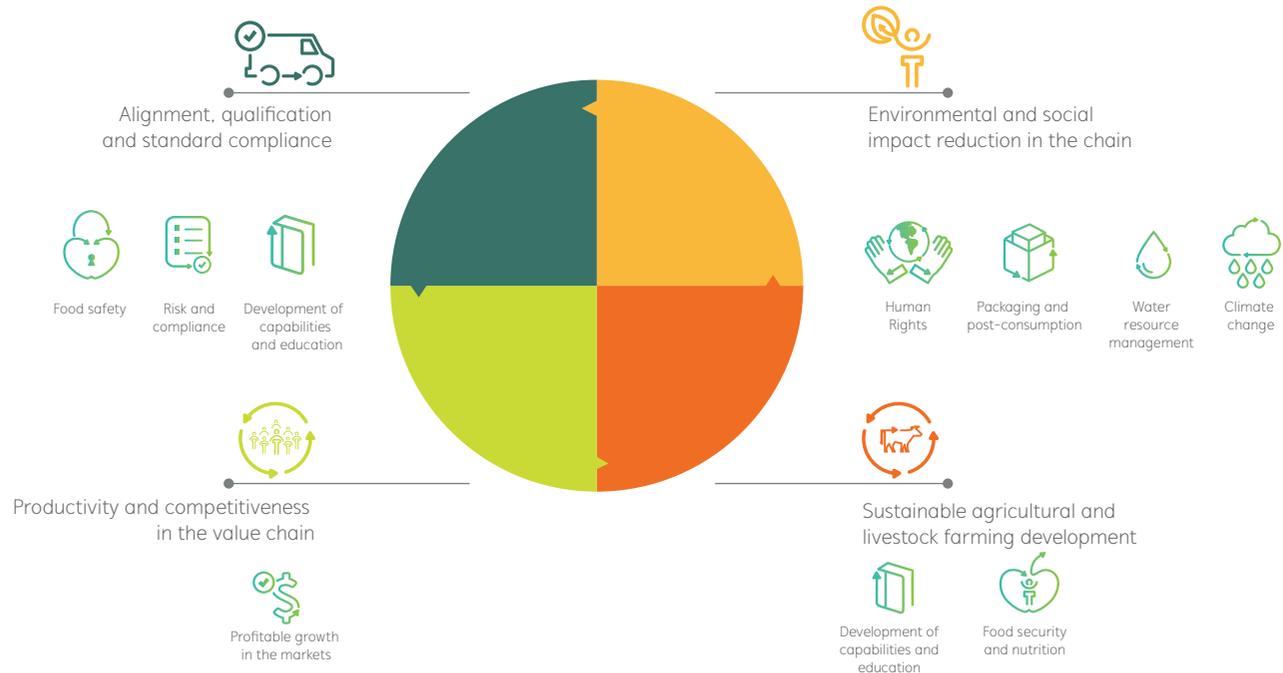
The full list of winners can be found in the following website:



Progress achieved in 2016 GRI 103-3

Responsible sourcing model

This model is aligned with the Organization's material aspects.



Alignment, qualification and standard compliance

Grupo Nutresa has established programs aimed at verifying the level of compliance by the goods and service suppliers with regard to the diverse risks identified, and the Organization has focused on the development of capabilities and skills that simultaneously ensure the closing of gaps and the development of the suppliers.

Suppliers School Program

Through this program, Compañía de Galletas Pozuelo trained 30 suppliers in 2016 in the fields of integrated pest control, commercial safety, and in the services of the portal for suppliers. This same initiative was developed jointly with Fundación Nutresa in Colombia to support small and medium-sized companies in matters such as the master plan focused on cleanliness, integrated pest control and chemical substance handling and management. A total of 67 people participated in the program.

Qualification and increase of capabilities

In 2016, 1,193 raw material, packaging material, service and indirect suppliers were trained with the purpose of increasing their capabilities with regard to integrated management systems, GMOs (Genetically Modified Organisms), sustainability, safety and health at the workplace, human management, diversity and inclusion, Human Rights, and legal compliance, among other matters. 7,252 people attended the training sessions, investing approximately 2,104 hours of study.



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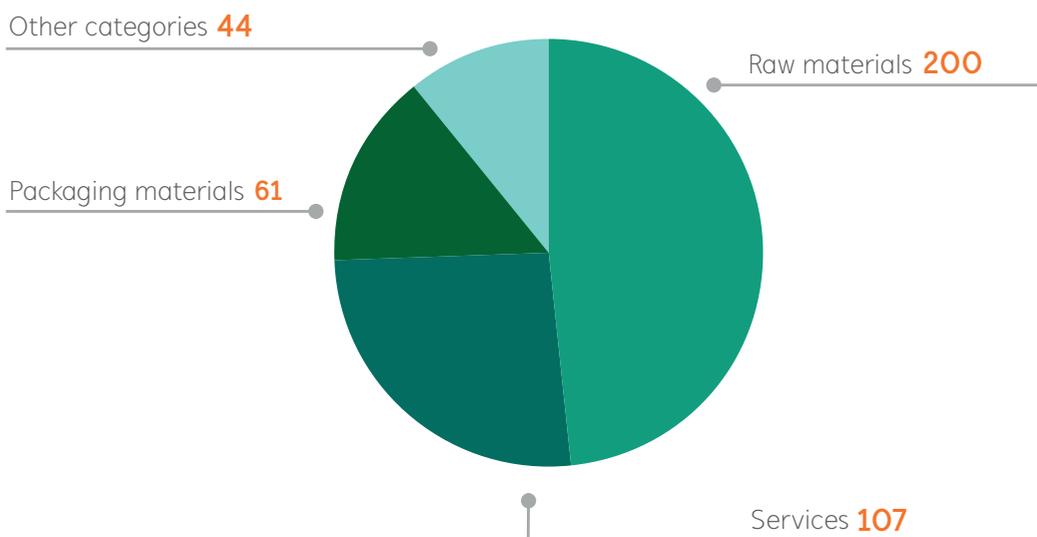


ANDI-CTA supplier development

Within the framework of the supplier development program for companies that are members of the ANDI (Colombian Industrialists Association), in 2016 the Organization started working jointly with four suppliers on strengthening the competitiveness and sustainability of the value chain. This work included the implementation of improvement projects by means of the Decalogue for Supplier Development, a methodology presented by the CTA (Antioquia's Technology Center), which is the institution in charge of the program.

Supplier assessment and auditing

412 audits were conducted to suppliers and contractors with the aim of assuring compliance, gap closing and capability increase in integrated management systems, as well as commercial, logistical and human management matters according to the standards defined by the Organization. From all the assessments, 30 of them correspond to a new sustainability audit program carried out by the Icontec as an independent institution, evaluating subjects related to Human Rights and labor practices, among other topics.



New suppliers that were screened under environmental and social criteria GRI 308-1, GRI 414-1 [SDG 5] [SDG 8] [SDG 16]

Based on the following criteria	Environmental	Social
Colombia	10%	4%
Chile	0%	0%
Costa Rica	100%	50%

Criteria assessed

Environmental: impact on the flora and fauna, use of hazardous substances, increase in waste generation, increase in the consumption of natural resources, climate variability, negative reaction of stakeholders due to the use of genetically modified organisms, larger amount of atmospheric emissions and animal abuse.

Social: unfair salaries and inadequate work environment, child labor, violation of the freedom of association right and of the collective bargaining right, damage to final consumers' health and damage to the neighboring community.

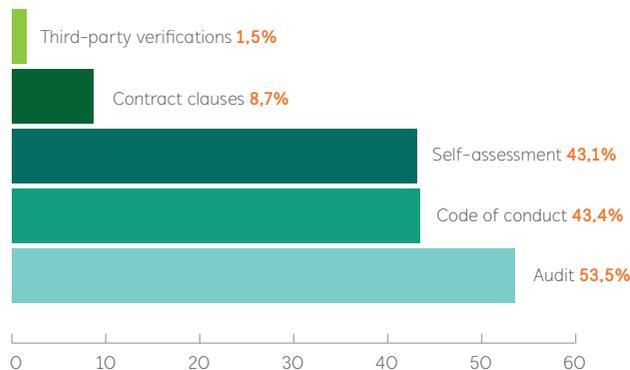
Negative environmental and social impacts in the supply chain and actions taken GRI 308-2, GRI 414-2

Based on the following criteria	Environmental			Social		
	Colombia	Chile	Costa Rica	Colombia	Chile	Costa Rica
Number of suppliers whose impact has been assessed.	139	15	2	93	15	3
Number of suppliers with actual significant negative impacts.	9	7	0	3	4	0
Percentage of suppliers with negative environmental impacts with which improvements have been agreed upon after the assessment.	88,9	0	NA	100	0	NA
Percentage of suppliers with actual and potential significant negative environmental impacts with which the commercial relation has been terminated as a result of the assessment.	0	0	NA	0	0	NA

Environmental: impact on the flora and fauna, use of hazardous substances, increase in waste generation, increase in the consumption of natural resources, climate variability, negative reaction of stakeholders due to the use of genetically modified organisms, larger amount of atmospheric emissions and animal abuse.

Social: application of legal standards related to staff hiring and inadequate work environment, violation of the freedom of association right and of the collective bargaining right, damage to final consumers' health.

Sourcing policy compliance verification mechanisms GRI FP1



Percentage of the volume purchased to critical suppliers, 68% corresponds to suppliers that comply with the Company's purchase policy.

Event for Suppliers in Costa Rica

Servicios Nutresa Costa Rica held its 8th Event for Suppliers with the purpose of aligning the sustainability and innovation strategic goals defined for the Central American companies with the entire sourcing chain.

Connectivity with suppliers

Jointly with the Biscuits Business, a project is being developed with the purpose of achieving a 100% digital relationship with the suppliers, and it has allowed to identify the training and gap-closing needs. This project is supplemented with Fundación Nutresa's digital citizenship training strategy, which includes the participation of cocoa, cashew and blackberry producers from the Montes de María, Chocó and Quindío regions.

Environmental and social impact reduction in the sourcing chain

Sustainable Development Goals (SDG) Workshop

In 2016, the Organization organized and held a workshop with the participation of 18 Colombian and Costa Rican suppliers from different goods categories. It was hosted by Paloma Durán, Director of the U.N. Sustainable Development Goals Fund (SDGF), and its main purpose consisted in addressing the 2030 SDG agenda. Additionally, a discussion session was organized to address the way the organizations are incorporating the SDG into their management or how could they do so in the future. The final result of these workshops was the basis for developing the SDG Universality Report from the private sector, which includes several strategies and recommendations for the organizations to address.



Paloma Durán, Director of the U.N. Sustainable Development Goals Fund.

The report is available at: <http://www.sdgfund.org/sites/default/files/Report-Universality-and-the-SDGs.pdf>



Palm oil chain sustainability project

The purpose of the project consists in conducting a sustainability diagnostic to the palm oil sourcing chain in order to establish strategies, mechanisms, standards and metric systems that allow to reduce the environmental and social risks of the supply of this raw material in Grupo Nutresa's companies. This initiative is executed through a covenant with the WWF and its completion is projected for 2017.

Human Rights

Within the framework of Grupo Nutresa's Human Rights policy and with the purpose of promoting the Diversity and Inclusion policy among the suppliers, the Organization organized an awareness-raising session on this matter with the participation of 28 goods and service suppliers.

Sustainability risk analysis

The Organization expanded the practice of deepening the analysis and assessment of environmental and social risks in the sourcing chain for the 24 categories of direct raw materials in Tresmontes Lucchetti's operations in Chile and Mexico. This analysis is the basis for the design and execution of sustainability risk mitigation and elimination strategies.

To find out more about the actions related to packaging management in the value chain, refer to the *Packaging and post-consumption* chapter.

Employees from Compañía Nacional de Chocolates in a cocoa plantation, Yariguíes Plantation.



Sustainable agricultural and livestock development

Grupo Nutresa has established general guidelines for the sourcing of all its supplies through the Code of Conduct for Suppliers, and it has developed specific guides for the main agricultural supplies (coffee, cocoa, wheat, milk and fruits) with the purpose of promoting sustainable practices in the sourcing of these raw materials. The guides include standards focused the protection of natural resources, good practices related to the use of agrochemicals and GMO traceability, among other topics.

Community-based coffee processing central plant

Colcafé supported the construction and start of operation of a coffee berry processing plant in partnership with the Andes Coffee-Growers Cooperative by means of a donation of more than COP 1,7 billion. The coffee processing central plant, which started operating in May 2016 and is located in the municipality of Ciudad Bolívar (Antioquia, Colombia), benefits more than 600 coffee-growing families. This enterprise pays the coffee growers a product quality premium with the aim of achieving an 80% reduction in the use of water with respect to the traditional coffee processing methodology, and allowing the coffee growers of this region to save the time they would normally had to spend on pulping, washing and drying the coffee beans with the ultimate purpose of improving their quality of life.

Promotion of coffee

By means of alliances and negotiations with international customers, in 2016 the Organization transferred resources that amounted to COP 8,17 billion associated with products certified with the Fairtrade seal. The social premium transferred is mainly used in initiatives focused on plantation productivity and quality, environmental projects, social services, education and other projects covered by this certification.

This is the behavior of the premiums transferred over the past years.

Development of capabilities among small suppliers

Fundación Nutresa supports the social management in base-level rural communities which, through training and education processes, develop business habits that allow them to increase their income and improve their quality of life.

In 2016, the Organization worked on promoting social and business capabilities among more than 2.100 farmers who produce sesame seeds, cashew nuts, coffee berries, blackberries and cocoa beans in five Colombian departments. Moreover, the Organization started operating in the department of Santander, benefiting 220 new cocoa producers, and pre-feasibility studies were conducted for the negotiation with cocoa, milk and honey producers in the departments of Huila, Tolima, Boyacá and Antioquia.

In the case of cocoa production, 122 alliances were supported for the plantation of 23.052 hectares in 24 Colombian departments, an endeavor that benefited 12.281 families.

For further details, please refer to the chapter *Development of capabilities and education*.



Opening of the Farallones Coffee Processing Central Plant.

Fairtrade Coffee					
	2012	2013	2014	2015	2016
Communities benefited	20	22	34	34	32
Premiums paid plus surcharge (COP billions)	3.808	4.469	5.656	7.338	8.170

Promotion of cocoa

For the sustainable development of cocoa farming, the Chocolates Business invested COP 4,95 billion in advisory and training for the producers, and research and alliances with private organizations, governmental institutions and NGOs.

26.619 tons were purchased from 1.223 suppliers with cash payments and, in several cases, payments in advance. Six associations of Fairtrade-certified producers were supported with the purchase of 122,8 tons, which generated quality premiums that totaled COP 76,4 million, allowing to make progress in social investment projects for the producers.

Grupo Nutresa promotes the production of differentiated cocoa by purchasing 105,8 tons of single-origin cocoa (that amount to COP 899,5 million) in the Colombian department of Santander, paying a 10% surcharge over the common cocoa.



Farmers actively participate in the "Fondo Cacao para el Futuro" (Cocoa Fund for the Future), learning technical and business-related concepts. Antioquia, Colombia.

Additionally, 75,7 tons of organic cocoa were purchased for COP 660,3 million, with a surcharge of 7,5%.

The Organization provided 146 training sessions in order to achieve technological transfer of 2.792 farmers by means of a specialized equipment for the agronomic management of cocoa plantations. Furthermore, cocoa-growing-friendly practices were shared with 6.376 farmers via 282.880 free text messages.



Research project in the Yariguíes Plantation, Santander.

"Cacao para el Futuro" private fund

This project gathers private actors that contribute the capital, farmers that contribute the labor and the forest cover of their plantations and experts that ensure the technological package for the adequate sowing, harvesting and processing of cocoa with the purpose of developing the capabilities and improving the quality of life of cocoa growers. In 2016, COP 5,81 billion were invested in this endeavor. Currently, the Fund includes 57 farmers from 11 municipalities who farm 976 hectares.

Yariguíes Plantation training and research center

This center welcomed 701 visitors and renewed its Icontec certification for Good Agricultural Practices, as well as the CO₂ Forest Compensation Program certification. The Colombian Agricultural and Livestock Institute (abbreviated ICA in Spanish) renewed the Center's certification as Producer and Distributor of Vegetative Propagation Material due to the fact that it produced 1.257.317 units of vegetable material and 60 tons of cocoa.



Porcinorte Farm. Angostura, Colombia.

Animal well-being

The Organization has defined pig production management procedures and practices aimed at ensuring not only the compliance with good agricultural and livestock production practices, but also the animal well-being in each one of the farms where Grupo Nutresa operates.

Animals raised and processed, and type of housing GRI FP9, GRI FP11 [SDG 2] [SDG 15]

	2014	2015	2016
Breeding pigs	155.063	161.371	8.882
Fattening pigs			162.791
Pigs in pens	148.100	154.384	163.696
Pigs in crates	6.963	6.987	7.977

*100% of the pigs, no matter their breed, receive the same treatment in the farms.

Policies and practices related to physical alterations and the use of anesthetic G4-FP10

- Notches in the ears of the piglets at birth as part of their individual identification at the core level of the population (that is 6% of all births).
- Piglet tail dock (cut) at birth to 100% of the population with tail clippers, cauterization and disinfection.
- Ear tagging with swine fever tags 100% of the population in their third week after birth.
- Number identification with tattoos made with tattooing hammers on the skin of 100% of the animal population.
- Use of anesthetic and analgesia in surgeries due to hernias or fights among the animals.

Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments G4-FP12 [SDG 2]

- Antibiotics: penicillins, tetracyclines, sulfonamides, enrofloxacin, amoxicillin, streptomycin, florfenicol, tulathromycin.
- Anti-inflammatories: ketoprofen, meloxicam.
- Hormone treatments: oxytocin, prostaglandin, chorionic gonadotropin.
- Growth promotion treatments: ractopamine.



Strengthening the capabilities of wheat suppliers in Chile.

Wheat

Tresmontes Lucchetti organized knowledge transfer and direct support sessions with the participation of 79 wheat suppliers. Diverse topics were addressed in these sessions: improvements to farming techniques (irrigation, fertilization and seeds), operation of the international wheat market, Chilean pricing mechanism, qualities required by the industry, sustainability commitments, wheat improvement and chain-related challenges, among other.

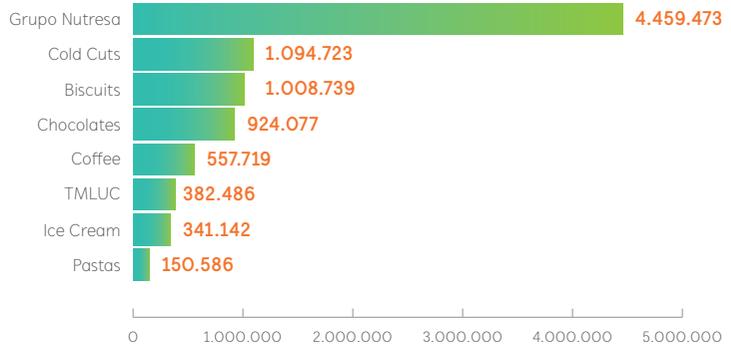
Productivity and competitiveness in the value chain

The strategic sourcing is focused on structuring strategies and models for the negotiation of supply sources that contribute to the competitiveness in all the categories of supplies and services.

In 2016, United States was incorporated as a new region and to the Retail Food Business as a new business under the strategic sourcing model.

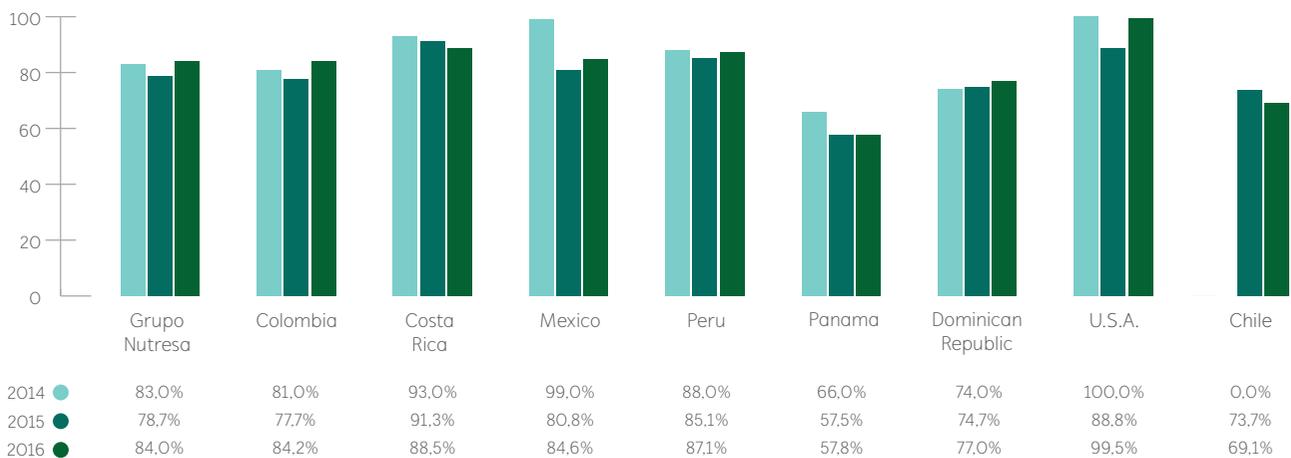
The Organization addressed 155 categories and achieved savings that amounted to COP 82,17 billion within the operations in Chile, Peru, United States, Central America and Colombia.

Purchases in 2016 (COP million)



*Annual purchases by each Business. Retail Food in Colombia and commercializing companies not included.

Grupo Nutresa's local purchases GRI 204-1



*Includes commodities, raw materials, packaging materials, indirect purchases and services. Retail Food in Colombia and commercializing companies not included. Note: local suppliers are those located in each country where the Organization runs significant operations (transformation operations).

Support and service to suppliers

The Organization updated the technological platforms used for addressing the requirements of the suppliers and engaging them through the contact center. In 2016, Grupo Nutresa addressed 31.368 cases, from which 6.137 were associated with the support of logistical, financial and quality-related services.

