

External Performance Evaluation of Board of Directors

Executive Summary

Grupo Nutresa

January 2017

Grupo Nutresa is recognized as the fourth largest Colombian multilatin company¹. This recognition is explained by the sustained growth it has achieved in terms of geographies and performance of its businesses. Currently, Grupo Nutresa has a direct presence in 14 countries with 45 production facilities. Its products are consumed in more than 70 countries on 5 continents.

Grupo Nutresa has 8 food business units, a national and international distribution network and a service center that supports the operation of the group's companies. Corporate headquarters, led by the Board of Directors and the Executive Team, oversees and ensures the sustainability of each of the business units and of the Group as a whole.

Grupo Nutresa frames its strategy and operation with a sustainable development policy that allows the transformation of resources into products and services, while ensuring the generation of value and the balance between the economic profitability, the social inclusion and the reduction of environmental impact. The success of this policy has been recognized by the Dow Jones through the Dow Jones Sustainability Index and the Dow Jones Emerging Markets Index, and by RobecoSAM that, for the second consecutive year, awarded the group with the silver class in its Sustainability YearBook 2016. Also in 2016, Grupo Nutresa received for the second time the Recognition ALAS 20 as a Leading Company in Sustainability.

In the process of consolidation of value generation, Grupo Nutresa is committed to strengthening its Corporate Governance best practices as a signal of ethics and transparency with the market and its shareholders. Thus, for several years the Grupo Nutresa has established the goal of strengthening its Governance structure in line with international and national standards. In 2015, it focused on adopting the majority of the measures contained in the new Colombian *Código País 2014*.

In line with its Corporate Governance best practices, Grupo Nutresa commissioned A.T. Kearney to undertake the third external and independent performance evaluation of its Board of Directors (BOD) as collegiate body. This evaluation measures the performance of key aspects of the BOD, and identifies its strengths and areas for improvement. In addition, this assessment compares the results to those obtained in the last evaluation (2014) by the same consulting group (at that moment, Prospecta, today, A.T. Kearney)

Additionally, and in order to contribute to raising the discussion of the BOD regarding its perspectives on sustainability, this evaluation includes an in-depth component on the understanding and direction of sustainability by the BOD. This component is developed jointly with the Global Reporting Initiative – GRI, and includes the application of a confidential survey to each member of the BOD. This survey allows to understand the perception and measure the alignment of the members of the Board of Directors of Grupo Nutresa in terms of sustainability. The information gathered is analyzed and compared with the results obtained in the study *Leading Sustainability from the Boardroom: The Latin American Case* launched in September 2016.

The performance evaluation, along with the sustainability chapter, allows a critical view of the current functioning of the BOD and propose recommendations that raise the discussion and redirect the role and functioning of the BOD to a superior level of strategic focus.

The methodology used to develop this evaluation is based on the most advanced international standards. Regarding the local standards, it is worth to mention that, after the update of the Colombian *Código País* in 2014, local requirements are much more demanding, raising

¹ Ranking América Economía 2016

several aspects evaluated to a level of international best practices².

Specialized literature and international best practices formulate a series of elements to be taken into account for the optimal functioning of the BODs. The methodology of A.T. Kearney meets these elements through analysis in four dimensions:

1. Structure/Governance
2. Coordination
3. Interaction
4. Strategic Focus

The dimensions are divided into a series of components that group forty-eight (48) specific performance elements, which are evaluated to obtain the qualification in compliance with the local and international best practices of the Board of Directors.

In order to evaluate and compare the performance of the Board of Directors as a governing body to the best local and international practices in the mentioned elements, the A. T. Kearney consulting team conducted in-depth interviews to the seven director and members of the Executive team who interact permanently with the BOD (table 1).

Table 1. Interviews conducted

	Name	Position
Directors	Antonio M. Celia	Chairman (Independent Member)
	David Bojanini	Dependent Member
	Gonzalo Pérez	Dependent Member
	Ma. Clara Aristizábal	Dependent Member
	Jaime Palacio	Independent Member
	Mauricio Reina	Independent Member
	Cipriano López	Independent Member
Executives	Carlos I. Gallego	CEO
	José D. Penagos	VP Corporate Finance
	Jairo González	VP General Secretary
	Sol Beatriz Arango	VP Sustainable development

In addition, it was performed a detailed review of the complete documentation of BOD and its Supporting Committee for the months between January 2015 and October 2016 (Table 2). The documentary review had a duration of one week. The documents that are not of public access were reviewed in the company's facilities, and those public were reviewed from their current version published on the website of Grupo Nutresa.

Table 2. Analyzed Documentation

Type of document	Date
Minutes of SAM (2)	2015-2016
Minutes of BOD (24)	Jan/15 – Oct/16
Audit, Finance and Risk Committee Minutes (11)	Jan/15 – Oct/16
Appointments and Remuneration Committee Minutes (4)	Jan/15 – Oct/16
Committee of Sustainability and Corporate Governance Minutes (4)	Jan/15 – Oct/16
Presentations of BOD and Committees	Vary - Random
External Evaluation BOD	Evaluation 2014
Social Statutes	Apr/15
Code of Good Governance	Jan/16
Code of Conduct	Jan/16
Convention Regulations	Jan/16
BOD Regulations	Jan/16
Survey <i>Código País</i>	2015
Corporate Governance Report	2015
Management Report	2014 y 2015
Work Plan of BOD	2015
Risk Map	2015
Reports Pre-meeting	Vary - Random

All those involved demonstrated, through the interviews and the depth access to the requested information, the interest in providing information and open and frank opinions to the questions of the consulting team.

² The Colombian *Código País* 2014 emerges as the expected accession of Colombia to the OCDE, which established as a requirement the updating of Corporate Governance norms.