

Management Report



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Carlos Ignacio Gallego Palacio
President of Grupo Nutresa

Grupo Nutresa is a human-centered organization that strives for resiliency and competitiveness while being aware of its vulnerability and responsibility. Each day we set out to meet our purpose with hope, conviction, and passion, aware of the need to provide solutions to the global challenges we face.

In 2022, we forged ahead to meet our long-term goals, reviewed our opportunities for improvement, and evolved to serve others better. We also managed different challenges such as the global disruption in supply chains, rising raw material costs, high inflation rates, and higher financing costs – which we addressed with a comprehensive, diversified, and flexible corporate vision. Within this context, we took agile decisions for procuring commodities, accelerated our productivity plans, and managed prices responsibly to keep our products affordable while preserving margins.

We reported improvements in our business model which led to market share gains, expansion of our innovative approach to products and services, and an acceleration of our digital transformation strategy. In ad-

dition, we led initiatives to support the most vulnerable, as we are convinced that companies are at the core of social development and should make true contributions to society.

Our business model operates under a sustainable development framework with long-term goals that pursue value creation for shareholders and stakeholders alike; and include the best environmental, social, and corporate governance practices. In terms of the environment, we made progress in our 2030 Climate Change strategy. This involves managing and leading initiatives that boost the efficient use of resources, the regeneration of ecosystems, and the implementation of strategies to preserve biodiversity.

In 2022, Dow Jones Sustainability World Index acknowledged our commitment to Sustainable Development as the most sustainable food company. This meant top performances in terms of health and nutrition, talent attraction and retention, social reporting, environmental reporting, packaging, water-related risks, and operational eco-efficiency.

The results presented in this *Management Report* are prepared using the standards of the Sustainability Accounting Standards Board (SASB), which links the Company's financial performance to sustainable strategies. Similarly, the progress in climate change commitments is reported under the Task Force on Climate-related Financial Disclosures (TCFD).

Our Capabilities

We are convinced that our sustainable approach to doing business creates value for shareholders while having a positive long-term impact on society. To meet our strategic goals, we build a capabilities map with specific goals under the three dimensions of sustainable development: Cooperating with people, allies, and society; Preserving the planet; and Inspiring development, growth, and innovation.

Cooperating with people, allies, and society

Human development

The overall well-being of our people is a priority for Grupo Nutresa. We are fully aware that people are key to meeting our corporate dreams, and that they contribute daily, through their work, to build a better world.

In 2022, we focused our talent management strategies on leadership skills, physical and mental well-being, and inclusion and diversity. We promoted initiatives on conscious, inspiring, and accessible leadership, where our people can be vulnerable, as well as adaptable and resilient. We continued our inclusion programs focused on young adults and women, considering the impact of the pandemic on job losses and diminished opportunities for these segments of the population. We also led gender equality programs hoping to expand the participation of women in managerial positions and other professional roles historically held by men.

We consolidated the self-development model for our teams, seeking to boost the knowledge and skills required to take on the challenges of the Organization. Likewise, we continued adopting new technologies and ways of working, with hybrid work taking center stage during this period. In terms of Human Rights, we updated our Diversity, Equality, and Inclusion policy, and strengthened our relationship with expert partners such as the United Nations.

The initiatives we implemented for the overall development of our people, ranked us as the best employer in the food sector in Colombia according to Merco Talento 2022. This result highlights our teams' commitment and sense of belonging.

Furthermore, in Chile, we were awarded the Carlos Vial Espantoso prize for our commitment to human development and occupational health & safety preventive management. In Panama, the Ministry of Social Development recognized us as a Business Partner, for our dedication to providing job opportunities to socially vulnerable young adults.

Community potential development

The ongoing development of communities is a driver of progress that strives for a more equitable society – and a constant in our Company's strategy.

In 2022, we continued to support initiatives that foster development in our regions, with close to 94 projects in Chile, Ecuador, Costa Rica, Mexico, Dominican Republic, and Colombia. In terms of education, we helped to improve the quality of education by supporting 116 schools and 685 teachers in Colombia through the Leaders and School Management model of Fundación Nutresa.

We also held discussions in the regions to help build collaborative solutions so young adults can successfully access education, employment, and entrepreneurial opportunities. These tasks, along with other programs such as the CUEE (University, Enterprise, and State Committee), and Futuro Nutresa, helped create new opportunities for 9,414 young adults, between the ages of 18 and 28 years old.

Grupo Nutresa's consolidated social investment in 2022 reached COP 139 billion. These resources were geared to different programs reaching 388,586 clients and suppliers; and included initiatives to promote access to new technologies for improved productivity and competitiveness; leadership skills and teamwork; and business practices enhancement.

We remain committed to initiatives that facilitate the availability, safety, and access of food to those in need. Through donations to local food banks, programs such as Germinar, and other initiatives that promote healthy lifestyles, we are supporting more than 1,536,200 people in the countries where we operate.

Lastly, we reinforced the solidarity of more than 12,580 volunteers from our Organization, who generously contributed more than 23,290 hours in 15,616 initiatives in the region.

R&D and effective innovation

Research and innovation pave the way for the Company's future development and help build the necessary skills to inspire the changes we wish to see in the world.

To Grupo Nutresa, innovation refers to the constant transformation of processes, products, and services that promote dynamic, proactive, and flexible models that meet ever-changing consumer needs. In recent years, this strategic capacity has played a major role in our decision to launch new products and services with health and nutrition features, to create new business models and alternate ways to reach consumers; and to develop initiatives that benefit the planet.

During the year, we launched TRIBIO, a new project that focuses on circularity and the efficient use of Grupo Nutresa's by-products. This initiative, developed in collaboration with local and international players, includes edible spoons for restaurants, and bio-pellets that are subsequently transformed into biodegradable products.

In our 2022 indicators, we reported an increase of 25,3% in our innovative products. Launches included products that benefit health, well-being, and nutrition, such as Pietrán's cold cuts, Tosh's beverages and spreads, and Lucchetti's gluten-free whole-grain pasta, among others. During the year, product innovations represented 16,1% of the Group's total sales.

Nutrition, health, and well-being

In Grupo Nutresa, we strive every day to create foods that contribute to health, nutrition, and well-being; while transforming our existing portfolio to improve the nutritional profiles of our products. As far as our portfolio transformation, we executed reformulations in Levean, Zuko, Pietrán, Zenú, Kryzpo, and Pícaras; expanded the offering of brands such as Tosh, Crem Helado, and Granuts, and accelerated product launches of nutrition-focused brands such as Bénet, Kibo, and Chocolisto.

This year, 45,7% of the Group's innovations were enhanced with healthier and more nutritive profiles, while 763 products in the current portfolio were reformulated to reduce sugar, sodium, and fat content. Similarly, we voluntarily included nutritional information on the front panel of our packaging, while regulations continue to advance in the different countries where we operate.

Preserving the plant

Responsible and productive sourcing

Collaborative efforts with our value chain partners focus on pursuing and implementing high levels of productivity and competitiveness that are environmentally-friendly and offer dignified job opportunities. Grupo Nutresa's network, with more than 16,100 suppliers, proved its strength and adaptability in 2022, allowing us to successfully manage global logistical constraints, supply challenges, and commodity price volatility.

To properly manage these risks, the Company worked hard with partners, constantly monitoring the market to capture opportunities and expand the hedging of our commodities basket. Likewise, we enhanced the capabilities of the value chain by providing training courses on innovation, sustainability, and productivity, which reached 1,912 suppliers.

We led 130 initiatives to advance toward the goal of having, by 2030, 100% of our main commodities supplied in a productive and sustainable way, while caring for biodiversity. We also reached savings in the Organization's procurement using multiple initiatives to increase competitiveness and efficiency levels.

Environment and circular solutions

Ecosystem preservation and sustainability is an ongoing challenge for governments, businesses, and societies.

Global cooperation settings, such as the COP27 summit, have ratified the priorities for the business sector, which include reducing greenhouse gas emissions, implementing programs for climate change adaptation, and reducing deforestation levels.

To contribute to these goals, Grupo Nutresa made progress in enhancing capabilities related to the environment and circular solutions. The aim is to reduce 40% of the scopes 1 and 2 greenhouse gas emissions, reduce 25% of nonrenewable energy consumption, design 100% of packaging with recyclable, reusable, and compostable features, and reduce 30% of food loss and 50% of food waste – all by 2030. In 2022, we reduced 11,3% of our greenhouse gas emissions, mainly by increasing the consumption of renewable energy, which reached 89,1% of the total energy used. As a Group, 87,2% of our packaging is designed to be recyclable, reusable, or compostable; and we currently have 40 brands meeting 100% of this goal.

Inspiring development, growth, and innovation

Brands, networks, and experiences

Our business model is built on three pillars: a portfolio of leading brands; go-to-market capabilities; and a talented team committed to building a better world where development is for all.

Through the brands and experiences we offer, we have the opportunity to engage with our consumers on a daily basis, understand their requirements, and anticipate their needs. Our brands undergo a continuous transformation process in order to keep relevant and align their objectives with the needs of consumers and the challenges of the world.

We currently have 47 brands across our portfolio that hold the number 1, 2, or 3 positions in market share in the 20 food and beverage categories we participate in. These brands represent 58,0% of the total sales of the Group and contribute 52,8% to the Organization's total revenue growth.

In terms of our go-to-market capabilities, we pushed forward the application of digital tools to improve the shopping experience of customers, shoppers, and consumers, and to understand them better. We also applied predictive analytics and expanded our direct-to-consumer channels, which led to an increase in loyalty to the products and services we offer.

C. I. Nutrading, an initiative that pursues the internationalization of other companies through Grupo Nutresa's networks, made major breakthroughs, placing products from the food, beverage, and housekeeping sectors in relevant regional markets.

Digital transformation

Digital transformation enhances Grupo Nutresa's progress, including every internal area of the business extending to the connection and communication with society.

Our model begins with the transformation of our teams' culture and seeks to empower them by using tools that create value in digital processes and services, enabling us to be more agile, adaptive, and consumer-centric.

In 2022, we expanded the digital presence of our brands, creating closer ties with suppliers, clients, shoppers, and consumers. We also advanced in new digital processes in the field of restaurants, direct sales, and new commercial models.

We made progress in the use of analytics, using scientific models for portfolio segmentation and

data management technology to gain efficiencies and develop new avenues of innovation and growth for the Organization. Grupo Nutresa's digital sales currently represent 4,1% of total sales.

Competitiveness and increasing value generation

Sustainable value generation over time is one of the main strategic focuses of our Organization. We are driven by the chance to provide real benefits to humanity and the planet through what we do. Hence, we recognize the importance of ongoing reflection, evolution, and improvement of our capabilities.

Agility, flexibility, and consistency in the strategy were priorities used to drive the challenges and make good use of the opportunities observed this year.

Commercially, we are pleased to report that every region and business of the Group displayed double-digit revenue growth in 2022, particularly Coffee and Biscuits, posting above-average increases.

In the Group's consolidated revenue, we report COP 17.0 trillion, up 33.8% compared to the prior year. In Colombia, revenue reached COP 10.1 trillion, up 29,9%, a figure backed by the positive dynamics of all distribution channels, and of the main categories in which the Group participates. In 2022, sales in Colombia represented 59,3% of total sales.

International sales, in Colombian Pesos, amounted to COP 6.9 trillion, up 39,7%, representing 40,7% of total revenue. These sales, in U.S. dollars, amounted to USD 1.6 billion, up 22.5%. Exports from Colombia reached USD 445 million, with an increase of 33,9%.

The challenges of the global supply chain along with the increased costs of commodities led to inflationary pressures in 2022. These circumstances were managed with our organizational capacities and the support of multiple stakeholders in our value chain who joined us to assure a timely and efficient supply. The Company's gross reached COP 6.2 trillion, which represented a 21.7% increase.

Operating expenses were a reflection of the Group's productivity and efficiency-driven management. Every expense category increased at a slower pace compared to revenues, resulting in an operating profit of COP 1.5 trillion, up 36.3%. Similarly, the Group's consolidated EBITDA was COP 1.97 trillion, up 28.6%, with a margin of 11.6%. Net post-operating expenses were COP 245 billion, mainly as a result of increased financial rates in the cost of debt.

Net consolidated profit reached COP 882 billion, up 30.4% with a margin of 5.2%.

In the Statement of Financial Position, we report assets for COP 20.8 trillion, up 22.4%, mainly explained by an increase in working capital accounts, and a higher market value of our long-term strategic investments.

Total liabilities displayed a consolidated figure of COP 9.9 trillion, representing a 25.8% increase mainly due to working capital increases and a higher stock of debt required to support the Group's accelerated growth.

Equity reported COP 10.8 trillion, up 19.5% compared to 2021.

In other relevant financial indicators, we report an operating cash flow reduction of COP 531 billion, mainly due to the investment in working capital to assure business continuity. The Group's solvency and liquidity levels remain strong, with indicators of 2.1 times and 1.8 times, respectively. On the other hand, the accumulated return on capital invested increased 252 bps, to 11.6% by year-end.

Accumulating daily progress toward our goals is key to maintaining our capacity to generate value in the future. This year, we pushed our long-term goals forward and ended 2022 with new strong capacities to face the years ahead.

In 2022, the Company's shareholders received three successive non-solicited bids. Our shareholders evaluated these offers freely and independently. The last two offers, made by different corporations, were declared void by the Colombian Stock Exchange.

Individual results of Grupo Nutresa S. A.

In compliance with Colombian regulations, we report the individual results of Grupo Nutresa S. A.: Net operating revenue of COP 896 billion, of which COP 806 billion corresponds to the profit from the equity method of our investments in food companies, and COP 90 billion refer to dividends from the investments portfolio. Net profit was COP 883 billion.

Outlook

Our outlook for 2023 is hopeful, as we remain certain that in difficult times there are great opportunities to learn, enhance and evolve.

This year, we will face challenges in consumers' purchasing power, and the inflationary pressures will force us to adjust our portfolio to ensure affordability and timeliness. We will continue to make progress in the Organization's digital transformation in order to improve our communication with consumers, streamline processes, and reach the market in an increasingly timely fashion. Similarly, we will remain connected to different global ecosystems that propose initiatives to take care of the environment. The sustainability of the planet is everybody's business and we should continue to transform our business to this end.

Acknowledgments

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We wish to thank our employees for their dedication, loyalty, and energy to meet the goals of the Company; and those who have retired that helped us build the Company we are today, and who remain connected to the purpose that drives this Organization.

To our extended team, suppliers, clients, shoppers, consumers, and other stakeholders, for their trust in our business model, which allows us to keep growing and making progress together.

And lastly, to our shareholders, for supporting and believing in the higher purpose of this Organization: **To build a better world in which development is for all.**

Jaime Alberto Palacio Botero

Chairman of the Board of Directors

Andrés Felipe Arango Botero
Juan Constantino Martínez Bravo
Luis Felipe Hoyos Vieira
Jesús Vallejo Mejía
Christian Murrle Rojas
Ricardo Fandiño de la Calle

Carlos Ignacio Gallego Palacio

President of Grupo Nutresa