



CEO WATER MANDATE REPORT  
Communication On Progress 15-10-2013  
Grupo Nutresa

**GRUPO NUTRESA**  
**CEO WATER MANDATE REPORT**



Medellín, October 2013

## 1. COMPANY PROFILE

In Grupo Nutresa, we have adopted Sustainable Development as a surrounding framework for our strategic objectives and corporate action, to attain results that achieve a beneficial equilibrium for all the stakeholders related to our organization.

### STRATEGIC OBJECTIVES



#### Our Corporate Model

Our Centennial strategy is aimed at achieving sales for **10 Trillion Colombian Pesos\***, in 2020, with sustained profitability between 12% and 14% of the EBITDA margin. To achieve this, we offer our consumers **recognized and beloved brands** of foods that nourish, generate wellness and pleasure, and that are distinguished by **the best price/value relation**; they are widely available in our strategic region, managed by talented, innovative, committed and responsible people, who contribute to sustainable development.

\* Through organic growth

#### Our 2005 – 2015 Multi – Latin Vision

Our Centennial Vision reflects what is in effect at this time, so that the long – term goals that we had set are now the sprint to reach the longer goal, that of 2020.

The 2015 multi – Latin vision states: **"Together, we will double our food business in 2010 and triple it by 2015\*, by providing quality of life to consumers with products that satisfy their aspirations for wellness, nutrition and pleasure."**

\* With sustained profitability between 12% and 14% of the EBITDA margin

#### Mission

The mission of our company is

- **Creating increased value**, achieving an outstanding return on investments, greater than the cost of capital employed.
- In our food businesses, we always seek to improve **consumer quality of life and the progress of our people**.
- We look for **profitable growth** with leading brands, superior service and excellent national and international distribution.
- We are committed to the management of our activities by being **committed to Sustainable Development**, with the best human talent, outstanding innovation and exemplary corporate behavior.



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We present our **Annual and Sustainability Report 2012**, which we have divided into three sections: Increasing Value Generation, For a Better Society, and Our Planet, which reflect our progress in the economic, social and environmental dimensions, respectively.

The Sustainability Report, like our two previous reports, has been rated A+, awarded by the Global Reporting Initiative (GRI), according to the GRI G.3 guideline. This recognition has been achieved after verification of compliance made under the ISAE 3000 international standard and the favorable concept of Klynveld Peat Marwick Goerdeler (KPMG). Please see the Independent Auditor's letter on pages 62 and 63, at the following link: <http://publ.com/HufUH5y>.

Our efforts to be a sustainable company were recognized once again. For the third consecutive year, we have been included in the **Sustainability Yearbook by RobecoSAM**, and we have been part of the Dow Jones Sustainability World Index since 2011. We are among the leading food companies in sustainability in the world; in 2012, this Index was composed of eight companies and Grupo Nutresa is the only company in Latin America and in a developing country to be part of this Index.

In line with our framework and as citizens of the world, we give special priority to ensure that our corporate interaction with the environment is conducted responsibly, contributing to its equilibrium, the efficient use of natural resources and the harmonious relationship with our planet.

We are aware that one of the main challenges of the global food industry, of which we are protagonists, are the effects of climate change and its impact on the supply and prices of raw materials and the use of agricultural food supplies for energy production. Our commitment to address this issue is to focus our attention on the ongoing search for greater energy efficiency and the use of cleaner technologies, which lead to a reduction in Greenhouse Gases (GHG) and a more efficient use of water, energy and raw materials in all our processes and products.

We further recognize the multiplier results of collective achievements and we seek to educate our suppliers in the framework of environmental sustainability and climate change. We work collaboratively with governments and organizations in the adoption of programs and policies to guide responsible business behavior with the environment.

We prioritize proactive management and prevention to avoid and manage environmental impacts and we seek the commitment of all our employees for a responsible, harmonious relationship with the environment, not only in their work processes but also in their daily life and their coexistence with the community.

## OUR CORPORATE ENVIRONMENTAL POLICY

Under this framework for action and commitment, our Corporate Environmental Policy, an essential element of our commitment to Sustainable Development, is governed by the following basic principles:

- A harmonious relationship between profitable growth and environmental performance.
- The rational use of resources and consideration of environmental impact, as a key variable, from the planning of projects, processes and products.
- The implementation of good environmental practices and the adoption of clean technologies that minimize effects on the environment and which are used with a criterion of eco – efficiency.
- Proactive environmental management, aimed at preventing and controlling environmental impacts.
- The development of an environmental culture in our employees, which is conveyed to our working and social environment and the community in general.

We consider it essential to encourage eco – efficient projects and practices permanently, seeking savings and efficacy in processes with better industrial performance, using appropriate, environmentally friendly technologies and establishing progress indicators and goals regarding the use of natural resources.


**OUR STRATEGY AND COMMITMENT TO THE YEAR 2020**

We have set the following strategic objectives and commitments, to improve our environmental performance, taking 2010 as the base year:



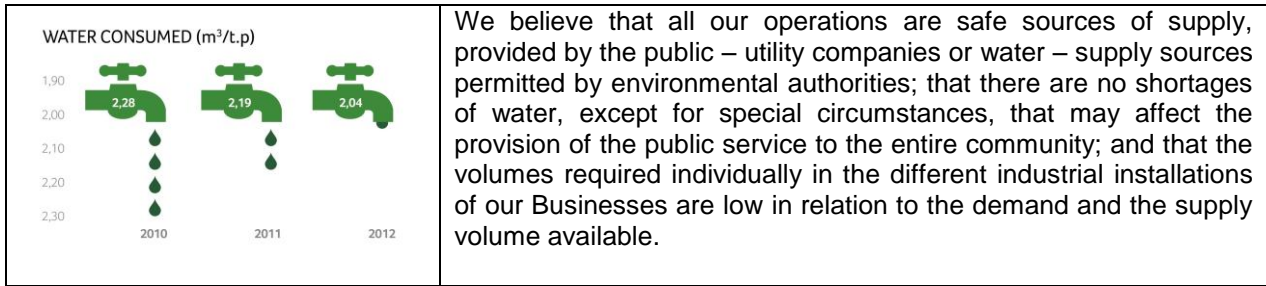
- Apply the eco-efficiency criteria as a key variable to develop projects and products.
- Focus of the life-cycle of products to improve environmental performance.
- Ensure that 100% of the operations have certified environmental-management systems.
- \*Includes the use of biomass.
- \*\*/Greenhouse-Gas (GHG) Emissions include scopes 1 and 2
- Base year 2010

**TABLE 1. COMMITMENTS FOR THE YEAR 2020**

	<p>We have a corporate goal to reduce specific water consumption by 30% by 2020, based on our 2010 consumption.</p> <p>In the period 2010 – 2012, we made significant progress in this goal, with a 10,9% decrease in water consumption per ton produced. For this, we have significantly strengthened our industrial processes.</p>
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**CEO WATER MANDATE REPORT**  
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 Grupo Nutresa

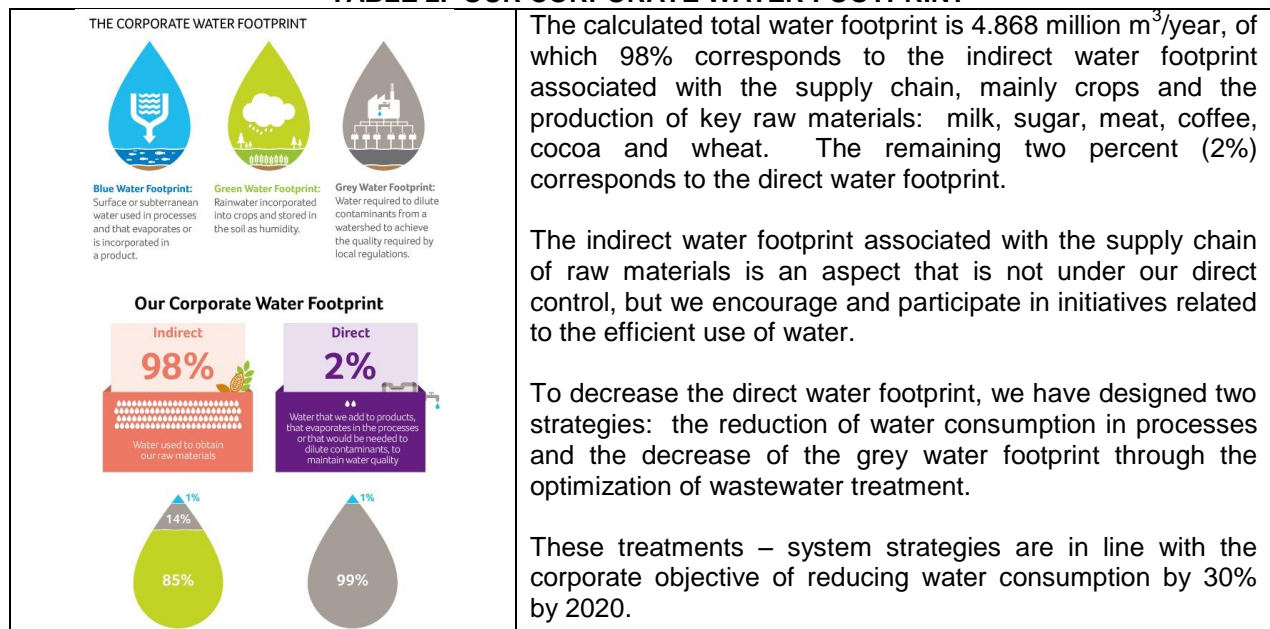


Of the 22 Grupo Nutresa production plants associated with the provision of drinking water, 16 are served by 11 public utility companies; the remaining six have their own source of supply.

None of the Grupo Nutresa plants are located in water – stress areas or zones; this is because Colombia has a per – capita availability of 45,408 m<sup>3</sup> per year (source: *IDEAM*). In fact, in analyzing these values by hydrological zones to 2019, the area of least per – capita availability of 45,408 m<sup>3</sup> per year (source: *IDEAM*). In fact, in analyzing these values by hydrological water availability will be 2.460 m<sup>3</sup> per year, well above the value defined by the UN for scarcity, which is between 1.000 and 1.700 m<sup>3</sup> per capita per year.

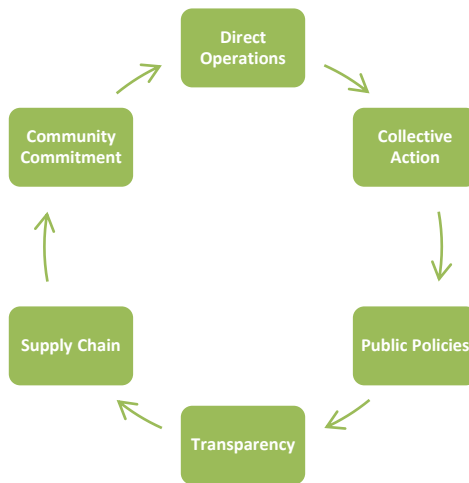
We conducted the project to calculate our Corporate Water Footprint in our plants in Colombia, in order to determine where Grupo Nutresa’s most significant impacts on water resources are, in order to formulate a response strategy to reduce, mitigate and compensate these impacts. The study was carried out with GAIA Environmental Services and presented for certification by the Water Footprint Network (WFN), which verifies that the global standards established in The Water Footprint Assessment Manual have been correctly applied. This is one of the first works reviewed in Latin America, and – considering the interest that it motivates – we have been invited to present the findings of this study on its Website.

**TABLE 2. OUR CORPORATE WATER FOOTPRINT**



Grupo Nutresa has joined the CEO Water Mandate, a program of the United Nations Global Compact. It is the first company in the Latin America real sector that has joined it. We hope to lead programs to manage water resources, in their direct and indirect impact, and we support the development of sustainability strategies and policies regarding the use of these resources.

The next graph describes Grupo Nutresa's advance in the six commitments established by the CEO Water Mandate.



**FIGURE 1. THE SIX PRINCIPLES OF THE CEO WATER MANDATE**

## 2. DIRECT OPERATIONS

Water is one of the most important resources for our operations, as an ingredient for our formulations and in all our manufacturing processes.

### 2.1. Water Use in Our Direct Operations

The systematic monitoring of water use in our plants is found in the document management software of each one of the businesses. This registers the monthly record of industrial water consumption and the characterization of the dumping of industrial wastewater at maximum intervals of one year.

Table 3 presents the characteristics of the 22 Grupo Nutresa production plants associated with drinking water, finding that 16 of these plants are being served by 11 public – utility companies; the remaining six have their own source of supply. In these plants in Colombia, nearly 1,4 million m<sup>3</sup>/year are consumed.

**TABLE 3. INTENSITY OF WATER USE IN INDUSTRIAL PLANTS IN COLOMBIA**

N°	Business	Plant	Supplier	m <sup>3</sup> /year consumption	m <sup>3</sup> /t.p. Intensity of Consumption
1	Mushrooms	Setas	Own Superficial Source	147.451,0	22,86
2	Pastas	Doria	Municipal Aqueduct	32.408,0	0,24
3		Comarrico	Municipal Aqueduct	9.809,0	0,79



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N°	Business	Plant	Supplier	m <sup>3</sup> /year consumption	m <sup>3</sup> /t.p. Intensity of Consumption
4	Ice Cream	Bogotá	Municipal Aqueduct	86.790,0	4,07
5		Manizales	Municipal Aqueduct	36.267,7	2,16
6		Armenia	Municipal Aqueduct	45.308,0	6,04
7	Chocolates	Rionegro	Mixed	99.033,0	2,95
8		Bogotá	Municipal Aqueduct	19.796,0	0,74
9	Cold Cuts	Medellín	Municipal Aqueduct	294.101,0	6,58
10		Envigado	Municipal Aqueduct	45.693,0	1,23
11		Rionegro	Mixed	4.142,0	6,82
12		La Ceja	Mixed	46.571,8	6,74
13		Barranquilla	Municipal Aqueduct	60.762,6	3,37
14		Caloto	Municipal Aqueduct	98.058,0	8,62
15		Bogotá	Mixed	140.829,0	4,63
16	Coffee	Medellín	Municipal Aqueduct	267.621,0	17,24
17		Bogotá	Municipal Aqueduct	6.251,0	0,46
18		<i>Aliadas</i>	Municipal Aqueduct	131.297,0	43,66
19		<i>Tropical</i>	Municipal Aqueduct	10.385,0	1,74
20	Biscuits	<i>Molino Santa Marta</i>	Municipal Aqueduct	5.996,0	0,10
21		<i>Molino Buga</i>	Municipal Aqueduct	2.530,9	0,05
22		<i>Noel</i>	Municipal Aqueduct	92.675,0	0,94

The plants that have the highest consumption of water per year are Cold Cuts, Medellín; Coffee, Medellín; *Setas* (Mushrooms); and Cold Cuts, Bogotá.

Water consumption in the majority of our processes, besides being wet processes, is also associated with the washing of equipment and facilities, for the hygienic characteristics that must be conserved in working with food. Another part is used to be added to products and to generate steam, which is used in thermal processes.


## 2.2 Our Objectives

In the introduction to this report in Table 1, we have presented the objectives that are part of Grupo Nutresa's 2020 Corporate Strategy.

## 2.3 Investing in and Using New Technologies

Within Grupo Nutresa, there are initiatives for the efficient use of water, which seek to reduce consumption within operations, as presented in the table below with three projects, one for the Coffee Business, one for the Pasta Business and the last one for the Cold Cut Business.

**TABLE 4. PROJECTS FOR EFFICIENT WATER USE IN OPERATIONS**

PROJECT DESCRIPTION	ENVIRONMENTAL BENEFITS	
<p style="text-align: center;"><b>Condensate Recuperation Coffee Business</b></p> <p>As part of the process to optimize water consumption and take advantage of thermal energy, COLCAFÉ built a pipe network with condensate traps to recover the condensed water in the steam distribution network and return it to the water supply for the boilers.</p> <p>The recuperated water contributed to decrease the consumption of soft water (drinking water) and energy required to raise the temperature of the water.</p>	<p>A total of <b>19.555 m<sup>3</sup></b> of steam condensate is recovered each year, equal to 6,8% of the annual consumption in the COLCAFÉ plant and 4,7% of the annual water consumption of the business.</p>	
<p style="text-align: center;"><b>Reuse of Treated Wastewater Pasta Business</b></p> <p>The <i>Pastas Doria</i> plant in Mosquera has a Wastewater Treatment Plant, which – thanks to its high efficiency and percentage of pollutant removal – generates optimal dumping conditions for the water to be reused in the company's sanitary services. The project begun in 2008 was implemented in two stages; in 2012, the treated water was connected to 50 sanitary services, thus covering 100% with recovered water. In addition, this treated water is used for irrigation in some green areas and for washing exteriors.</p>	<p>This promotes the culture of saving and reusing water.</p> <p>Reduction in the consumption of drinking water and dumping:</p> <p>2010: 754 m<sup>3</sup> / year 2011: 1.043 m<sup>3</sup> / year 2012: 1.259 m<sup>3</sup> / year</p>	
<p style="text-align: center;"><b>Efficient Cooling System (Cooling Tower) Cold Cut Business</b></p> <p>This project includes the installation of a new sand filter for increased capacity in the recirculation system and the adaptation of the water storage tank for recirculation.</p>	<p>The decrease in consumption of 12.752 m<sup>3</sup> per year</p>	

#### 2.4 Awareness in Water Use at the Corporate Level

Each one of the plants has a Plan for the Efficient Use and Saving of Water, in which productive activities are defined from a diagnosis of the process, to reduce water consumption without affecting the quality of the processes.

Likewise, in each one of the plants, there is permanent environmental awareness regarding the rational use of water resources in both production activities as well as in the home of each one of our employees.



## 2.5 Considerations for Decision Making at the Corporate Level

As part of our corporate model, the responsibility of each business is to contribute to the fulfillment of the goal of reducing water consumption per ton produced by 30% by 2020. Each Business determines which new technologies it can implement in which processes to achieve a substantial reduction in consumption and optimize the resource. Each Business has the annual resources for these investments and each of the heads (Presidents) of each Business are evaluated according to the fulfillment of the reduction; his or her annual compensation will vary according to the results obtained.

## 3. THE SUPPLY CHAIN AND WATERSHED MANAGEMENT

Agriculture is responsible for 70% of the water consumed in the world and it plays an important role on the indirect operations of Group Nutresa, being a food-sector company that directly depends on agricultural operations. This leads Grupo Nutresa to acquire an indirect commitment with its supply chain and watershed management.

### 3.1 Our Impact on the Supply Chain

We conducted the project to calculate our Corporate Water Footprint in our plants in Colombia, in order to determine where the Group's most significant impacts are on water sources. The total Water Footprint calculated is 4.868 million m<sup>3</sup>/year, of which 98% corresponds to the indirect Water Footprint associated with the supply chain, mainly from crops and the production of key raw materials: milk, sugar, meat, coffee, cocoa and wheat. The remaining two percent (2%) corresponds to the direct Water Footprint. At the beginning of the document in Table 2, we have presented the results of the study of our Water Footprint.

Our work in providing raw materials has been driven by the Chocolate Business. To promote the development of cocoa crops, in 2010 the **Cacao para el Futuro** Private Capital Fund was created, as a new private – investment tool that contributes to the dynamics of the domestic capital market in the country, generating resources to develop farmers and strengthen them as small entrepreneurs.

	<p><b>COMMITTED TO FARMERS</b></p> <p>On the other hand, the Procurement and Development area of <i>Compañía Nacional de Chocolates</i> has four field technicians and six professionals who advise potential and current cocoa farmers in the country. In 2012, they held 37 technical training sessions attended by 563 producers. Applied research is also conducted.</p>
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The Company provided 164.400 seeds to increase the areas planted with outstanding varieties of cocoa; it continued the evaluation of 30 new varieties of cocoa and conducted experiments to improve pest control in cocoa and fruit retention.

The projects that have been developed allow improving the yields in the production of cocoa per hectare from 400 kg/ha/year to some 1.500 kg/ha/year, which means greater production with the same amount of water, increasing the efficiency in water use and reducing Grupo Nutresa's Indirect Water Footprint.

### 3.2 Analyzing and Responding to Basic Risks

None of the Grupo Nutresa plants are found in water – stress areas or zones; this is because Colombia has a per – capita availability of 45,408 m<sup>3</sup> per year (source: *IDEAM*). In fact, in analyzing these values by hydrological zones to 2019, the area of least per – capita water availability will be 2.460 m<sup>3</sup> per year, well above the value defined by the UN for scarcity, which is between 1.000 and 1.700 m<sup>3</sup> per capita per year.

While Colombia is a country with abundant water resources, competition among different branches of the economy and the increasing degradation of water quality due to the lack of treatment of discharges, created conditions of risk for the availability of water required by Grupo Nutresa. For this reason, within its initiatives, Grupo Nutresa has joined the **Water Fund created by Empresas Públicas de Medellín (EPM)**, the local public – utilities company. Thus fund is called **Corporación CUENCAVIVA**; its purpose is the procurement, administration, management, investment, assignment and disposition of financial resources aimed to protect, maintain and preserve environmental services, especially water, in the supply basins of the reservoirs that provide water to the municipalities of the *Aburrá Valley*. This is a proposal for environmental sustainability executed by *Empresas Públicas de Medellín* with some founding partners; it includes the comprehensive management of the water resource, the recovery of vegetation in the catchment areas of reservoirs and watersheds that supply the aqueducts, the monitoring of protected areas and environmental education in nearby communities. We wish to highlight that one of the founding partners of *Corporación CUENCAVIVA* is Nature Conservancy, an entity that has pioneered programs for the conservation of watersheds and priority areas, through mechanisms that promote the partnership of public and private entities, as has occurred in this case.

In the particular case of the Chocolate Business, through the projects for the technical strengthening of the cocoa crops, improvements in the per – hectare yields of cocoa crops have been achieved, from a production of 400 kg/ha/year to some 1.500 kg/ha in the same period, which means greater production with the same amount of water, increasing the efficiency in water use and reducing Grupo Nutresa's Indirect Water Footprint, as well as greater profitability for the farmers.

### 3.3 Sharing Sustainability Practices with Suppliers

Since 2010, we have developed a close working relationship with our suppliers, making them aware of our corporate Sustainable – Development management models, which has allowed us to develop joint strategies to reduce the consumption of resources and obtain supplies with a lower environmental impact.

### 3.4 Encourage our Principal Suppliers to Report Periodically



We have a Code of Conduct for Suppliers, in which we communicate the standards established by Grupo Nutresa in order to have business relations. Among the issues of concern is the assessment of the environmental impact of each supplier and its control strategy. Please see page 108 of the Annual and Sustainability Report 2012.



## **4 COLLECTIVE ACTION**

### **4.1 Links with Regional Civil – Society Organizations**

We actively participate in the Environmental Committees of the National Association of Industrialists of Colombia (*Asociación Nacional de Empresarios de Colombia*, ANDI), both nationally and regionally. These committees actively work with the Environmental authorities and with the Colombian Ministry of the Environment and Sustainable Development as advisory environmental bodies regarding environmental regulations and the development of union initiatives.

Once again, we wish to highlight Grupo Nutresa's participation as a founder of the fund denominated *Corporación CUENCAVIVA*, seeking the protection, maintenance and preservation of environmental services in the watersheds supplying the reservoirs that provide water to the municipalities of the *Aburrá* Valley.

### **4.2 Working with Governments on Water Issues and Sustainability Policies**

The National Association of Industrialists of Colombia (*Asociación Nacional de Empresarios de Colombia*, ANDI) is a non – profit organization, which aims to disseminate and promote the political, economic and social structures of a healthy free – enterprise system. It was founded on September 11, 1944 in Medellín and, since then, it is the largest business organization in Colombia.

One of the Transversal Areas of ANDI is the Office of the Vice President of Sustainable Development. Together with its National Environmental Committee, it leads the environmental topic. Within this work are discussions of drafts for the standards published by the Government for the proper management of water resources.

In 2011 and 2012, the contributions of the discussion of the new discharge standards in Colombia have been of great interest, in which the different Grupo Nutresa companies have participated with their input in the revision of these regulations.

### **4.3 Promoting the Development and Use of New Technologies (Irrigation, Varieties, Etc.)**

With regard to cocoa, in 2012 *Compañía Nacional de Chocolates* supplied 164.400 seeds to increase the areas planted with outstanding varieties of cocoa; it continued the evaluation of 30 new varieties of cocoa and conducted experiments to improve pest control in cocoa and fruit retention. This has improved the yields in the production of cocoa per hectare from 400 kg/ha/year to some 1.500 kg/ha/year, which means greater production with the same amount of water, increasing the efficiency in water use and reducing Grupo Nutresa's Indirect Water Footprint.

### **4.4 Supporting Organism Initiatives**

Grupo Nutresa has joined the CEO Water Mandate, a program of the United Nations Global Compact. It is the first company in the Latin America real sector that has joined it. We hope to lead programs to manage water resources, in their direct and indirect impact, and we support the development of sustainability strategies and policies regarding the use of these resources.

Additionally, Grupo Nutresa's CEO is a member of the Mandate Steering Committee.

Grupo Nutresa has been a founding partner of the *Empresas Públicas de Medellín* initiative, called *CUENCAVIVA*, for the conservation of areas that provide water services to the drinking – water supply systems.

## 5 PUBLIC POLICY

We participate as members of the ANDI Environmental Committee in the soon – to – be – published regulation of industrial discharges (a standard in consultation since 2010) and we work collaboratively with the Ministry of the Environment and Sustainable Development and the Regional Autonomous Corporations in evaluating the different regulatory projects that refer to environmental topics, including water.

## 6 COMMUNITY COMMITMENT

### 6.1 Understanding the Challenges Related to Water and Sanitation in Communities

On June 19, 2013, we presented the results of the Corporate Water Footprint study in the Water Footprint Network International Web Seminar, in which we shared the experience and results of the study as a contribution to the awareness of organizations and the scientific community on the issue of the Water Footprint.

### 6.2 Campaigns to Increase Awareness of Water Resources



Additionally, it has a digital strategy where persons can fill the album on the network (Internet) through codes found on the product packages of the brand. Whoever fills the album will receive an award, which encourages its diffusion.

All the technical information of the Album was developed in association with *AGENDA DEL MAR*.

#### THE JET NATURAL HISTORY ALBUM

There have been eight editions and among all the editions, we have distributed more than 8,000,000 albums (one edition includes approximately 1,000,000 copies).


This year (*Planeta Sorprendente* Album), in the new edition with 2,000,000 copies, which also includes distribution in Panama and Ecuador, we have included a special insert on Sustainable Development in order to inform people (children and adults, which is the target audience, namely, the family) on:

- What Sustainable Development is;
- How Grupo Nutresa conceives Sustainable Development;
- What Grupo Nutresa's policy is regarding Water; and
- What actions Grupo Nutresa has taken regarding the use and sustainable exploitation of water resources.

Additionally, it has a digital strategy where persons can fill the album on the network (Internet) through codes found on the product packages of the brand. Whoever fills the album will receive an award, which encourages its diffusion.

All the technical information of the Album was developed in association with *AGENDA DEL MAR*.

Grupo Nutresa is also the sponsor of the Agenda of the Sea (*Agenda del Mar*). For 16 years, *Agenda del Mar* has dedicated part of its environmental work to a publication designed to multiply environmental information to those who will own the world: children. And it created the **Blue Planet Pamphlet (*Cartilla del Planeta Azul*)**.

	<p><b>THE BLUE PLANET PAMPHLET (<i>CARTILLA DEL PLANETA AZUL</i>)</b></p> <p>The pamphlet first came about as a publication with many illustrations and images painted by children, allowing them to learn about love for the planet. Today, with more information, they not only color it, but they read it, share it and use it as their guide in the area of natural sciences. In many cases, it is the only text that children have in some remote areas of the country.</p> <p>More than 550,000 children throughout the country have benefitted from the <b><i>Cartilla del Planeta Azul</i></b>.</p>
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## 7 TRANSPARENCY

The sustainability information is published on Grupo Nutresa's Webpage and is aligned with the Global Reporting Initiative (GRI) Guideline G3.1 and food supplement and is audited by KPMG Advisory Services Ltda. The consolidated indicators may be seen in the GRI Content Index on the Grupo Nutresa Website [www.gruponutresa.com/es/content/global-reporting](http://www.gruponutresa.com/es/content/global-reporting).

The Annual and Sustainability Report is the communication of progress and reaffirms the commitment to meet the challenges of the Global Compact, of which Grupo Nutresa is a signatory.

The last three Sustainability Reports have achieved an A+ rating, awarded by Global Reporting Initiative. This recognition has been achieved after verification of compliance conducted under the ISAE3000 international standard and the favorable concept of KPMG. Please see the independent auditor's letter on pages 62 and 63 of the Annual and Sustainability Report 2012, found at <http://publ.com/HufUH5y>.