



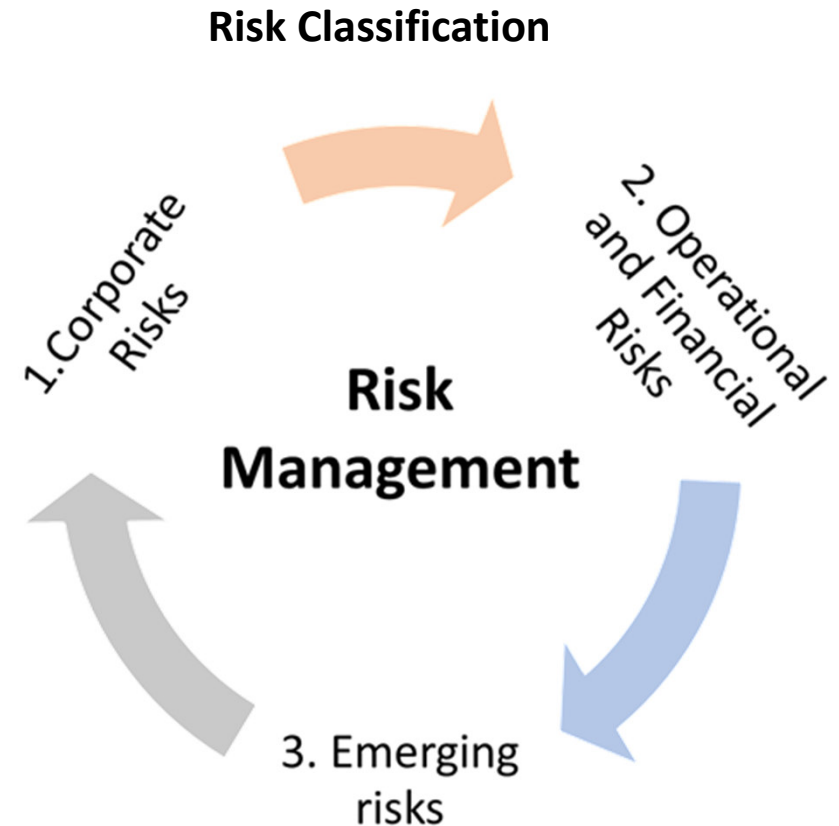
# RISK MANAGEMENT



# Risk Management System

Colombina has a Risk Management System approved by the Board of Directors, in which risks are managed and opportunities inherent to factors internal and external to the company are identified.

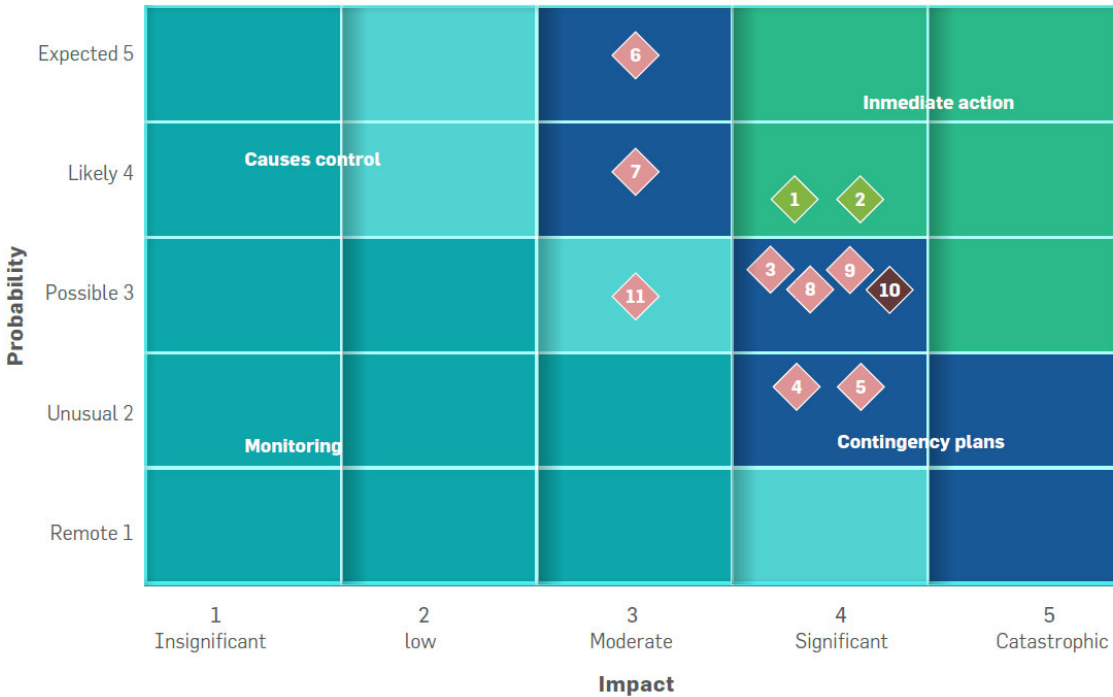
This system is the input for decision-making and the development of prevention and mitigation strategies that allow the achievement of business objectives hand in hand with all its stakeholders.





# 1. Corporate Risks

## Corporate Risk Map



Risk	Responsible Party
1 Instability in the regulatory framework for labeling and nutritional profiles.	Legal VP.
2 Financial risk due to volatility in commodity prices and exchange rates.	Administrative and Financial VP.
3 Non-compliance with the regulatory framework and/or stock market regulations.	Corporate Marketing VP/ Corporate Affairs VP
4 Failure in food safety control.	Supply Chain VP.
5 Supply chain disruption.	Supply Chain VP.
6 Highly competitive environment	Corporate Marketing VP/ Supply Chain VP
7 Effect of climate change.	Supply Chain VP.
8 Changes in consumer trends.	Corporate Marketing VP.
9 Impact on sales growth caused by changes in channel dynamics and structure of distribution channels.	Sales VP.
10 Information Security Risk	Administrative and Financial VP.
11 Difficulty in acquiring key talent.	Human Resources VP.



## 2. Operational and Financial Risks

### **A. MACROECONOMIC FACTORS AFFECTING THE REAL PROFITABILITY OF VALUE OFFERED, SUCH AS VARIABILITY OF INTEREST RATES, DEVALUATION, INFLATION, VOLATILITY IN INDICES, ECONOMIC EVOLUTION OF THE SECTOR, ECONOMIC SITUATION OF THE COUNTRY, ETC.**

Although Colombina's financial situation can usually be affected by factors linked to the performance of the Colombian economy, since consumption could decrease as a consequence of periods of low growth in GDP and the deterioration of disposable income per capita, it is important to note that the food sector does not have a high correlation with GDP as they are primary goods. A significant number of the products that Colombina sells have relatively low prices, which makes the company less vulnerable to fluctuations in GDP.

The prices of own products, as well as those of represented businesses, get increased based on, among others, costs increase from normal inflationary fluctuation, devaluation, monetary fraction, and competition. Increases in the cost of the main inputs in Colombina's products is a direct risk to margins, however, the company has developed hedging mechanisms that minimize this exposure.

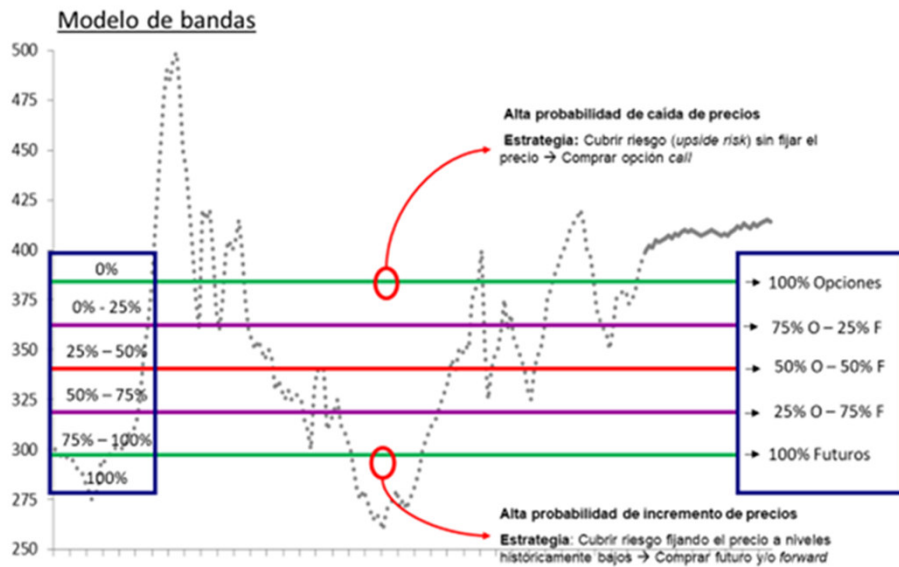
Colombina has a coverage policy for its main raw materials: sugar, corn, wheat, soybean oil, palm oil, as well as the exchange rate. This has been accomplished by means of a band coverage model upon the advice of Risk Management S.A.S., and is shown, below:



## 2. Operational and Financial Risks

5. BAJO COSTO

Contamos con una **Política de Cobertura** para las principales materias primas y la tasa de cambio...



Colombina's current indebtedness allows it to meet its debt. Even within high-interest rate scenarios, it is expected that Colombina will be able to adequately meet its debt over the coming years.

As an export company, Colombina gets exposed to revaluation, which affects both its income and international competitiveness. About 40% of the Business Group's income comes from exports - part of such a risk is mitigated by importing raw materials. We might add to this mix that some current debts Colombina holds are in dollars.

The risks and the controls adopted to mitigate them are detailed in the Corporate Risk Map, which is updated annually with the input of Colombina vice presidents and key company personnel.



## 2. Operational and Financial Risks

### **B. OVER RELIANCE ON KEY PERSONNEL**

To counteract the risk of over reliance on key administrative personnel and an eventual loss of business know-how among management positions, Colombina has succession plans that specify individuals who possess the appropriate competencies to replace key positions within the company.

### **C. OVER RELIANCE ON A SINGLE BUSINESS SEGMENT**

To mitigate the risk of exposure to a single business segment, Colombina has developed product diversifying to consolidate the company as a domestic and an international food company.

Likewise, the strength of the Umbrella Brand has facilitated the positioning of new products. These positions render Colombina not overly reliant on a single business segment.

### **D. RISKS INHERENT TO COLOMBINA'S NORMAL COURSE OF BUSINESS**

Colombina's corporate purpose is to manufacture and market all kinds of food products, including related and complementary activities. All the investments adopted by Colombina are directed towards the normal course of business as described.

The Corporate Risk Map encompasses risks that may affect the company's normal course of operations and the achievement of long-term objectives.



## 2. Operational and Financial Risks

### **E. INTERRUPTION OF COLOMBINA OPERATIONS CAUSED BY FACTORS OTHER THAN LABOR RELATIONS**

Colombina operations have continued uninterrupted and has not been the object of any judicial or administrative decision, or of any other disruption over the past 20 years. It should be noted that the plants that make the pareto charts on the company's profit have business continuity plans; In the event of a disruptive event, plans would be activated to mitigate possible negative impacts.

### **F. ABSENCE OF A SECONDARY MARKET FOR SECUTRIES ON OFFER**

Colombina's Ordinary Bonds are posted on the Colombian Stock Exchange and can be traded on the Secondary Market directly between or through their Holders. Additionally, the terms and conditions of Colombina Ordinary Bonds have taken into consideration the homogeneity criteria established by the SFC, which tends toward liquidity of Ordinary Bonds in the Secondary Market. Currently, no conditions are observed in the Secondary Market that affect the liquidity of Ordinary Bonds and, therefore, there is no evidence of the absence of a Secondary Market for the Ordinary Bonds.

### **G. LACK OF A RECORD ON COLOMBINA OPERATIONS**

There is no lack of a historical record on Colombina operations. On the contrary, the financial reports that get presented to the General Assembly of Shareholders such as the Management Report, company financial statements and their respective notes, as well as quarterly results, provide detailed information on Colombina operations, and are duly posted on its website [www.colombina.com](http://www.colombina.com)



## 2. Operational and Financial Risks

### **H. OCCURRENCE OF NEGATIVE, NULL-AND-VOID, OR INSUFFICIENT OPERATING RESULTS WITHIN THE LAST 3 YEARS**

In the last three (3) years, Colombina has presented positive operational results (EBITDA) amounting to two hundred fourteen thousand three hundred sixty-five million pesos (\$ 214,365,000,000) in 2020 , two hundred forty-six thousand three hundred fourteen million pesos (\$ 246,314,000,000) in 2021 an three hundred and seventy three thousand thirteen million pesos (\$373,013,000,000) in 2022 Likewise, Colombina's net profit has been positive.

### **I. NON-COMPLIANCE IN THE PAYMENT OF BANK AND STOCK LIABILITIES**

Colombina has no default in its payment of bank and stock liabilities.

### **J. RISKS GENERATED BY BENEFITS, PENSION, AND TRADE UNIONS**

Colombina has provisioned 100% of its obligations generated by service charge, so it does not possess a significant risk in this area.

Colombina has respected the right to free association and has had top-notch relationships with its unions. In the last 60 years of company history, there have been no labor interruptions caused by differences with its unions.

Colombina cannot however, guarantee that, in the future, there will be no disagreements or conflicts of a contractual or legal nature with its employees or its unions, and that such disagreements will not affect the Colombian operation.





## 2. Operational and Financial Risks

### **K. COLOMBINA VULNERABILITY TO VARIATIONS IN THE INTEREST RATE, INFLATION AND / OR EXCHANGE RATE**

As an export company, Colombina gets exposed to revaluation, which affects both its income and international competitiveness. About 40% of the Business Group's income comes from exports - part of such a risk is mitigated by importing raw materials. We might add to this mix that some current debts Colombina holds are in Dollars. Additionally, the acquisition of debt in dollars compensates the difference to be covered.

Likewise, in the normal course of business, Colombina carries out operations with derivative financial instruments, with the sole purpose of reducing its exposure to fluctuations in the exchange rate and interest rates of obligations in foreign currency. These instruments include forward and commodity futures for own use. Colombina permanently evaluates the coverage, at least quarterly, to determine that it really has been highly effective throughout the periods for which it was designated.

Colombina has a coverage policy for its main raw materials.

### **L. DEPENDENCE ON LICENSING, CONTRACTS, BRANDING, KEY PERSONNEL AND MISC. VARIABLE OUTSIDE THE PERVUE OF COLOMBINA**

Colombina has been the exclusive distributor in Colombia of the Van Camp's brand for over 40 years. Thanks to its distribution work, this brand has been positioned as a leader in the national canned-fish market, with a market share of over 50% in values according to Nielsen.



## 2. Operational and Financial Risks

Additionally, Colombina does not depend on licenses or contracts or other variables owned by third parties. As for the key personnel, Colombina has identified the key positions and has succession plans embedded into management by competency that specify individuals with appropriate powers that are able to step in.

### **M. EXPIRATION OF SUPPLY CONTRACTS**

Colombina has no written contracts with any of its suppliers of raw materials and packaging, so no risk lies in the expiration of supply contracts - supply is ensured by firm purchase orders.

### **N. EXISTING CREDITS OBLIGING COLOMBINA TO MAINTAIN CERTAIN FINANCIAL RATIOS ITS STRUCTURE**

None of Colombina's financial obligations carry a guarantee, obligations or agreements that oblige it to maintain certain financial ratios its structure.

### **O. KNOWN COMMITMENTS BY COLOMBINA THAT COULD SHIFT CONTROL**

To date there are no commitments that could imply or entail any change in control at Colombina.

### **P. POTENTIAL DILUTION OF INVESTORS**

Colombina is not currently carrying out any process from which a potential dilution of its investors could occur.



## 2. Operational and Financial Risks

### **Q. EXISTENCE OF CURRENT AND POTENTIAL LITIGATION**

Colombina makes provisions for pending litigation undertaken against it, taking into account the best estimates made by the administration and established according to the probability of any unfavorable ruling.

To date, Colombina has not deemed it necessary to make provisions for the pending litigation to which it is a party, considering that the probability of a decision unfavorable to its interests is remote. However, in the event of an unfavorable ruling, Colombina's economic results could be affected.

### **R. BREACH OF THE LEGISLATION THAT COMES TO BEAR ON COLOMBINA AS AN ISSUER OF THE SECURITIES MARKET**

This risk entail any circumstances that would prevent Colombina from fully complying with the regulations that oblige it by reason of being registered in the National Registry of Securities and Issuers, among which include, but are not limited to, Law 964 of 2005, Decree 2555 of 2010, Basic Legal Circular of the Financial Superintendency.

This would include a breach of the company's own corporate policies, especially in relation to the transmission of relevant information, financial information reporting, reporting on Best Corporate Practices implementation, completion of its Country Code Survey and requests, complaints, and appeals for information by investors.



## 2. Operational and Financial Risks

To mitigate the above-mentioned risk, Colombina continuously and rigorously monitors compliance with regulations through the areas in charge. Likewise, internal auditing monitors compliance with corporate regulations and policies - reports are periodically issued on these issues.

In the same sense, and through joint work with the supervisory authority, it seeks to create work plans and strategies in order to avoid breaches of the regulations indicated above, especially for specific cases.

Therefore, in Colombia there are appropriate mechanisms to guarantee compliance with the obligations to report Relevant Information, quarterly and end-of-year reports on financial information, the Country Code Survey report and the attention to requests, complaints, claims and investor requests for information.



## 2. Operational and Financial Risks

### **S. SITUATIONS INSIDE COUNTRIES WHERE COLOMBINA OPERATES**

Colombina operates in over 80 countries, where geographic, political, and economic difficulties could materialize, and negatively affect operations.

Colombina de Venezuela C.A. which has been one of Colombina's subordinate companies for over 20 years, poses no risk to Colombina, since it has no assets there, is not consolidated with the company here, and has no debts with Colombina.

### **T. ACQUISITION OF ASSETS OTHER THAN THOSE WITHIN THE NORMAL COURSE OF COLOMBINA BUSINESS**

To date, Colombina has no acquisition of assets on its horizon other than those that have to do with the normal course of business.

### **U. IMPACT ON COLOMBINA FROM POSSIBLE BINDING REGULATORY CHANGES AND AMENDMENTS TO THEM**

This risk is contained within Colombina's Corporate Risk Map and gets mitigated by maintaining timely information on changes in regulation and actively participating in committees at the National Association of Entrepreneurs of Colombia (ANDI) to contribute to the fairest possible measures for industry and consumers.



## 2. Operational and Financial Risks

### V. IMPACT OF ENVIRONMENTAL PROVISIONS

This risk is contained within Colombina's Sustainability Strategy and is contained within its Corporate Risk Map in terms of climate-change effects. This type of impact is mitigated by anticipating actions aligned with Best Practices in Sustainability Management and by making on-going investments in production-equipment modernization, as well as in environmental actions, such as wastewater treatment plants and the use of more efficient energies.

Additionally, Colombina has a five-year environmental plan in which Indicator Optimization Objectives are set for 2023. Said objectives are published in our Annual Sustainability Report.

### W. OPERATIONS THAT COULD AFFECT THE NORMAL COURSE OF BUSINESS

To date there are no slated operations such as mergers, divisions, or other forms of reorganization, acquisitions, or economic and financial restructuring processes, dissolution, liquidation and / or bankruptcy, in execution or in the planning stage.



## 2. Operational and Financial Risks

### **X. POLITICAL FACTORS, SUCH AS SOCIAL INSTABILITY, STATE OF ECONOMIC EMERGENCY, ETC**

Colombina is exposed to political factors that can affect the performance of the economy of the countries in which it operates. Generally, political factors have an impact on macroeconomic indicators, such as confidence indices, investment levels and growth expectations, which could negatively affect the company's results.

However, given the presence of Colombina in a large number of countries, this allows it to diversify political risk and, therefore, the harmful consequences of the materialization of political risk.

Colombina exports to more than 90 countries around the world and has production plants in Colombia, Guatemala and Spain, for which it has a whole plan to follow to continue diversifying its geographic risk.

### **Y. INFORMATION SECURITY RISK**

By having all the information of the company digitized, any process may be affected by a loss of information, from the manufacturing formulation of the products to the information of the customers to whom we sell online, so this risk has a impact not only financial but also reputational, which could jeopardize business continuity.

The company currently has an information security risk management manual, which facilitates the understanding of the nature and scope of the risk to which information assets are exposed. The manual details the steps that are carried out to mitigate, identify, analyze, assess, and treat them.



### 3. Emerging Risks

#### NEW RISK

Risk that can be generated from new conditions or exposures arising from trends and changes in the around.

#### TRANSFORMATION OF KNOWN RISKS

Known risk that begins to present a transformation in their behavior and can bring consequences that have not yet are predictable or fully understood.

#### TREND AND RISK MANAGEMENT SYSTEM

##### IDENTIFICATION

Environment observation

Trends-phenomena

Strategic and operational risks

##### ASSESSMENT

Prospective scenarios

Transmission mechanisms and indicators

Understanding risks Characteristics and factors risk

##### MANAGEMENT AND FINANCING

Visibility Financing Opportunities

Monitoring and control





# 3. Emerging Risks Methodology – Phase 1

## FUNDAMENTALS OF THE SECTOR

*Industry essentials*

Fundamentals  
identified with its  
descriptive narrative

## ENVIRONMENT OBSERVATION

*Signs of change in  
the environment  
applied to the  
industry*

Trend radar for the  
food industry

## INTERACTION WITH THE ENVIRONMENT

*Megatrends  
Industry trends*

Interconnections  
megatrends and  
sectoral trends

## CONVERGENCE

*Patterns,  
disruptions, sources  
of new risks or  
transformations*

Radar of emerging  
risks with a focus on  
the sector

## PRIORIZATION OF EMERGING RISKS

*Selection of  
emerging risks with  
the greatest impact  
for the organization*

Prioritized emerging  
risks



# 3. Emerging Risks Methodology – Phase 2

## CHARACTERIZATION

*Prioritized emerging risks*



Fact sheets with characterization of prioritized emerging risks

## VARIABLE MODELING

*Projections key variables prioritized risks*



Set of modeled indicators that will be monitored

## FUTURE SCENARIOS

*Identification of trend and desirable scenarios on risks*



Future scenarios for prioritized emerging risks

## BACKCASTING

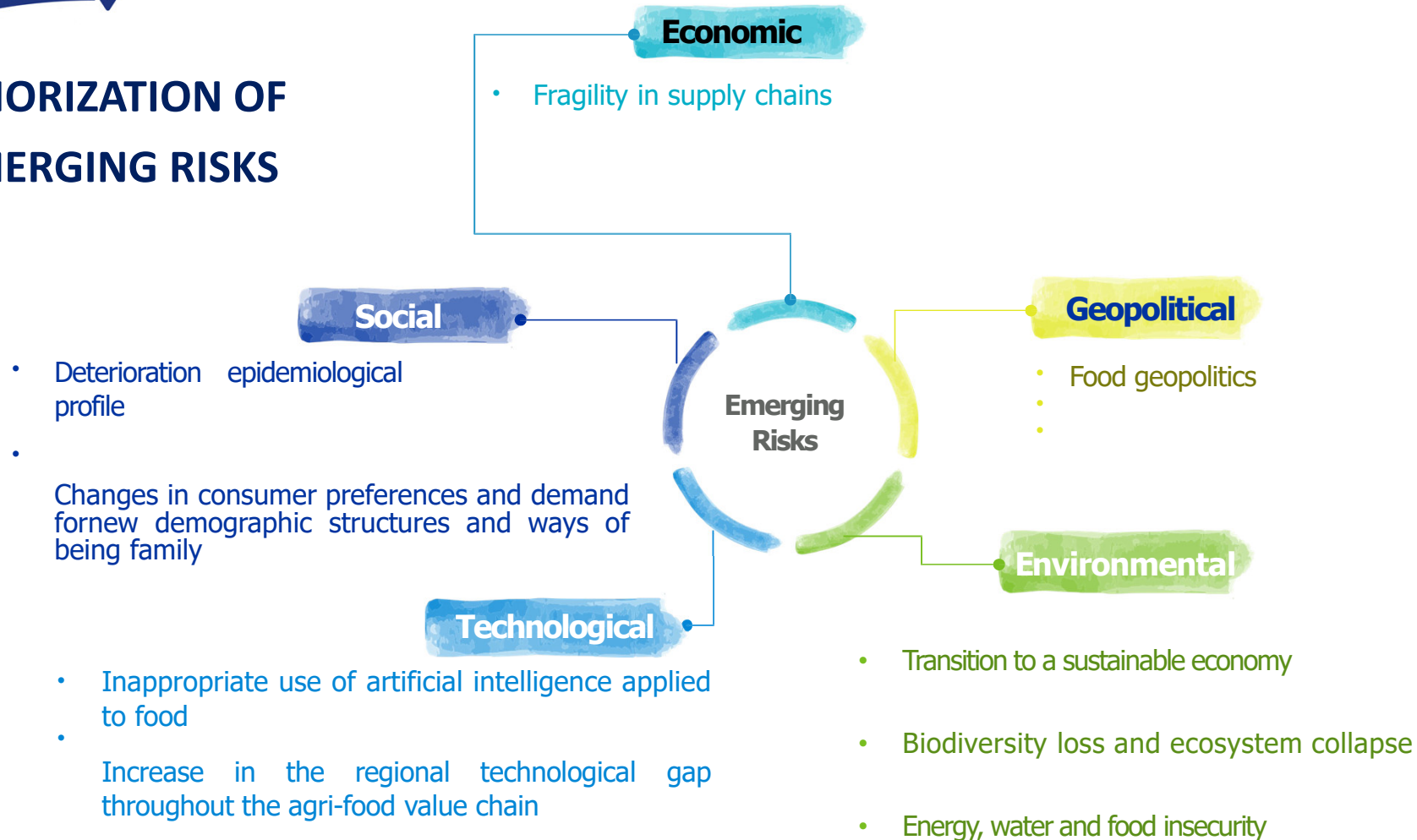
*Definition of milestones and actions from the company*



Key milestones for the construction of the prioritized scenario for the company



## PRIORIZATION OF EMERGING RISKS





## 3. Emerging Risks

### INAPPROPRIATE USE OF ARTIFICIAL INTELLIGENCE APPLIED TO FOOD

As technology continues to advance, it is important to consider both its benefits and potential consequences. The inappropriate use of artificial intelligence could compromise food security. If critical decisions in the production, storage, or distribution of food are entrusted to Artificial Intelligence systems without proper supervision, quality issues or even risks to public health could arise.

On the other hand, excessive dependence could render the food industry vulnerable to technological failures or cyberattacks, which could disrupt the supply chain and the availability of food.

#### Impacts:

- Failures in detecting contaminants or safety issues in production.
- Excessive automation of processes that could compromise food safety.
- Disruption of the supply chain due to technical failures or cyberattacks, impacting food availability.

#### Mitigating actions:

- Corporate information security policy - assignment of roles and responsibilities for decision-making.
- Information Security Committee where decisions regarding the implementation of controls to preserve the confidentiality, integrity, and availability of information in the company are made.
- Vulnerability analysis: regular assessments of technological and cybersecurity risks to identify potential vulnerabilities and take preventive measures to minimize exposure to cyberattacks.
- Human supervision and control: ensuring that critical decisions related to the production, storage, and distribution of food are made with proper human supervision.
- Training and ongoing updates on the effective use of artificial intelligence.



## 3. Emerging Risks

### CHANGES IN CONSUMER PREFERENCES AND DEMAND FOR NEW DEMOGRAPHIC STRUCTURES AND WAYS OF BEING FAMILY

Increases in volatility or substantial changes in the demand dynamics of food categories, driven by demographic transformations such as increased life expectancy, declining birth rates, new family structures, reconfiguration of different population segments, in addition to needs related to more specialized nutritional profiles in line with new lifestyles, habits, and consumption patterns.

#### Impacts:

- Loss of competitiveness.
- Loss of market share in specific population segments.

#### Mitigating actions:

- Colombina's 100% Portfolio.
- Improvements in the nutritional profile of products: Clean and Clear Methodology.
- Participation in industry committees on demographic changes and trends in the sector.
- Portfolio diversification to adapt to new consumer preferences.
- Development of marketplaces that streamline the purchasing process for our clients and consumers.