



# RISK MANAGEMENT SYSTEM COLOMBINA



**1. RISK MANAGEMENT  
PROCESS**



**2. RISK CULTURE**



**2.1 TRAINING ON RISK  
MANAGEMENT  
PRINCIPLES**



**3. RISK MANAGEMENT  
PROCESS AUDIT**



**4. EMERGING RISKS**

# 1. RISK MANAGEMENT PROCESS



## Risk Management System

Colombina has an approved Risk Management System by the Board of Directors, which manages risks and identifies opportunities inherent in internal and external factors of the organization. This system serves as the input for decision-making and the development of prevention and mitigation strategies, enabling the achievement of business objectives in conjunction with all its Stakeholder Groups.

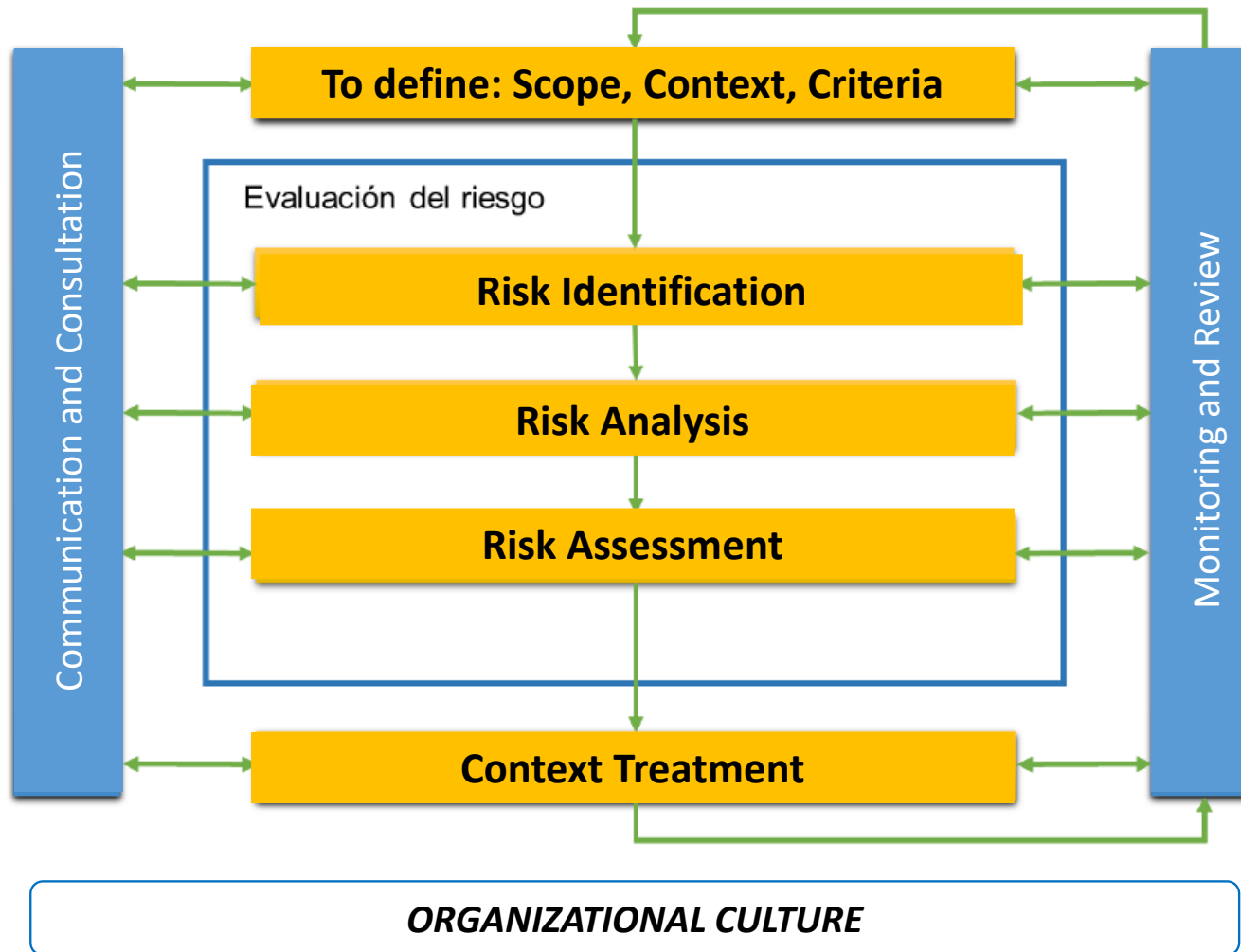




## Risk Management Process

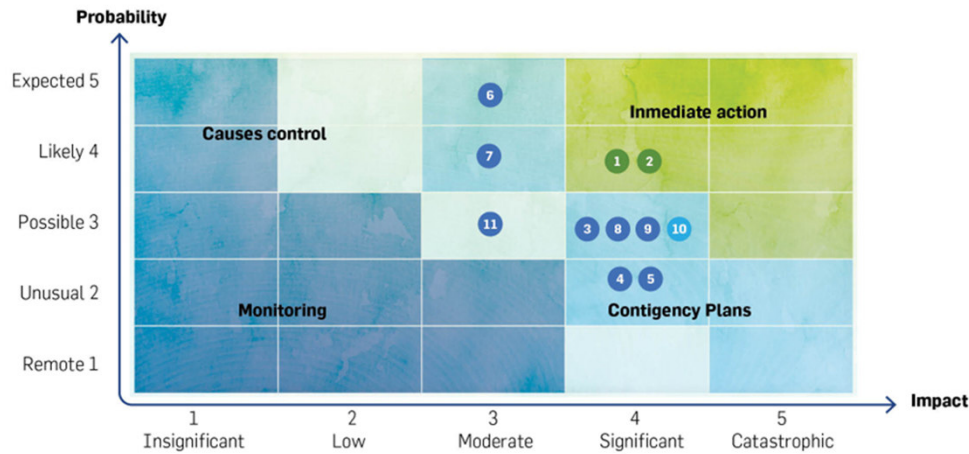
- Colombina continuously monitors industry risks, variations in the economic environment of its main operating markets, and its financial solvency in order to take the necessary measures to diligently diversify, mitigate, and cover its risks.
- The Company's risk management must be consistent, rigorous, and aligned with good Corporate Governance and best business practices.
- Industry risks are continuously monitored and reviewed in the Risk Committee.
- Risks are prioritized based on their impact and likelihood of occurrence, and the top eleven (11) risks are selected and visualized through a conceptual map.
- The risks and the controls adopted to mitigate them are detailed in the Corporate Risk Map.

# Risk Management Process





# Corporate Risk Map



	Risk	Responsible Party
1	Instability in the regulatory framework for labeling and nutritional profiles	Legal and Corporate Affairs 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	High competitive environment	Supply Chain VP
7	Effects 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

<b>Emerging Risks*</b>	*Changes in consumer preferences and demand for new demographic structures and ways of being family	Corporate Marketing VP
	*Water, energy, and food insecurity	Supply Chain VP



## Risk Exposure

Corporate Risk	Exposure	Magnitude/Risk	Probability	Action Plans
Supply Chain Disruption	Supply chain disruptions can occur due to natural disasters, logistical issues, or supplier failures.	Significant: Loss of market share, loss of competitiveness, reputation damage.	The probability is low.	<ul style="list-style-type: none"> <li>-Business Continuity Plans for key plants and critical raw materials</li> <li>-Strategic sourcing (supplier diversification)</li> <li>- Inventory policy</li> </ul>
Financial Risk Due to Commodity Price Volatility and Exchange Rates	Fluctuations in the prices of key raw materials and exchange rate fluctuations in the various countries where we operate	Significant: Increase in production costs and impact on profit due to exchange rate losses.	The probability is high.	-The Company has established mechanisms (hedging policies and specialized consulting) to reduce the negative impact that could arise from unpredictable changes in raw material prices, with the aim of stabilizing the operating margin.



## Risk Appetite

The risk appetite that the Company is willing to assume to achieve its long-term objectives is low, and therefore the following dimensions have been implemented to manage risk.

- **Coverage policy for raw materials and exchange rates:** We have a coverage methodology for the main raw materials such as sugar, corn, wheat, soybean oil, palm oil, and the exchange rate, which allows us to mitigate the impact of exchange rate fluctuations and these commodities.

### **Business Continuity Management (BCM):**

- **Emergency Response Plan:** focused on saving people, company assets, and the environment.
- **Crisis Management Plan:** focused on managing problems and implications, communication, reputation, and humanitarian assistance.
- **Disaster Recovery Plan:** technological services (DRP).
- **Business Continuity Plan (BCP):** focused on the rapid stabilization, restoration, and recovery of critical business processes.





## Risk Exposure

- The Risk Committee is a support body for the Board of Directors, assisting in fulfilling its supervisory responsibilities in relation to the Company's risk management.
- The Risk Committee will meet at least once (1) each year. Their decisions will be adopted by simple majority and will be recorded in the corresponding minutes.
- By virtue of the outlined organizational structure, it is relevant to indicate that the Board of Directors is ultimately responsible for maintaining a robust control environment within the Company.



## 2. RISK CULTURE



**For senior executives**

There is an overall sustainability indicator that affects the variable compensation of the CEO, vice presidents, and business unit managers.

The sustainability KPI is based on consolidated results and reflects the percentile achieved in the Corporate Sustainability Assessment (CSA) score.

## Financial Incentives

PERSPECTIVE	KEY INDICATORS	UNIT
FINANCIAL	1 ROIC (Return On Invested Capital)	%
	2 Sales Growth Sales	% COP \$MM
	3 Contribution Margin	%
	4 EBITDA Margin EBITDA	% COP \$MM
	5 Working Capital / Sales	%
MARKETS	6 Share of Market (Nielsen) Colombia	%
	7 Plan 50 Success	%
	8 # SKUS with Clean & Clear improvements	#
	9 Perfect Orders	%
PROCESSES	10 Cost of Serving / Sales	%
	11 Colombina 100% Sales - COP\$MM	COP \$MM
	12 Cost of Transport / Sales	%
	13 Labor Productivity (\$ Direct Labor / Kg Produced)	\$MOD/Kg
	14 EGP (Global Efficiency - Production Plants)	%
HUMAN CAPITAL	15 Working Environment	Score
	16 Total Payroll / Sales	%
SUSTAINABILITY	17 Sustainability Assessment Scorecard	Percentile

# **2.1 TRAINING ON RISK MANAGEMENT PRINCIPLES**



## Universidad Corporativa Colombina

It is a virtual learning campus that allows enriching the professional profile of employees, strengthening their skills and knowledge, and achieving the goals set in each area and management regarding the contribution of each position or role to the strategy.

Within the Colombina Corporate University, we offer a wide range of courses related to various risks accessible to all employees.

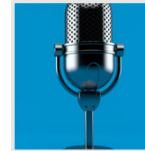


Universidad Corporativa  
**Colombina**

4.800 CONTENTS  
in various formats

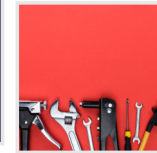


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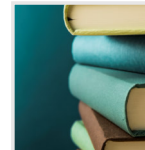


Podcast

Bits



Books



Book Ideas



Programs



Nanobits





Universidad Corporativa  
Colombina

# Occupational Health and Safety Management System Course

**Overall Course Objective:** To familiarize participants with the components and characteristics of the Occupational Health and Safety Management System implemented within the Colombina Business Group.

## Specific Course Objectives:

- Acquire knowledge about key concepts and definitions related to the Occupational Health and Safety Management System.
- Provide employees with a general understanding of the policy, regulatory aspects, risks, and emergency procedures.
- Communicate tools that facilitate self-care in preventing work-related accidents and occupational diseases.
- Understand and identify certain legal aspects of the Management System.

## In 2023:

- 29.398 hours of training were provided.
- Over 6.400 employees were trained.
  - More than 4.100 contractors completed the course.





Universidad Corporativa  
Colombina

# MENÚ

**WELCOME**  
**GENERAL OBJECTIVE**  
**SPECIFIC OBJECTIVES**  
**CONCEPTS AND DEFINITIONS**  
**OCCUPATIONAL HEALTH AND SAFETY**  
**MANAGEMENT SYSTEM**  
**OHS POLICY**  
**ORGANIZATION**  
**PLANNING**

Hazard Identification and Risk  
Control

Hazard Classification

## **APPLICATION**

Risk Control  
Preventive Medicine  
Occupational Medicine  
Emergency Plan  
In case of a workplace accident

**RESPONSIBILITIES REGARDING THE**  
**OCCUPATIONAL HEALTH AND SAFETY**  
**MANAGEMENT SYSTEM**  
**AUDIT AND REVIEW BY TOP**  
**MANAGEMENT**  
**CLOSURE**





Universidad Corporativa  
Colombina

# Self-Control System and Comprehensive Risk Management of Money Laundering and Terrorism Financing (SAGRILAFI)

Self-Control System and Comprehensive Risk Management of Money Laundering and Terrorism Financing (SAGRILAFI)

At the end of this course, employees will be able to:

- Understand the importance of the Self-Control System and Comprehensive Risk Management of Money Laundering and Terrorism Financing.
- Identify the risk control mechanisms for Money Laundering, Terrorism Financing, and Financing of the Proliferation of Weapons of Mass Destruction.
- Comprehend the consequences of non-compliance with the Self-Control System and Comprehensive Risk Management of Money Laundering and Terrorism Financing.

In 2023  
more than 3.400  
employees completed this  
virtual course.





Universidad Corporativa  
Colombina

# Information Security and Cibersecurity

At the end of this course, employees will be able to:

- Recognize the main risks, threats, and vulnerabilities affecting information systems.
- Differentiate the concepts of information security and cybersecurity.
- Assess company information as a strategic asset.
- Explain the principles of confidentiality, integrity, and availability of information.
- Implement preventive measures at work to protect information.

**In 2023**

More than 2,200 employees completed this virtual course..



Bit

## **Seguridad de la información y Ciberseguridad**



Certificado: IEBS Business School

|| Intermedio ⌚ 30 Minutos



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## Corporate Transparency and Ethics Program

Training program designed to provide a deep understanding of the importance of transparency and business ethics in the current environment.

During the course, the various challenges that companies currently face in terms of business integrity are explored.

Additionally, some of the best practices that companies have adopted to minimize risk and vulnerabilities are presented.

**In 2023**

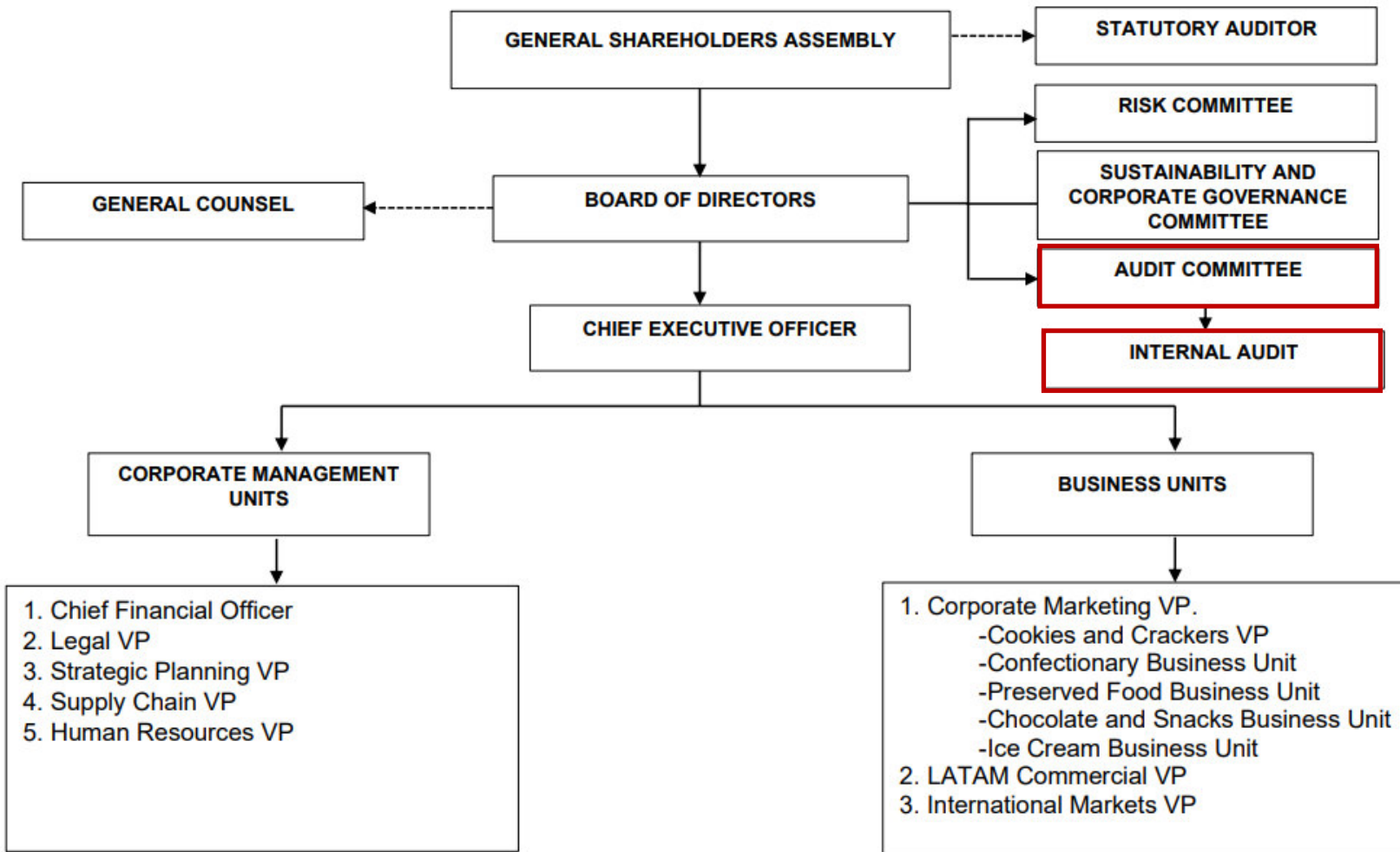
**More than 800 employees completed this virtual course**



# 3. RISK MANAGEMENT PROCESS AUDIT



# Organizational Structure



Internal Audit is positioned within the organizational structure, functionally reporting to the Board of Directors. It directly reports to the Audit Committee, ensuring its independence and the effective performance of its assigned functions.



## Internal Audit Functions and Responsibilities

- The role of Internal Audit is to enhance and protect the company's value through an independent and objective risk-based assurance and consulting activity.
- It helps the company achieve its objectives by providing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, internal control, and corporate governance processes.
- It evaluates the Group's internal control system, focusing on the most significant and relevant risks. It generates recommendations/opportunities for improvement regarding control processes that management should consider.
- It annually presents to the Audit Committee for approval the work plan to be developed throughout the year, with a risk-based approach.
- It periodically presents to the Audit Committee in meetings the most significant internal control deviations (opportunities for improvement) and possible recommendations to mitigate the identified risks, along with responsible parties and implementation deadlines..

## Risk Management System Process Audit

- 1** **Planning:** Define the scope and objectives of the audit, including the specific areas and processes to be examined.
- 2** **Risk Assessment:** Evaluate the risks associated with the audited processes and identify potential areas of concern.
- 3** **Review:** Examine the effectiveness of risk identification, assessment, and mitigation measures implemented by the organization
- 4** **Recommendations:** Offer suggestions and recommendations to enhance the efficiency and effectiveness of the Risk Management System.
- 5** **Follow-up:** Monitor the implementation of corrective actions and improvements based on the audit recommendations.
- 6** **Continuous Improvement:** Encourage the organization to continuously improve its Risk Management processes to adapt to changing risk landscapes and business environments.



## 4. EMERGING RISKS





# 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



# 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



# 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

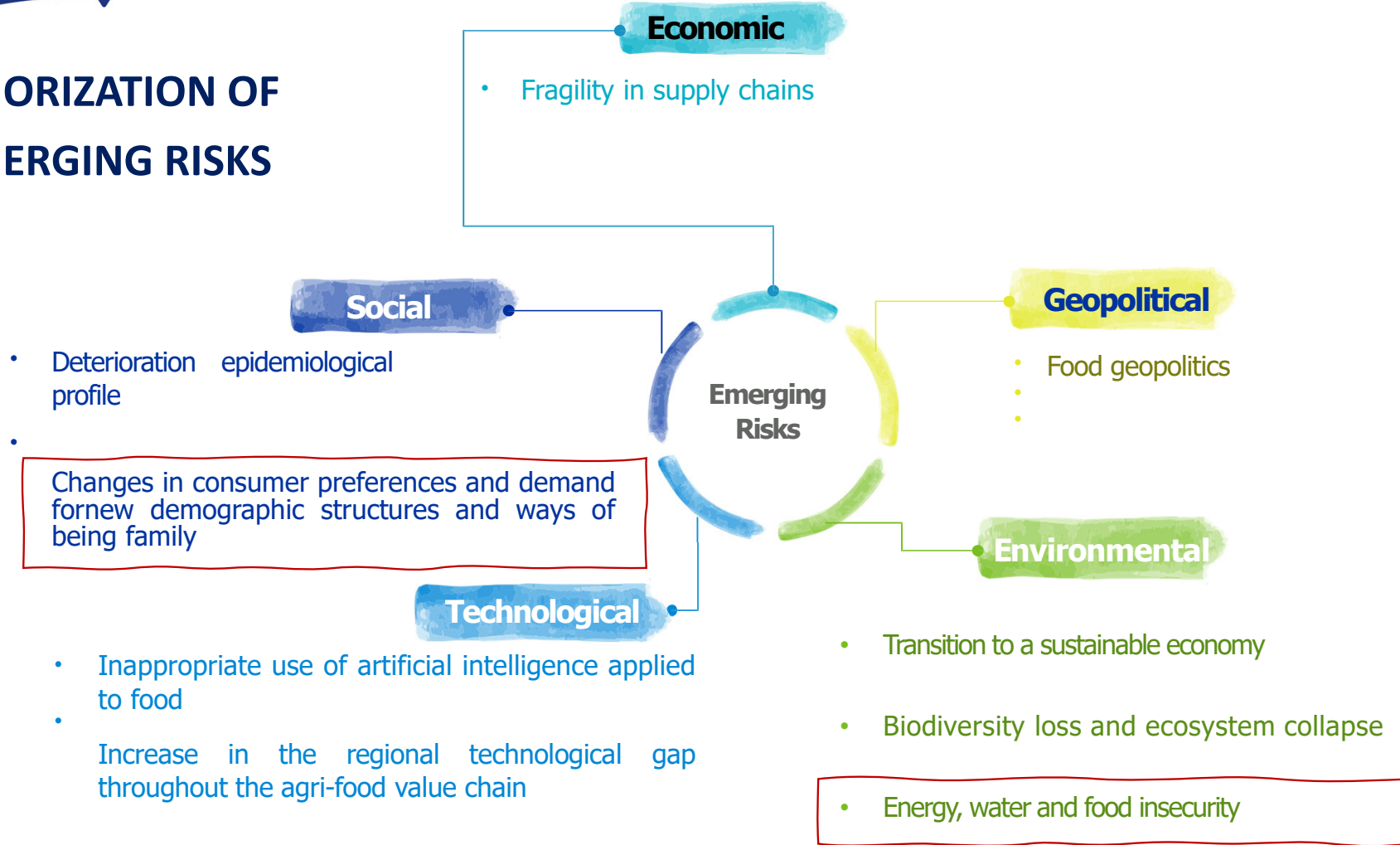
*Definition of milestones and actions from the company*



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



# PRIORIZATION OF EMERGING RISKS





## 3. Emerging Risks

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

Increases in volatility or substantial changes in the dynamics of food category demand, resulting from demographic transformations such as increased life expectancy, decreased birth rates, new family structures, reconfiguration of different population segments, as well as needs for more specialized, healthy, convenient, and sustainable nutritional profiles in response to new lifestyle dynamics, greater cultural diversity, new habits, and consumption styles, will require greater product variety and marketing approaches to meet the demands of the end consumer.

#### ➤ Potential Impacts:

- Failing to adapt to new family structures, lifestyles, and consumption habits can create a disadvantage compared to competitors who better adjust to these new dynamics. Similarly, a lack of a diversified portfolio that includes options tailored to current trends, such as specialized, convenient, and sustainable products, can lead to a decrease in market share. Not keeping up with market trends may result in a perception of obsolescence or a lack of innovation, affecting current customer loyalty and making it harder to attract new segments.



# Emerging Risks

## Principal Strategies- Mitigating actions



- **Diversified Portfolio:** We have a portfolio with over 18 food categories that cater to the needs of diverse consumer types, covering different ages and consumption moments. This broad range of products ensures that we can meet a variety of preferences.
- **Extensive Distribution:** Our distribution network spans over 90 countries, reflecting our strong commitment to accessibility. We ensure that our products are available both nationally and internationally, making them accessible to consumers. Currently, we serve more than 750,000 customers worldwide.
- **Geographical Diversification:** We offer our products in multiple regions and international markets, which not only expands our global presence but also allows us to adapt to local particularities and preferences. This strategy ensures that our offerings are relevant and accessible to a wide range of consumers. Currently, 42% of our sales come from international markets, demonstrating our successful geographical expansion.
- **Colombina 100%:** We have developed a portfolio of products with nutritional benefits designed to enhance various moments of our consumers' day and support a healthy lifestyle. This portfolio includes familiar products with improved nutritional performance while retaining their traditional taste. It features categories such as cookies, ice cream, cereal bars, baby food, and preserves, among others. All products are free from preservatives, artificial flavorings, and colorings, and have an average unit price of less than 50 cents, making them accessible to everyone.
- **Clean & Clear Project:** We have implemented a methodology aimed at improving the nutritional profile of our products, based on four key initiatives: reducing critical nutrients (lowering saturated fats, sugars, and sodium), eliminating artificial additives (artificial colorings, flavorings, and preservatives), adding nutrients (fiber, proteins, vitamins, minerals, etc.), and reducing allergens and the total number of ingredients. Currently, 71% of our sales come from products with a positive social impact.



## 3. Emerging Risks

### ENERGY, WATER AND FOOD INSECURITY

It refers to the risk arising from the constant pressure on natural resources (both renewable and non-renewable), which has been accelerating, preventing nature from replenishing them at the same rate they are consumed. This increases the likelihood of an unprecedented scarcity or shortage of essential services and goods such as food, energy, and water, impacting health, economic development, competitiveness, and the environment.

This risk affects the ability to maintain an uninterrupted, high-quality, affordable, and environmentally sustainable supply of water, energy, and food services, which in turn depend on the availability of water, soil conditions, fossil fuels, biofuels, climate, and other related factors.

#### ➤ Potential Impacts:

- The unavailability of raw materials can disrupt production and affect product supply, requiring adjustments in formulas or changes in suppliers. This scarcity, combined with volatility in energy and input prices, can significantly increase production costs, particularly impacting products that rely on water supply. Additionally, the rise in transportation costs, due to raw material shortages and the use of more expensive routes, can raise the final price of products and cause delivery delays. As a result, higher prices may reduce market competitiveness, negatively affecting market share and sales compared to competitors who manage their costs more effectively.



# Emerging Risks

## Principal Strategies- Mitigating actions

- **Energy Transition:** We have adopted renewable energy sources to reduce our dependence on fossil fuels in our operations, which helps decrease our carbon footprint and ensures greater stability in the electricity supply. Currently, we have solar energy at three of our plants: two in Colombia, where we have installed solar farms, and one in Guatemala, equipped with rooftop solar panels on our factory. Additionally, we have acquired Renewable Energy Certificates (RECs) that guarantee the electricity used in our production plants in Colombia comes from 100% renewable sources.
- **Commodity Price Mitigation Model:** We have implemented a band model through the purchase of futures for essential raw materials, which allows us to manage and mitigate the volatility of commodity prices. This approach helps stabilize production costs by setting prices in advance for critical inputs, protecting the company from unexpected fluctuations in raw material prices.
- **Watershed Conservation:** We promote the conservation of watersheds in our areas of influence in partnership with foundations, local authorities, environmental organizations, and other stakeholders. Through these partnerships, we aim to protect water sources and conserve watersheds, promoting the equitable use of water in the region.
- **Water Stress Analysis:** We conduct annual water stress analyses at our main production plants, which allow us to assess the impact of our activities on water resources and anticipate potential scarcity issues. These analyses help us identify risk areas and develop strategies to manage and reduce our impact on water resources, thereby ensuring the long-term sustainability of the company's operations.
- **Business Continuity Plans:** These plans help the company prepare by defining actions, responsibilities, infrastructure, and information needed in case of extended service interruptions caused by internal or external factors, and to restore operations to the greatest extent possible in the shortest time frame.