For Grupo Nutresa, innovation is a strategic driver that becomes the engine of growth and competitiveness for the achievement of results in the strategic region and the markets where it operates.

Innovation is based on the deep knowledge of customers, consumers and the construction of a long-term vision resulting from forward planning exercises, and, combined with a culture that enables processes of this nature, it materializes in products, services, processes and new business models that add value.
STRATEGY
[GRI 103-2]

Implementing the innovation-focused strategy, and structuring the governability model.


Building Grupo Nutresa’s innovation projects portfolio.

Consolidating the knowledge management culture.

Discovering and progressing in the identification of new digital technologies and their contribution to innovation and productivity.

PROGRESS 2018
[GRI 103-3]

- **Deployment** of the Imagix Model evolution in ten companies in Colombia, United States, Peru, Ecuador and Central America.

- **Update** of the innovation matrix for the Businesses, which allowed to obtain a higher level of clarity in the balance of innovation portfolios.

- **Design** of a new concept focused on enabling open innovation in Grupo Nutresa, shaping the “Soluciones Innovadoras” program into a version that responds to the need of building new growth opportunities.

- **Development** of the third edition of the “Out of the Box” program, with 45 proposals submitted, five developed and two acknowledged.

- **Redesign** of the innovation promoter program and training of 136 promoters in the pilot execution, with three training sessions for Pro promoters, one for Expert promoters and another one for Master promoters.

- **4,854** Innovative Success Stories received acknowledgments across all of Grupo Nutresa’s geographies and Businesses.

- **Three** Exemplary Practices were awarded acknowledgments.

- **Implementation** of a new technology platform for the indicator board pilot in the Chocolates Business.

- **Configuration** of a portfolio with 16 innovation projects developed by teams based on methodologies related to strategic challenges of the Businesses, with the aim of searching for new high-impact business models for new or nonexistent markets.

- **Development** of a self-management strategy for the synergy communities.

- **Design** of a strategy that enables the tangibilization of knowledge management. It will be implemented in 2019.

- **Organization** and execution of “Talleres de Descubrir” (Workshops for Discovering).

- **Construction** of the innovation ecosystem, through which such technologies will be explored.

- **Identification** of more than 60 opportunities to apply new technologies in the Businesses.
RISKS AND OPPORTUNITIES
[GRI 103-1]

Grupo Nutresa has identified risks related to the implementation of effective innovation: not reading the changes in the Organization’s environment and context at the right time. Such changes could consist in legislations, provisions regarding packaging, intensive use of resources, price and availability of commodities, for which the Organization has multiple monitoring and prevention mechanisms.

Grupo Nutresa’s driver of innovation is its human capital and its main challenge is to strengthen its participation in the implementation of the Imagix Model, in the adoption of new expert capabilities that enable a higher speed and diversity in terms of the proposals, and in the achievement of the evolution of its innovation programs. Thus, the main gaps in this regard were identified in order to enhance the capabilities and bring innovation to other environments and settings.

For the Organization, it is a priority to be aligned with the dynamics of its environment and context, and to understand innovation beyond the product. Therefore, Grupo Nutresa develops forward planning processes, with periodic reviews for correcting the course if necessary, that enable it to operate in advance, maintain its leadership in the food sector, and be at the forefront of the industry.

Finally, there is a major opportunity to develop intra-entrepreneurship initiatives, approach startups, obtain a diverse innovation portfolio –supported on indicators that allow to perform a timely management– and boost the creation of new business models jointly with other companies and agents from the ecosystem. Open innovation becomes particularly relevant in the process of attracting new capabilities and incorporating new technologies.

OUTLOOK

Grupo Nutresa gets ready to deal with the multiple challenges of the industry at the right time, maintaining its leadership in the region and getting prepared to face any other challenges posed by the market. That is why for 2020, the Organization has set the goal of achieving innovation-driven sales equivalent to 15% of the total sales and seeks to achieve 0.3 Innovative Success Stories per employee.

The Company will continue to gather efforts for giving continuity to the comprehensive management of both innovation and the portfolio of short, medium and long-term projects. A greater emphasis will be laid on social and environmental innovation, and the innovation-related incentives and acknowledgments for employees will be reassessed.

It is a great challenge to create strategies that allow to act in alignment with the evolution of the legislations in the regions where Grupo Nutresa operates, strengthen the internal entrepreneurship and connect with external agents that allow to design adequate solutions. Additional expert capabilities will be created for the development and incubation of disruptive, long-term projects, and the Organization will have a better understanding of the lifestyles, consumption trends, aspirations and needs of both customers and consumers, thus enabling the generation of new value propositions.

Over the coming years, the Company will reinforce the execution of a strategy focused on making the most out of its ecosystem. The aim of this reinforcement is to bring new capabilities, knowledge, technologies and talent that allow to create a higher level of competitiveness for the future and to reinvent the business based on the market trends and the goals set forth from the perspective of forward planning.
SUCCESS STORIES AND ACKNOWLEDGMENTS [GRI 103-3]

Grupo Nutresa was acknowledged in the innovation ranking compiled by the Dinero magazine and the Andi (National Business Association of Colombia) with the first place in the category of companies with greater innovation perception among the businesspeople who participate in the measurement, the third with the biggest share of PhD-degree holders in their workforce and in the top ten of companies with the most product launches.
PROGRESS 2018

GRI 103-3 [SDG 9.4]

Processes
- Development of new products or services.
- Basic and applied research.
- Open innovation.
- Strategic monitoring (competitive and technological).
- Forward planning.
- Intellectual property.

Resources
- 0.6% of the sales invested in innovation.
- Venture capital fund for the development of two Out of the Box projects.
- 218 people dedicated to R&D+i.

Culture
- 4,854 Innovative Success Stories.
- 347 innovation promoters.
- 136 people trained in innovation.

Ecosystem
- Permanent articulation between businesses and different actors of the ecosystem, such as: universities, enterprises, research centers, suppliers, among others.

Innovation portfolio
- Development of an indicator board management tool.
- Identification of the portfolio baseline for businesses and main innovation projects.
- Balance of innovation portfolios in the short, medium and long term, and different disruption levels.
- 16 strategic projects under development through training in innovation-focused capabilities and leadership.
STRATEGY

» Implementation of the innovation strategy. Consolidation of the innovation strategy, and launch of the IMAGIX model in the Businesses in Colombia, which articulates the capabilities for a sustainable innovation in the long term, transforming it into a drive of growth.

» Deployment of the Imagix Model. Development of a strategy with four stages (awareness-raising, expectation, launch and advanced development) with the aim of enhancing the understanding and implementation of the Imagix Model in the Businesses in Colombia, United States, Peru, Ecuador and Central America.

» Continuation of the plan focused on bridging gaps in innovation capabilities identified through the measurement performed in 2016, implementing training in innovation-related capabilities and leadership with 49 participants from all the Businesses, in addition to the evolution of the Innovative Solutions program as a system that enables open innovation in Grupo Nutresa.

» Execution of a review and an adjustment of the innovation planning for the 2018-2020 term in alignment with the strategy. The result of this process was the identification of goals for each one of the Imagix Model axes.

» Start of the understanding and adoption of the Imagix Model in the Retail Food Business in Colombia.
CULTURE

» **Innovation training:** 136 innovation promoters were trained, in addition to 195 people in agility, 53 in service design, 20 in user experience, 15 in identification and structuring of strategic innovation challenges, and 23 people in graphic facilitation.

» **Innovation indicators:** start of the indicator board pilot initiative with the Chocolates Business in order to measure the impact and manage the innovation portfolio based on the strategic goals.

» **Innovation leadership:** production and publication of eight episodes of interviews to the presidents of the Businesses. The interviews explore the vision about innovation of each one of them and how it is implemented in their corresponding Business.

**Innovation culture programs**

» **Innovative Solutions:** open participation program for all employees from all companies. The program is focused on solving strategic or tactical impact challenges with the objective of creating a collaborative work culture, and promoting participation and the innovation tools in work teams and among people who want to contribute solutions.

» **Innovative Success Stories:** program focused on the participation in the formulation and implementation of ideas focused on the objective of creating a continued improvement culture, fostering curiosity and observation, and promoting the voluntary participation across all levels in the Organization. 4,854 Innovative Success Stories were achieved, which is equivalent to 0.2 per employee.

» **Exemplary Practices:** acknowledgment of management experiences and projects with outstanding results, which are also replicable in other businesses. It promotes the collaborative work and the transfer of knowledge and good practices.

» **Out of the Box:** capital fund for radical innovation projects with the aim of learning to manage innovation projects with a high uncertainty level and venturing into long-term endeavors. The Company organized the third edition, where 45 proposals were presented and four of them were selected to be developed. Two of the proposals received acknowledgments.

**Three Exemplary Practices received acknowledgments in 2018**

1. **Pioneer business models for clean energy generation:** generation of electric power by means of a photovoltaic system installed on the roofs of the Chocolates Business production plant in Rionegro.

2. **Reinstatement of the distribution operation after the fire in the Cold Cuts Business and Servicios Nutresa distribution center in Bogotá.**

3. **Intellectual property as an innovation driver for the Coffee Business and Servicios Nutresa.**
Fostering profitable growth and effective innovation

» Research Awards: program focused on promoting the Organization’s research culture and strengthening its intellectual capital.

Fourteen research projects were submitted. They were evaluated by academic peers and the three projects with the highest scores received awards:

1. **First place**
   Correlation between physicochemical properties and sensory attributes in chocolate beverages, submitted by the Chocolates Business.

2. **Second place**
   Phenomenological-basis semi-physical model for the prediction of the conching degree of chocolate, submitted by the Chocolates Business.

3. **Third place**
   Substitution of the sucrose in the preparation of chocolate candy using body agents and a non-caloric sweetening agent, submitted by the Chocolates Business.

» People dedicated full-time to R&D+i:

218

Effective innovation activity at the Coffee Business production plant in Medellin, Colombia.
The Company has a capital fund for radical innovation projects with the aim of learning to manage high-uncertainty projects.

PORTFOLIO MANAGEMENT
» Each Business conducted an analysis of the current state of its portfolio of innovation projects, achieving a starting point for defining the indicators and looking for a strategic management of the innovation portfolio.
» Parallel development of 16 strategic innovation projects with the team of Master promoters in training, in addition to the ones conducted by the Businesses.

ECOSYSTEM
Open innovation
» The generation of networks and the strengthening of relations with the innovation ecosystem are fundamental for Grupo Nutresa. That is why in 2018 there were multiple initiatives with third parties, including universities, research centers, suppliers, clients and entrepreneurship centers, which contributed knowledge, methods, tools, capabilities and valuable resources for the development of new products and processes.
» A proposal for a governance model was developed for an articulated management of the ecosystem that allows channeling, taking advantage of and strengthening relations and initiatives carried out collaboratively with external actors.

PROCESSES

Intellectual property [SDG 9.4]
Intellectual property maintains the competitive advantages and is increasingly relevant within the Imagix innovation model because it allows to protect and preserve the generated knowledge, identify fundamental technological trends in the forward planning exercises, and reduce the risks related to the infringement of third-party intellectual property copyrights. The monitoring of intellectual property allows to establish the knowledge boundaries for competitors.

Technological monitoring
in 2018, the Technological Monitoring Direction Department continued to support the development and enhancement of each Business’s capabilities to monitor its technological and competitive environment, identifying, interpreting, analyzing and contextualizing signs and trends, both local and global, within the framework of workshops, projects and strategic initiatives.

The implementation of the process and the technological monitoring tools in the Businesses has allowed to boost the execution of Grupo Nutresa’s innovation model and strategies through the timely delivery of diagnoses, conclusions and recommendations. These elements guide the R&D processes, as well as the processes focused on the appropriation and transference of new technological capabilities. They also orientate the identification of potential agents, networks, synergies and/or alliances that strengthen the innovation ecosystem of the Businesses, as well as the creation of roadmaps that steer the gap-bridging process in technological aspects.

The monitoring actions carried out by the specialists in each Business were supplemented by the Direction Department with 26 deep monitoring studies and more than 50 alert-related deliverable materials. In total, Grupo Nutresa has a total of 152 trained custodians.
Fostering profitable growth and effective innovation

**RESOURCES**

The Organization allocates significant economic resources and its human capital to drive innovation.

The total investment in R&D+i amounted to COP 55,473 million, which corresponds to 0.6% of the total sales.

Targeted improvement process at the Coffee Business production plant in Bogotá, Colombia.