Second-Party Opinion

Grupo Bimbo Sustainable Financing Framework

Second-Party Opinion

Reviewed by:

MORNINGSTAR | SUSTAINALYTICS

Evaluation Summary

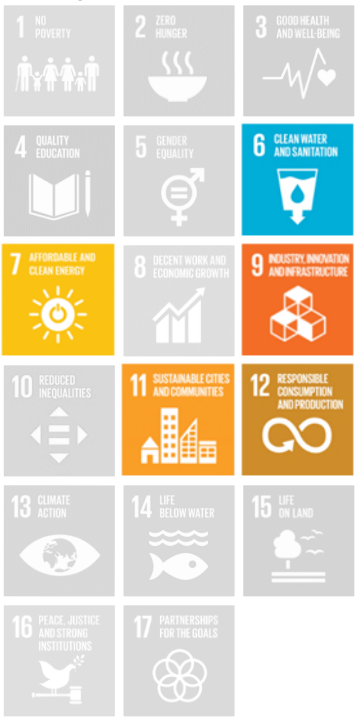
Evaluation Date	April 17, 2023[1]
Issuer/Borrower Location	Mexico City, Mexico

Use of Proceeds Instruments

Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics is of the opinion that the Grupo Bimbo Sustainable Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021, and Green Loan Principles 2023 (the "Use of Proceeds Principles"). The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Sustainable Agriculture and Sustainable Management of Living Natural Resources, Eco-Efficient Products, and Sustainable Water and Wastewater Management – are aligned with those recognized by the Use of Proceeds Principles and are expected to lead to positive environmental and social impacts.

The UoPs and SPTs contribute to the following SDGs:



Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2023

Sustainalytics is of the opinion that the Grupo Bimbo Sustainable Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2023 (the "Sustainability-Linked Principles"). Overview of KPIs and SPTs:

KPI	Strength of the KPI	SPT	Ambitiousness of SPT
Absolute scope 1 emissions (tCO2e)	Very Strong	SPT 1: Reduce absolute scope 1 emissions by 50% by 2030, against a 2019 baseline	Highly Ambitious
Absolute scope 3 emissions (tCO2e)	Very Strong	SPT 2: Reduce absolute scope 3 emissions by 12.5% by 2025, 17.5% by 2027, and 28% by 2030, against a 2019 baseline	Ambitious
Share of renewable electricity use (%)	Strong	SPT 3: Increase the share of renewable electricity use to 100% by 2025 against a 2020 baseline	Ambitious
Share of treated water use (%)	Adequate	SPT 4: Increase the share of treated water use to 96% by 2023, 98% by 2024 and 100% by 2025, against a 2020 baseline	Moderately Ambitious

[1] This document is an update of Sustainalytics' second-party opinion that was published in June 2022, to denote the addition of an interim SPT for KPI 2, new use of proceeds activities, as well as the Framework's alignment with the Green Loan Principles 2023 and Sustainability-Linked Loan Principles 2023.

Table of Contents

Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[2] opinion on the alignment of the Grupo Bimbo Sustainable Financing Framework with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2023;[3, 4]
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management; and

As part of this engagement, Sustainalytics held conversations with various members of Grupo Bimbo's management team to understand the sustainability impact of their business processes and the core components of the Framework. Grupo Bimbo representatives have confirmed that:

(1) They understand it is the sole responsibility of Grupo Bimbo to ensure that the information provided is complete, accurate or up to date;

(2) They have provided Sustainalytics with all relevant information; and

(3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Grupo Bimbo.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards, but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. Regarding the portion of the Second-Party Opinion which assesses:

- use of proceeds categories, Grupo Bimbo is encouraged to update the associated parts of the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to this Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.
- sustainability-linked instruments, this Second-Party Opinion is valid for issuances aligned with the Framework for up to 24 (twenty-four) months or until one of the following occurs: (1) a material change to the external benchmarks against which targets were set; (2) a material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. This Second-Party Opinion:

- addresses the anticipated impacts of eligible projects but does not measure their actual impact. Reporting and measuring impact of projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

For sustainability-linked instruments, the Second-Party Opinion:

- addresses the anticipated SPTs of KPIs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information Sustainalytics provides under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that Grupo Bimbo may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

[2] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

[3] The green bond principles, guidelines and handbooks are administered by the International Capital Market Association and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

[4] The green loan principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

For inquiries, contact the Sustainable Finance Solutions project team:

Taylor Whitfield (Toronto)
Project Manager
taylor.whitfield@sustainalytics.com
(+1) 416 861 0430

Javier Frisancho Salinas (Amsterdam)
Project Support

Aishwarya Ramchandran (Toronto)
Project Support

Lindsay Brent (Toronto)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Aakanksha Jain (Toronto)
Project Support

Introduction

Founded in 1945, Grupo Bimbo, S.A.B. de C.V ("Grupo Bimbo", the "Company", or the "Issuer") is a large international baking products manufacturer. As of January 2023, the Company had 214 bakeries and other plants, and 1,600 sale centres located in 34 countries throughout the Americas, Europe, Asia and Africa. The Company's main product lines include sliced bread, buns and rolls, pastries, cakes, cookies, toast, bread, English muffins, bagels, tortillas and flatbreads, savoury snacks and confectionery products. The Company has more than 3.3 million points of sale, more than 55,000 distribution routes and over 141,000 associates.[5]

Grupo Bimbo has developed the Grupo Bimbo Sustainable Financing Framework (the "Framework") under which Grupo Bimbo may issue use of proceeds (UoP) bonds, loans, and commercial papers, or any other financial instruments (the "UoP Instruments"), and sustainability-linked bonds, loans and cross-currency swap derivatives (the "Linked Instruments").[6] Grupo Bimbo has engaged Sustainalytics to review the Framework dated April 2023 and provide a second-party opinion on the Framework's alignment with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2023. The Framework will be published in a separate document.[7]

For each use of proceeds instrument, the proceeds will finance or refinance, in whole or in part, existing or future projects expected to deliver positive environmental impacts and advance Grupo Bimbo's sustainability strategy. The Framework defines eligibility criteria in eight areas:

1. Green Buildings
2. Renewable Energy
3. Clean Transportation
4. Energy Efficiency
5. Pollution Prevention and Control
6. Environmentally Sustainable Management of Living Natural Resources and Land Use
7. Eco-Efficient and Circular Economy Adapted Products, Production Technologies and Processes
8. Sustainable Water and Wastewater Management

For each sustainability-linked instrument, the margin adjustment or premium payment of the specific instrument is tied to the achievement of sustainability performance targets for four KPIs related to GHG emissions reductions, renewable energy use and water use.

The KPIs and SPTs used by Grupo Bimbo are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
Absolute scope 1 emissions (tCO2e)	The KPI measures absolute scope 1 GHG emissions that come from sources that are controlled or owned by Grupo Bimbo, expressed in tCO_2e. Grupo Bimbo follows the GHG Protocol standards in measuring scope 1 emissions.
Absolute scope 3 emissions (tCO2e)	The KPI measures absolute scope 3 GHG emissions comprising Grupo Bimbo's total indirect emissions from purchased goods and services, capital goods, fuel and energy-related activities, upstream transportation and distribution, waste, business travel, employee commuting, end-of-life treatment of sold products and investments, expressed in tCO_2e. Grupo Bimbo follows the GHG Protocol standards in measuring scope 3 emissions.

[5] Grupo Bimbo, "Reports Fourth Quarter and Full Year 2022 Results", (2023), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/reportes-2023/Grupo%20Bimbo%20Reports%204Q22%20Results_0.pdf?VersionId=R6gFRBWVQ4f6e580J_bneAsY3eg1iyXE

[6] Sustainalytics has reviewed just those instruments that have been specified under the Framework. For cross-currency swap derivates, given the considerations for derivative instruments may be different from other specified financial instruments, Sustainalytics has not reviewed the instrument-specific credibility of derivative structures. Grupo Bimbo will provide more details on these in the offering documents of such instruments.

[7] The Grupo Bimbo Sustainable Financing Framework is available on Grupo Bimbo's website at: https://www.grupobimbo.com/en

Share of renewable electricity use (%)	The KPI measures the annual electricity consumption from renewable energy sources as a proportion of Grupo Bimbo's total annual electricity consumption in percentage terms. The KPI is defined as the share of energy consumption from renewable sources as a percentage of the Company's total energy consumption, measured in gigajoules. Grupo Bimbo considers the following as renewable energy: wind power, solar power and hydropower.
Share of treated water use (%)	The KPI measures the annual amount of reused treated water as a proportion of the total annual amount of treated water in 2020, the baseline year, in percentage terms. The KPI is defined as the share of reused treated water as a percentage of the total volume of treated water in 2020, both expressed in m^3.

Table 2: SPTs and Past Performance

KPIs 1 and 2	2019	2020	2021	2022	SPT 2030
KPI 1: Absolute scope 1 GHG emissions (tCO_2e)	1,102,372 (baseline)	1,088,534	1,108,609	1,127,129	SPT 1: Reduce absolute scope 1 emissions by 50% by 2030
KPI 2: Absolute scope 3 emissions (tCO_2e)	8,021,824 (baseline)	8,397,982	8,817,899	9,869,901	SPT 2: Reduce absolute scope 3 emissions by 28% by 2030
KPI 2	**2019**	**2020**	**2021**	**2022**	**SPT 2027**
KPI 2: Absolute scope 3 emissions (tCO_2e)	8,021,824 (baseline)	8,397,982	8,817,899	9,869,901	SPT 2: Reduce absolute scope 3 emissions by 17.5% by 2027
KPIs 2, 3 and 4	**2019**	**2020**	**2021**	**2022**	**SPT 2025**
KPI 2: Absolute scope 3 emissions (tCO_2e)	8,021,824 (baseline)	8,397,982	8,817,899	9,869,901	SPT 2: Reduce absolute scope 3 emissions by 12.5% by 2025
KPI 3: Share of renewable electricity use (%)	36	60 (baseline)	75	89	SPT 3: Increase the share of renewable electricity use to 100% by 2025
KPI 4: Share of treated water use (%)	76	82 (baseline)	87	92	SPT 4: Increase the share of treated water use to 96% by 2023, 98% by 2024 and 100% by 2025

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Use of Proceeds Principles

Sustainalytics is of the opinion that the Grupo Bimbo Sustainable Financing Framework is credible, impactful and aligns with the Green Bond Principles 2021 and Green Loan Principles 2023 (the "Use of Proceeds Principles"). For detailed information please refer to Appendix 1: Green Bond/ Green Bond Programme External Review Form. Sustainalytics highlights the following elements of Grupo Bimbo's Grupo Bimbo Sustainable Financing Framework:

Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Description and Sustainalytics' Assessment
Green Buildings	Constructions, upgrades or build out of properties	- Facilities that have received or are expected to receive the following certifications: o LEED: Gold or Platinum o BREEAM: Excellent or Outstanding o Energy Star Certification with a score of 85 or above in all the bakeries in the US o Refurbishment of existing buildings that lead to an improvement in primary energy demand of at least 30% compared to initial performance or pre-retrofit levels. - Sustainalytics considers the specified schemes to be credible, and the levels selected as aligned with market practice.
Renewable Energy	Construction, development, acquisition, maintenance and operation and connection of renewable energy projects	- Projects in this category include on-site solar rooftop panels, wind turbines, and green hydrogen produced only from renewable sources with a carbon intensity of less than 100 gCO_2e/kWh and the acquisition of lithium-ion battery storage systems connected to renewables. - Sustainalytics considers the investments in these activities to be in line with market practice.
	Acquisition of renewable energy	- Long-term power purchase agreements (PPAs) or virtual power purchase agreements with renewable projects. The issuer confirms to Sustainalytics that nuclear or gas PPAs will not be included and that the PPAs have maturities of at least four years with commitments to renew them for more than five years. - PPAs will include hydro sources and will meet at least one of the following: i) run-of-river without artificial reservoir or low storage capacity; ii) life-cycle carbon intensity below 50 gCO_2e/kWh; or iii) power density greater than 10 W/m^2. - Sustainalytics considers the investments within this activity to be in line with market practice.
Clean Transportation	Acquisition, maintenance and operation of vehicles and charging stations	- Projects in this category include electric vehicles, charging stations for electric vehicles powered by solar and wind energy, and vehicles that use renewable propane, renewable natural gas, green hydrogen and ethanol. o Grupo Bimbo has communicated to Sustainalytics that vehicles financed include passenger vehicles with emissions thresholds at below 75 $gCOe_2$/km based on WLTP or NEDC procedure, buses with and without BRT systems with direct emissions thresholds based on WLTP of less than 50 gCO_2e/p-km, and heavy trucks at or below 25 $gCOe_2$/t-km.[8] - Sustainalytics considerers the investments under this category to be in line with market practice.
Energy Efficiency	Equipment, systems, operational improvements and maintenance.	- The Company may invest in energy efficient monitoring systems and lighting upgrades that enhance energy efficiency by at least 5% compared to current performance levels. The Company confirms that these improvements will not apply to fossil fuel powered assets. - Sustainalytics considers the investments within this category to be in line with market practice.
Pollution Prevention and Control	Replacement of fossil fuel technology	- The Company may invest in the following: o Purchase and installation of new electric ovens powered with renewable electricity, green hydrogen ovens and renewable

[8] Sustainalytics notes that different test procedures can achieve varying results in actual vehicles' CO_2 emissions. The WLTP (World Harmonized Light-duty Vehicle Test Procedure) test cycle uses real-driving data to replicate actual driving conditions, while the NEDC (New European Driving Cycle) test determines values based on a theoretical driving profile, which can lead to material differences in terms of CO_2 emissions. Hence, Sustainalytics encourages, where feasible, to report on the test procedure used to determine emissions intensity of the vehicles being financed.

		natural gas ovens to both replace existing fossil fuel powered ovens, as well as to expand production capacity in existing and new facilities. o Purchase and installation of electric fryers and solar thermal fryers to replace existing fossil fuel powered appliances. o Elimination of boilers through heat recovery technology.[9] - Sustainalytics acknowledges that the procurement of new electric ovens plays an important role in the decarbonization strategy of the Company and is materially relevant to the industry it operates in, while noting that end-user products like electric ovens are not considered to be an inherently green equipment and may lead to an increase in electricity consumption. Nevertheless, Sustainalytics views this expenditure to be impactful as shifting from fossil fuel-based technologies and equipment is a material issue that should be addressed by the processed food industry. Sustainalytics encourages Grupo Bimbo to report on GHG emissions reduction and avoidance resulting from the expenditure until bond maturity.
	Waste prevention, waste reduction and pollution prevention and control	- Purchase and installation of new refrigeration systems that use natural refrigerants with zero global warming potential (GWP). - Sustainalytics considers the investments within this category to be in line with market practice.
Environmentally Sustainable Management of Living Natural Resources and Land Use	Procurement of raw materials	- Raw materials certified by FSC, SFI and PEFC, or recycled paper and cardboard. - Sustainalytics considers the investments in this activity to be in line with market practice.
	Promotion and investment in sustainable agricultural programs	- Training, support and monitoring of key ingredient suppliers in the application of regenerative agriculture practices to reduce the use of water and pesticides, reduce carbon emissions, and improve the health of the soil. Regenerative agriculture practices include crop rotation, use of microorganisms to increase plant and soil health, and water and fertilizer efficiency improvements. - Sustainalytics considers the investments within this category to be in line with market practice.
	Investments to protect or restore natural resources and land	- Monitoring systems, landscape projects, localized water systems and a 10-year contract with a third-party provider of compost sludge treatment in order to eliminate landfill disposal. - The Company confirms that forestation will include only native species well adapted to local conditions. - The Company intends to invest in regenerative agriculture practices such as crop rotation, use of microorganisms to increase plant and soil health, and water and fertilizer efficiency improvements. - Sustainalytics considers the investments in this activity to be in line with market practice.
Eco-efficient and/or circular economy adapted products, production technologies and processes	Purchase, research and development, design or redesign, manufacturing, and purchases of resource-efficient products, packaging and processes	- Technologies that reduce food waste, such as converting food waste into flour or collecting crumbs produced during handling and slicing, for animal feed or composting. - Plastic-related projects including the following: o Projects focused on the design and development of i) optimized packaging through the reduction of the amount of conventional plastic (thickness) and ii) compostable ASTM 6400 / EN13432 and biodegradable ASTM 6954 materials to replace conventional packaging. The Company has communicated to Sustainalytics that expenditures related to the procurement of the noted biodegradable materials may also be financed under such design and development activities.[10] o Projects that increase material reusability and recyclability including the use of recycled materials such as paper and cardboard from recycled or sustainable certified sources.[11]

[9] Grupo Bimbo has communicated to Sustainalytics that this activity entails heat recovery equipment and renewable electricity generators to produce steam, thus eliminating the need for conventional natural gas boilers.
[10] Grupo Bimbo has communicated to Sustainalytics that it intends to, on a best effort basis, consider sustainably sourced biogenic material for the development of its optimized packaging. Sustainalytics highlights the importance of utilizing sustainably sourced materials and encourages Grupo Bimbo to report on their such of such materials, where feasible.
[11] Grupo Bimbo has communicated to Sustainalytics that eligible certifications will be FSC, PEFC and SFI.

		○ Projects that incentivize post-consumption programmes including reverse logistics material gathering[12] and post-consumption recycling programmes with third-parties.[13] - Sustainalytics notes that the resultant plastics designed or developed may be intended for single use plastic packaging products. Single use plastic products waste are, as of today, more likely to end up in the environment rather than being recycled or appropriately managed.[14] In addition, Sustainalytics notes that the extent of recycling plastics is very low, with an estimated 9% of total plastic waste is recycled, while 19% is being incinerated and 50% went to sanitary landfill. The remaining 22% plastic waste is mismanaged such as being disposed in uncontrolled dumpsites, burned in open pits or leaked into the environment.[15] Sustainalytics further recognizes that improved recycling rates alone, even if attainable, will not fully address the holistic environmental issues associated with plastics. Unlike steel, glass and aluminium, plastics can only be recycled a finite number of times before being disposed of. To achieve full circularity, the industry needs to take substantial measures, including an increased use of sustainably sourced alternative (low-carbon) materials that can be recycled indefinitely without a loss of quality.
Sustainable Water and Wastewater Management	Solutions that promote the sustainable management of water resources	- The Company aims to improve wastewater treatment and management through infiltration basins, and upgrades and construction of wastewater treatment plants implemented within production sites. Furthermore, the Company intends to invest in local treatments for water to be reused in cleaning processes. - Investments in projects that help to improve water quality monitoring and optimize water consumption. - Sustainalytics considers the investments in this category to be in line with market practice.

Project Evaluation and Selection

- The Grupo Bimbo Sustainable Investments Committee (the "Committee"), consisting of representatives from the Sustainability, Treasury, Net Zero, Financial Planning, Agrobusiness, Vehicles and Procurement teams or other parties appointed based on their expertise in the matters, will be responsible for the evaluation and selection of eligible projects in accordance with the criteria defined in the Framework. The Committee will meet at least once a year to review and monitor the list of eligible green projects against the eligibility criteria.
- Grupo Bimbo has adopted internal policies and processes to address environmental and social risks commonly associated with the financed projects. Refer to Section 2 for more details.
- Based on a well-defined process to select eligible projects and Grupo Bimbo's risk management process, Sustainalytics considers this to be in line with market practice.

Management of Proceeds

- The Sustainability, Net Zero, and Treasury departments will oversee and track the allocation and ongoing management of the net proceeds using internal systems.
- Grupo Bimbo intends to complete allocation of all proceeds within three years but has retained the option of taking up to five years to allocate in certain cases. Sustainalytics considers market expectation to complete

[12] The Company has communicated this includes service from third parties and that it does not have control of the types of vehicles being used by the third parties. Sustainalytics therefore notes that internal combustion engine vehicles may be used.
[13] Financed programmes enable i) the elimination of waste to landfill, ii) mechanical recycling and iii) reuse of material in the Company's supply chain as inputs or raw materials for other processes post-consumption.
[14] UN Environment Programme, "Our planet is choking on plastic", at: https://www.unep.org/interactives/beat-plastic-pollution/
[15] OECD, "Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options", at: https://www.oecd-ilibrary.org/sites/dfe099c9-en/index.html?itemId=/content/component/dfe099c9-en

allocation within three years. Unallocated proceeds will be temporarily invested in cash, cash equivalents, and other money market instruments in accordance with Grupo Bimbo's treasury management policies or used to repay a portion of outstanding debt, which will exclude carbon-intensive activities. In addition, Grupo Bimbo has established a look-back period of 36 months preceding the issuance date for refinancing of eligible projects.

- Based on the presence of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

Reporting

- Grupo Bimbo intends to report annually on the allocation of proceeds and corresponding impact. Allocation reporting for green bonds will be publicly available on Grupo Bimbo's website while allocation reporting for other financial instruments will be available to the relevant lenders. Allocation reporting will include the total amount allocated to the portfolio, total amount allocated to each green eligible project category, percentage of new financing and refinancing and balance of unallocated proceeds, if any. Sustainalytics encourages Grupo Bimbo to make its allocation reporting for other financial instruments publicly available.
- Where feasible, impact reporting may include key performance indicators such as number of sustainable buildings, percentage of electricity coming from renewable energy sources, and GWh of renewable energy. For a full list of impact indicators, please refer to Appendix 1.
- Grupo Bimbo has also committed to an independent review of its annual reporting, which is considered market best practice.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Grupo Bimbo Sustainable Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2023 (the "Sustainability-Linked Principles"). For detailed information please refer to Appendix 2: Sustainability Linked Bond External Review Form. Sustainalytics highlights the following elements of Grupo Bimbo's Grupo Bimbo Sustainable Financing Framework:

Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers i) whether an indicator speaks to a material impact of the issuer's/borrower's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

KPI 1: Absolute scope 1 emissions (tCO_2e)

Sustainalytics considers KPI 1, absolute scope 1 emissions, to be material and relevant. Sustainalytics ESG Risk Rating[16] identifies Carbon Own-Operations as a material ESG issue (MEI) for the Company. Additionally, the Company identifies climate change adaptation as a material sustainability issue in accordance with GRI reporting standards.

In terms of applicability, scope 1 emissions account for approximately 8% of the Company's total emissions (scopes 1, 2 and 3), which on a standalone basis denotes low applicability. However, Sustainalytics notes that KPI 1 is an integral component of the Company's decarbonization strategy that covers all sources of GHG emissions

[16] Sustainalytics ESG Risk Rating (March 2022)

(scopes 1, 2 and 3). Therefore, Sustainalytics considers the KPI as having a high degree of applicability when considered on a combined basis with KPIs 2 and 3.

KPI 2: Absolute scope 3 emissions (tCO_2e)

Sustainalytics considers KPI 2 (absolute scope 3 emissions) material and relevant. Processed foods companies like Grupo Bimbo have significant scope 3 carbon footprints mainly from purchased goods and services provided by an extensive network of supply chains. The SASB has identified Supply Chain Management as a material issue for the processed foods industry, highlighting the importance of addressing environmental and social externalities, including GHG emissions,[17] created by suppliers of ingredients and raw materials used by processed foods companies.[18] Furthermore, the Company has identified climate change adaptation as a material sustainability issue based on GRI reporting standards.

In terms of applicability, KPI 2 on its own represents a high scope of applicability given that it addresses Grupo Bimbo's scope 3 emissions, which comprises 89% of total emissions. Sustainalytics also notes that KPI 2 is an integral component of the Company's net zero strategy in tandem with KPIs 1 and 3, which collectively address 100% of the Company's emissions (scopes 1, 2 and 3), denoting a higher degree of applicability.

KPI 3: Share of renewable electricity use (%)

Sustainalytics considers KPI 3, share of renewable electricity use, to be material and relevant given its significant potential in reducing the Company's GHG emissions. Sustainalytics ESG Risk Rating deems Carbon–Own Operations as an MEI for Grupo Bimbo. Additionally, the SASB identifies energy management as a key sustainability issue associated with the processed foods industry, given that electricity is a primary input in manufacturing food products primarily for cooking, refrigeration and packaging.[19]

Regarding applicability, KPI 3 addresses scope 2 emissions, which account for 2-3% of the Company's total emissions. On a standalone basis, it has low applicability however, as this is also a result of consistent efforts by Grupo Bimbo to increase its renewable energy usage in recent years, and given that KPI 3 is part of the Company's integrated approach to decarbonizing its operations, Sustainalytics considers the degree of applicability to be high when assessed in combination with other emission-related KPIs (KPIs 1 and 2).

KPI 4: Share of treated water use (%)

Sustainalytics considers KPI 4, share of treated water use, to be material and relevant given that it addresses an MEI for the Company – Resource Use – as identified by Sustainalytics' ESG Risk Rating. Additionally, the SASB identifies water and wastewater management as a material sustainability issue for the processed foods industry. Improving on this KPI can lead to significant reduction in the amount of total water consumption and wastewater disposal from the Company's operations.

Regarding applicability, Sustainalytics notes that KPI 4 applies to 94 (or 44%) of the 214 bakeries Grupo Bimbo operates, which will have on-site water treatment facilities installed.[20] However, the reused water covered by the KPI represents 26% of the Company's 2021 overall water consumption.[21] Based on this, Sustainalytics notes that the scope of applicability (26%) is moderate.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers i) whether a clear and consistent methodology is used, ii) whether the issuer/borrower follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer/borrower on a material environmental or social issue, and, if applicable, iv) whether the methodology can be benchmarked to an external, contextual benchmark.[22]

[17] Tubiello, F. et al. (2022), "Pre-and post-production processes increasingly dominate greenhouse gas emissions from agri-food systems," Earth System Science Data, at: https://essd.copernicus.org/articles/14/1795/2022/essd-14-1795-2022.pdf
[18] SASB, "Materiality Finder – Processed Foods Industry – Grupo Bimbo", at: https://www.sasb.org/standards/materiality-finder/find/?company[]=MXP495211262&lang=en-us
[19] SASB, "Materiality Finder – Processed Foods Industry – Grupo Bimbo", at: https://www.sasb.org/standards/materiality-finder/find/?company[]=MXP495211262&lang=en-us
[20] Sustainalytics notes that although the KPI covers only 94 out of 214 bakeries operated by Grupo Bimbo as of January 2023, the remaining bakeries (120) are connected to water treatment facilities that are operated either by government units or third party entities.
[21] Grupo Bimbo, "2021 Integrated Annual Report" (2022), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/reportes-2022/bimbo_informe_anual2021_0.pdf?VersionId=60gkiq0yCjy4uAyf.t8LwBgQ769vlegL
[22] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

KPI 1: Absolute scope 1 emissions (tCO_2e)

Sustainalytics considers Grupo Bimbo's definition and methodology to calculate progress on the KPI to be clear and consistent with the Company's historical disclosures. The methodology used to calculate is based on the GHG Protocol standards which are widely accepted industry standards that support benchmarking against external science-based trajectories, such as those of the Science Based Targets initiative (SBTi).[23] Sustainalytics considers the KPI to be a direct measure of the Company's performance in relation to the material environmental issue of carbon emissions.

KPI 2: Absolute scope 3 emissions (tCO_2e)

Sustainalytics considers the Company's definition and methodology to calculate KPI 2 to be clear and consistent with the Company's historical disclosures. The methodology used by Grupo Bimbo to calculate absolute scope 3 emissions is based on the GHG Protocol standards, which are widely accepted in the industry and support benchmarking against science-based trajectories such as those of the SBTi. Additionally, Sustainalytics considers KPI 2 to be a direct measure of the Company's performance on the material environmental issue of carbon emissions.

KPI 3: Share of renewable electricity use (%)

Sustainalytics considers KPI 3 to have a clear definition given the ease of calculation and interpretation using a consistent methodology with historically reported KPI performance. The KPI also follows externally recognized methodologies, such as the RE100 initiative,[24] indicating that it is fit for benchmarking against credible contextual benchmarks. Furthermore, the KPI can be benchmarked against the IEA's science-based roadmap for renewable energy share in the global energy mix. Sustainalytics considers KPI 3 to be an indirect measure of Grupo Bimbo's operational performance, as it addresses its GHG emissions indirectly by increasing the share of renewable energy in total energy consumption.

KPI 4: Share of treated water use (%)

Sustainalytics considers the KPI to have a clear definition given the ease of calculation and interpretation using a consistent methodology with historically reported KPI performance. Carbon Trust verifies the methodology and data used in calculating the KPI in accordance with ISAE 3000 standards.[25] Sustainalytics also considers KPI 4 to be directly linked to Grupo Bimbo's performance as it addresses water consumption and wastewater production from its operations.

Overall Assessment

Sustainalytics considers KPIs 1 and 2 to be very strong given that: i) they are a direct measure of a relevant and material environmental issue, ii) they follow a recognized clear and consistent methodology, iii) they lend themselves to benchmarking against external contextual benchmarks, and iv) they have a high scope of applicability.

Sustainalytics considers KPI 3 to be strong given that: i) its definition is clear and consistent, aligned with externally recognized methodologies, ii) it can be assessed against external contextual benchmarks, and iii) it has a high degree of applicability when combined with other emission-related KPIs.

Sustainalytics considers KPI 4 to be adequate given that: i) it follows a clear and consistent methodology, ii) it directly measures performance on a relevant and material ESG issue for the Company, and iii) it has a moderate scope of applicability.

KPI(s)	Strength of KPI(s)			
KPI 1: Absolute scope 1 emissions (tCO_2e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Absolute scope 3 emissions (tCO_2e)	Not Aligned	Adequate	Strong	Very strong
KPI 3: Share of renewable electricity use (%)	Not Aligned	Adequate	Strong	Very strong
KPI 4: Share of treated water use (%)	Not Aligned	Adequate	Strong	Very strong

[23] SBTi defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets. For More information can be found at: https://sciencebasedtargets.org/
[24] RE100 Climate Group, RE100 Technical Criteria, at: https://www.there100.org/technical-guidance
[25] Carbon Trust, "Verification and assurance", at: https://www.carbontrust.com/verification-and-assurance

Calibration of Sustainability Performance Targets (SPTs)

Alignment with Company's Sustainability Strategy

Grupo Bimbo has set the following SPTs for its KPIs:

- SPT 1: Reduce absolute scope 1 emissions by 50% by 2030 against a 2019 baseline
- SPT 2: Reduce absolute scope 3 emissions by 12.5% by 2025, 17.5% by 2027 and 28% by 2030, against a 2019 baseline
- SPT 3: Increase the share of renewable electricity use to 100% by 2025, against a 2020 baseline
- SPT 4: Increase the share of treated water use to 96% by 2023, 98% by 2024 and 100% by 2025, against a 2020 baseline

Sustainalytics considers the SPTs to be aligned with Grupo Bimbo's sustainability strategy (please refer to Section 2 for an analysis of the credibility of Grupo Bimbo's sustainability strategy).

- **SPTs 1, 2, and 3:** Grupo Bimbo has committed to address its scope 1, 2 and 3 emissions in line with its overarching goal of achieving net zero by 2050.[26] Grupo Bimbo's decarbonization strategy sets out its targets against a 2019 baseline to achieve net zero scope 2 emissions by 2025, net zero scope 1 emissions by 2040 and, completely reduce Grupo Bimbo's carbon footprint to zero by 2050. SPTs 1 and 2 represent intermediate targets towards the Company's medium-to-long-term goals.

- **SPT 4:** The Company recognizes the impact that its operations have on the environment and therefore commits to mitigating its overall water footprint. In alignment with the UN's 2030 Agenda[27] and as part of its environmental commitments, Grupo Bimbo aims for best practices in resource use, including optimizing its water usage in cleaning processes. In addition, the Company aims to reduce its water footprint by reducing water use, treating and reusing water and using alternative water sources. Grupo Bimbo carried out a water risk assessment for its direct operations and supply chain to analyse its exposure to water risks and review its sustainable water use target according to the local context, aligning with its sustainability strategy. The Company's treated water reuse rate in Mexico has reached 92%. Furthermore, Grupo Bimbo has implemented multiple water-saving technologies in Mexico, such as installing 35 rainwater collection systems in sales centres to reduce water usage in non-production sites.[28]

Strategy to Achieve the SPTs

SPT 1: Reduce absolute scope 1 emissions by 50% by 2030, against a 2019 baseline
SPT 2: Reduce absolute scope 3 emissions by 12.5% by 2025, 17.5% by 2027 and 28% by 2030, against a 2019 baseline

Grupo Bimbo intends to achieve SPTs 1 and 2 through the following strategies:

- Decarbonizing manufacturing processes through energy efficiency initiatives and transition to electric-powered ovens, fryers and boilers and using generators that run on green hydrogen technology. Specifically, the Company is working with OEMs to introduce electric ovens in its bakeries with eight electric ovens currently running and plans for more in the future.
- Reducing waste generated in Grupo Bimbo's facilities and implementing solutions for reusing and recycling materials, including packaging materials and food. These initiatives reduce the amount of

[26] Grupo Bimbo, "2021 Integrated Annual Report" (2022), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/reportes-2022/bimbo_informe_anual2021_0.pdf?VersionId=60gkiq0yCjy4uAyf.t8LwBgQ769vlegL
[27] United Nations, The Sustainable Development Agenda, available: https://www.un.org/sustainabledevelopment/development-agenda/
[28] Group Bimbo, Annual Report, 2020, available: https://grupobimbo-com-custom01-assets.s3.amazonaws.com/s3fs-public/grupo-bimbo-annual-report-2020.pdf

waste the goes to landfills which generate GHG emissions and result in adverse environmental impacts such as contamination of water and soil.

- Introducing electric vehicles to the Company's delivery fleet. Towards this end, the Company has thus far deployed 2,400 electric delivery vehicles across Latin America, which are expected to reduce the Company's CO_2 emissions by 1,000 tonnes annually. Additionally, the Company is implementing clean alternatives for employee commuting, such as carpooling, electric company transportation, and focusing on carbon reduction strategies for business travel in partnership with airlines and hotels.
- Replacing high environmental impact refrigerants with natural refrigerants or those with low global warming potential. As of 2021, natural refrigerants accounted for 57% of the Company's refrigerant usage as the Company continues the phased implementation of its refrigerant strategy.
- Adopting regenerative agriculture practices in farms that supply raw materials to Grupo Bimbo, such as wheat and maize. The strategy is aimed at addressing Grupo Bimbo's scope 3 emissions along its supply chain as well as promoting sustainable agriculture that generates other positive environmental impacts such as biodiversity, soil health and improved water cycles. Thus far, the Company has launched three regenerative agriculture projects in Mexico, the US and France. For the 2022/23 maize cycle, the Company cultivates 86,000 hectares using regenerative agriculture practices.
- Supporting alternative fuel transportation in third party distribution and developing forest management projects to neutralize CO_2 emissions.
- Collaborating and supporting suppliers to achieve carbon neutrality themselves in line with SBTi criteria if possible, by sharing best practices from Grupo Bimbo's own net zero strategy.

SPT 3: Increase the share of renewable electricity use to 100% by 2025, against a 2020 baseline

Grupo Bimbo intends to achieve SPT 3 through the following strategies:

- Signing additional power purchase agreements (PPAs) and virtual power purchase agreements (VPPAs) in South Africa, Ukraine, Switzerland, El Salvador, Honduras, Guatemala, Nicaragua, Ecuador, Morocco, China, Mexico, and across the EU. These agreements represent an additional 1,272,262 GJ in total renewable energy over the 2020 baseline year.
- Increasing solar and wind energy self-generation in the US, Latin America, Europe and India. These initiatives are in addition to improvements such as the 100 solar rooftops constructed across the Company's production sites worldwide which enable the Company to avoid more than 20,000 tonnes of CO_2 annually, including the largest solar rooftops in Mexico and Chile with installed capacities of 2.2 and 2.3 MW, respectively.

SPT 4: Increase the share of treated water use to 96% by 2023, 98% by 2024 and 100% by 2025, against a 2020 baseline

Grupo Bimbo intends to achieve SPT 4 through the following strategies:

- Investments in upgrading existing water treatment plants. For facilities with no local water treatment plants, Grupo Bimbo plans to build new infrastructure while in some locations, the Company outsources its wastewater treatment activities. Additionally, the Company aims to increase wastewater treatment capacities that allow such water to be reused according to local regulations on food safety water quality standards and for reuse in non-contact product cleanings.
- Developing and implementing inner cycle water treatment loops with technologies such as filters, membranes, disinfection, ionized water, among others, to ensure water food safety for reuse in various cleaning applications.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.[29]

Grupo Bimbo has set the following baselines for the SPTs: i) 2019 for SPTs 1 and 2 for consistency with SBTi targets and ii) 2020 for SPTs 3 and 4 to align with the Company's 2020 sustainability-related financing that referenced these SPTs.

[29] We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

SPT 1: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and alignment with science.

Grupo Bimbo increased its scope 1 emissions by an average annual rate of 0.2% between 2019 and 2021. To achieve SPT 1, the Company would need to reduce its scope 1 emissions by 50% by 2030, compared to the 2019 baseline. This represents an average annual reduction of 4.55% by 2030 when compared to 2019, denoting an above-historical performance. In terms of peer comparison, SPT 1 is above the scope 1 emissions reduction targets set by the majority of its peers in the processed foods industry. Additionally, the SBTi has validated SPT 1 as aligned with reductions required to keep global warming within 1.5°C as it goes beyond the absolute contraction approach threshold of a 4.2% annual reduction of GHG emissions[30].

SPT 2: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and alignment with science.

The SPT implies an annual rate of reduction of 2.5% in scope 3 emissions between 2019 and 2030. Sustainalytics views the interim targets set for 2025 and 2027 as integral parts of its strategy to achieve the 2030 target, which has been validated as being aligned with the SBTi's well-below 2°C scenario in accordance with the sectoral decarbonization approach[31]. Sustainalytics considers the SPT to be above the Company's historical performance, which shows an annual increase of 4.6% between 2019 and 2022. The Company's scope 3 emissions reduction target is in line with the reviewed peers' targets in the processed foods industry.

SPT 3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and alignment with science.

The SPT indicates that the Company has to increase the share of renewable electricity in its energy mix by 10.8% annually between 2020 and 2025, which is below its historical performance of 22.5% per year between 2019 and 2022. Regarding peer performance, the SPT is on par with the renewable energy targets set by Grupo Bimbo's peers in the processed foods industry. In terms of science, SBTi has validated SPT 3 as aligned with a 1.5°C scenario. Sustainalytics further notes that the SPT goes beyond the SBTi's threshold of 80% renewable energy share by 2025.[32]

SPT 4: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

To achieve the SPT, the Company will need to increase its usage of treated water by an annual rate of 4.1% over the 2020-25 period, which is lower than the historical annual performance of 6.8% between 2018 and 2022. Sustainalytics notes the significant progress that has been made on SPT 4 at 87% as of 2021, which also indicates limited scope for improvement against the Company's 100% target by 2025. Sustainalytics' analysis of Grupo Bimbo's peers indicates that the SPT is not widely used in the processed foods industry, although some peers have other water-related targets as part of their sustainability strategies.

Overall Assessment

Sustainalytics considers all SPTs to align with Grupo Bimbo's sustainability strategy and considers SPT 1 to be highly ambitious given that it: i) is above past performance on emissions reduction, ii) is above the targets set by peers, and iii) aligns with the SBTi's 1.5°C scenario.

SPT 2 is considered to be moderately ambitious given that it: i) is above historical performance, ii) is in line with the targets set by peers, and iii) aligns with the SBTi's below 2°C scenario.

SPT 3 is considered to be ambitious given that it: i) is below the historical rate of increase in renewable electricity use, ii) aligns with the targets set by peers, and iii) aligns with the SBTi's 1.5°C scenario and goes beyond the SBTi's renewable energy threshold.

SPT 4 is considered to be moderately ambitious given that it: i) is below historical performance, and ii) broadly aligns with other water-related targets of Grupo Bimbo's peers.

[30] SBTi, "Understand the methods for science-based climate action" (2021), at: https://sciencebasedtargets.org/news/understand-science-based-targets-methods-climate-action
[31] Ibid.
[32] SBTi, "SBTi Criteria and Recommendations" (2021), at: https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf

SPT(s)	Ambitiousness of SPT(s)			
SPT 1: Reduce absolute scope 1 emissions by 50% by 2030, against a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2: Reduce absolute scope 3 emissions by 12.5% by 2025, 17.5% by 2027, and 28% by 2030, against a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3: Increase the share of renewable electricity use to 100% by 2025, against a 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 4: Increase the share of treated water use to 96% by 2023, 98% by 2024 and 100% by 2025, against a 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

Bond and/or Loan Characteristics

Grupo Bimbo has disclosed that the financial characteristics of the instruments issued under the Framework will be linked to the Company's performance against the selected KPIs and SPTs and compliance with its reporting and verification commitments. A trigger event will occur if the Company fails to achieve the SPTs at the target observation date or fails to meet the reporting and verification commitments under the Framework, resulting in: i) a step-up in the coupon rate or increase in premium for bonds; or ii) a step-up in the margin for the loans; or iii) a step up in the interest rate for derivatives. Sustainalytics notes that specific details on the changes or adjustments in financial characteristics will be specified in the specific transaction documentation. This is aligned with the SLBP and SLLP.

Considering that Sustainalytics has taken a combined approach to assess the applicability of KPIs 1, 2 and 3, Sustainalytics encourages Grupo Bimbo to link the financial characteristics of all instruments issued and originated under the Framework to KPIs.

Reporting

Grupo Bimbo commits to report on an annual basis and until the maturity of the instruments on its progress on the KPIs, which will be made publicly available on Grupo Bimbo's website. Grupo Bimbo further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs, including: i) progress on the selected KPIs, including the baselines, ii) qualitative or quantitative explanation of the main factors, including M&A activities, behind performance of the KPI, iii) illustration of the impacts of the KPIs, and iv) re-assessments of the KPIs, restatements of the SPT and/or pro-forma adjustments of baselines or KPI scope. This is aligned with the SLBP and the SLLP.

Verification

Grupo Bimbo commits to have an external verifier provide limited assurance against each SPT for each KPI at least once a year. The verification of the performance against the KPIs and SPTs will be made publicly available on the Company's website in the case of bonds, and to the relevant lenders in case of loans or derivatives. This is aligned with the SLBP and SLLP on verification.

Section 2: Assessment of Grupo Bimbo's Sustainability Strategy

Credibility of Grupo Bimbo's Sustainability Strategy

According to Sustainalytics' ESG Risk Ratings, Grupo Bimbo's overall management of material ESG issues (MEIs) is strong. Sustainalytics' rating is based on Grupo Bimbo's overall performance in environmental, governance and social issues.[33]

Grupo Bimbo has three strategic ESG initiatives: i) Baked for You, which focuses on building plant-based diets and sustainable brands; ii) Baked for Nature, which involves establishing environmental sustainability goals for the Company; and iii) Baked for Life, which focuses on strengthening local communities.[34] Under the Baked for Nature initiative, the Company has set targets for net zero carbon emissions, waste reduction and regenerative agriculture.[35] Thus far, most of the Company's achievements under this initiative relate to decarbonizing the Company's energy sources. In December 2020, the Company completed the installation of a solar roof at its Mexico site and expects to fulfil 100% of the site's energy requirements.[36] As of 2021, 85% of the energy used in the Company's operations came from renewable sources.[37] Furthermore, the Company reduced its scope 2 emissions by 60% between 2019 and 2021.[38]

Regarding waste reduction, Grupo Bimbo intends to achieve the following two goals: i) achieving 100% recyclable, reusable or compostable packaging by 2025;[39] and ii) reducing 50% of its food waste[40] and diverting 100% of Grupo Bimbo's waste from landfill.[41] From 2010 to 2021, the Company has also reduced nearly 3.6 kilotonnes of new plastic consumption.[42]

The Company is also encouraging farmers and suppliers to use regenerative agriculture practices to improve the health of the soil, generate water efficiencies, and promote both carbon sequestration and reduction in carbon emissions. The Company is committed to having all key ingredients sourced only from regenerative agriculture practices by 2050.[43,44] As of 2021, the Company has supported regenerative agricultural practices for approximately 14,800 hectares and saved 8 million m^3 of irrigation water.[45] By 2030, Grupo Bimbo expects to cultivate 200,000 hectares of wheat employing regenerative agriculture.[46] Additionally, the Company has been monitoring the deforestation associated with its palm oil supply chain using satellite technology and as of the end of 2021, it had made 34% of its total volume of its palm oil production deforestation-free.[47]

Furthermore, Grupo Bimbo's sustainability goals include water conservation for its operations and regenerative agriculture practices. To this end, the Company has set a target to reduce 20% of water consumption by 2030 and pursued alternative technologies to reuse and treat water including the installation of rainwater harvesting systems in 74 sites.[48]

Sustainalytics considers Grupo Bimbo to have a strong sustainability strategy and considers that the instruments issued under the Framework are expected to further support the Company's sustainability initiatives.

Grupo Bimbo's Environmental and Social Risk Management

Sustainalytics recognizes that proceeds from the UoP Instruments issued under the Framework will be directed towards eligible projects which are anticipated to have positive environmental impact and that the targets defined by Grupo Bimbo for the Linked Instruments are impactful. However, Sustainalytics is aware that such eligible projects and achieving the SPTs could also lead to negative environmental and social (E&S) outcomes. Some key E&S risks potentially associated with the eligible projects and achievement of the SPTs could include issues related to land use, biodiversity, waste management, occupational health and safety, community relations, human rights in supply chain, human capital and product governance.

[33] This assessment has been derived from Sustainalytics' ESG Risk Ratings of February 2022.
[34] Grupo Bimbo, "Nourishing a Better World", at: https://grupobimbo.com/en/sustainability
[35] Ibid.
[36] Opportimes, "Bimbo plans to operate with 100% renewable electricity by 2025", (2021), at: https://www.opportimes.com/bimbo-plans-to-operate-with-100-renewable-electricity-by-2025/
[37] Grupo Bimbo, "Annual Report 2021", p. 9, at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/reportes-2022/bimbo_ia_21_0.pdf?VersionId=e4aBrxd5iCfC4yv7IG76RvgtWauouQtt
[38] Grupo Bimbo, "Annual Report 2021", p. 101
[39] Grupo Bimbo, "Annual Report 2021", p. 88
[40] Grupo Bimbo, "Annual Report 2021", p. 93
[41] Grupo Bimbo, "Annual Report 2021", p. 92
[42] Grupo Bimbo, "Grupo Bimbo protects the environment to nourish a better world", (2021), at: https://www.grupobimbo.com/index.php/en/press/news/environment/grupo-bimbo-protects-environment-nourish-better-world
[43] Ibid.
[44] Grupo Bimbo, "Annual Report 2021", p. 22
[45] Ibid.
[46] Grupo Bimbo, "Annual Report 2021", p. 107
[47] Grupo Bimbo, "Annual Report 2021", p. 115
[48] Grupo Bimbo, "Annual Report 2021", p. 96

Sustainalytics comments below on Grupo Bimbo's ability to identify, mitigate and manage such potential risks.

- Grupo Bimbo has a Global Sustainability Policy[49] established in December 2016 which aims to utilize economic and environmental resources (such as water and energy) efficiently and reduce waste. In addition, the policy also encourages the use of renewable energy sources and to monitor economic, social and environmental performance. The Company also has a global environmental policy[50] that focuses on complying with environmental laws and commitments in all countries where it operates. Grupo Bimbo also conducts materiality assessment every three years to determine and prioritize the Company's actions and requirements.[51] The assessment includes material factors such as energy efficiency and renewable energy in processes, sustainable packaging and circular economy, and product safety and quality.[52] The Company has additionally set up a grievance mechanism[53] to engage its stakeholders under a structured process. Through these policies and processes, Grupo addresses risks related to land use, biodiversity, waste management, occupational health and safety, and community relations. Furthermore, in 2022, the Company started assessing its physical risk and climate change transition in accordance with the Task Force for Climate Related Financial Disclosure.[54]
- The Company has established a Supplier Code of Conduct[55] that outlines expectations on supplier governance and performance on a range of sustainability issues, including human rights, labour rights, health and safety and the environment within the supply chain. The code highlights that the Company is against child labour and discrimination; hence, it expects suppliers to have verification procedures and a no-discrimination policy. Further, Grupo Bimbo is a signatory of the UN Global Compact and expects its suppliers to adhere to its policy of no exploitation and respect of human rights.
- To mitigate human capital risks, Grupo Bimbo has developed a Global Human Rights Policy[56] that establishes guidelines on protecting human rights and preventing discrimination while also advocating for diversity and inclusion. The Company also has a global diversity and inclusion policy,[57] which sets guidelines to promote diversity, including management's responsibilities to enhance inclusion and non-discrimination in the Company's operations.
- With regard to product governance risk, Grupo Bimbo has a labelling policy[58,59,60] which sets out compliance with local legislation and regulations on nutritional labelling and recommended serving sizes. The Company has also established responsible communication guidelines[61] that highlight its commitment to provide reliable information to consumers. This includes compliance with product standards established by World Health Organization, United Nations Children's Fund, International Food and Beverage Alliance, World Federation of Advertisers and Access to Nutrition Index. Further, Grupo Bimbo's code of ethics[62] highlights its commitment to quality and safety of its products.

Sustainalytics has found no evidence of major environmental or social controversies related to Grupo Bimbo. Based on these policies and standards, Sustainalytics considers that Grupo Bimbo has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with investments in the eligible categories and achievement of the SPTs.

[49] Grupo Bimbo, "Global Sustainability Policy", (2016), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/3Grupo-Bimbo-FGB-EIR-01-Global-Sustainability-Policy_0.pdf?VersionId=EglqDJrTWmdhuaYS2fgAFa6yy0BK0YZl
[50] Grupo Bimbo, "Global Environmental Policy", (2018), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/12Global-Environmental-Policy.pdf?VersionId=Zi0_kjOuxw71rNeJeUmT2iPl_sFZjx9l
[51] Grupo Bimbo, "Grupo Bimbo Sustainable Financing Framework" (2023)
[52] Ibid.
[53] Grupo Bimbo, "Grupo Bimbo's Grievance Mechanism", at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/16Grupo-Bimbos-Grievance-Mechanism_1_0.pdf?VersionId=0VVGhE9KEAO2G1vU4Z0p02FOMpq2S8gW
[54] Ibid.
[55] Grupo Bimbo, "Grupo Bimbo Supplier Code of Conduct", (2017), at: https://grupobimbo-com-custom01-assets.s3.amazonaws.com/s3fs-public/FGB-EPR-03-Grupo-Bimbo-Supplier-Code-of-Conduct.pdf
[56] Grupo Bimbo, "Global Human Rights Policy", (2020), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/6Grupo-Bimbo-FGB-EHR-01-Global-Human-Rights-Policy_0.pdf?VersionId=xgYBmk9S0KOsZTnWjWt8HX2PiuqflWwy
[57] Grupo Bimbo, "Global Diversity and Inclusion Policy", (2016), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/14Grupo-Bimbo-Global-Diversity-and-Inclusion-Policy-GGB-009.pdf?VersionId=xWbo5OF2F3umtHM6agOI7iVd4ToLr.Op
[58] Grupo Bimbo, "to contribute to reinforce the health and wellness of our consumers and associates", at: https://informe-anual-grupobimbo.com/2020/en/wellness
[59] Grupo Bimbo, "Labeling Policy", at: https://informe-anual-grupobimbo.com/2019/en/descargas/Grupo-Bimbo-Informe-Anual-2019-Nutritional-Labeling-Policy.pdf
[60] Grupo Bimbo, "Nutrition, Health and Wellness", at: https://www.grupobimbo.com/en/nutrition
[61] Grupo Bimbo, "This is how we do Marketing – Responsible Communication Guidelines" at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/4Grupo-Bimbo-PGB-MK-02-This-is-how-we-do-Marketing_0.pdf?VersionId=AZvOxEZ1uOjJjVKQY4E4ZVAEMuvXJ82t
[62] Grupo Bimbo, "Code of Ethics", (2016), at: https://grupobimbo-com-assets.s3.amazonaws.com/s3fs-public/politica/8Grupo-Bimbo-Code-of-Ethics_0.pdf?VersionId=OzNAHqf3_GRGSRnNbbtUnnIO8KWsfPzC

Section 3: Impact of the UoPs and SPTs Selected

Importance of renewable energy and energy efficiency in the US and Mexico

In the US, the electricity sector is the second-largest source of GHG emissions, accounting for 25% of the total US emissions in 2019.[63] As of 2020, 60% of US electricity generation came from fossil fuels such as natural gas, coal and petroleum.[64] From 1990 to 2019, GHG emissions from electricity generation decreased by 12% as a result of an increase in renewable energy generation and energy efficiency. Despite significant growth since 2008, renewable energy generation accounted for only 12% of US total energy consumption[65] and approximately 20% of electricity generation in 2020.[66]

Projections show a likely increase in US renewables to approximately 35% of total capacity by 2030.[67] However, this figure is well below the projected proportion of renewables in the global energy system of 40% by the same year.[68] According to the Department of Energy's National Renewable Energy Laboratory, renewable electricity generation from currently available technologies, including wind and solar generation, has the potential to reach 80% of the country's electricity by 2050.[69] In April 2021, the federal government set a goal to reach 100% carbon-free electricity by 2035,[70] which is expected to further support renewable energy development in the US. Subsequently, in January 2022, the federal government outlined new initiatives to support the US energy transition, including building out transmission lines to connect more households to renewable energy; and the auction of federal waters for offshore wind farms, in line with the target to install 30 GW of offshore wind capacity by 2030.[71]

In Mexico, natural gas is a major source in the production of energy,[72] which makes the country one of the world's largest consumers and importers of natural gas.[73] By 2050, the International Energy Agency (IEA) estimates that the country's population is expected to grow to 150 million from 129 million in 2020, indicating a possible significant rise in energy demand.[74] Furthermore, Mexico is the world's 12th-largest GHG emitter, responsible for nearly 1.42% of global GHG emissions.[75] In 2015, Mexico established its Energy Transition Law to advance renewable energy projects that support the country in achieving its Nationally Determined Contribution under the Paris Agreement.[76,77] The commitments in the Energy Transition Law include increasing the share of clean energy in Mexico's power generation to 35% by 2024 to 43% by 2030.[78] Mexico has the potential to generate up to 46% of its electricity from renewable sources by 2030.[79] To achieve this target, Mexico has to implement a rapid expansion of wind and solar photovoltaic generation, and increase the contribution from hydropower sources.[80]

[63] US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity
[64] US Energy Information Administration, "Electricity Explained", at: https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php
[65] EIA, "U.S. primary energy consumption by energy source" (2019), at: https://www.eia.gov/energyexplained/us-energy-facts/
[66] EIA, "Electricity in the United States", at: https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php
[67] EIA, "Annual Energy Outlook 2022" (2022), at: https://www.eia.gov/outlooks/aeo/ppt/AEO2022_ReleasePresentation.pptx
[68] International Energy Agency, "World Energy Outlook 2021" (2021) at: https://iea.blob.core.windows.net/assets/4ed140c1-c3f3-4fd9-acae-789a4e14a23c/WorldEnergyOutlook2021.pdf
[69] US National Renewable Energy Laboratory, "Renewable Electricity Futures Study", at: https://www.nrel.gov/docs/fy13osti/52409-ES.pdf
[70] The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021) at: https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/
[71] The White House, "FACT SHEET: Biden-Harris Administration Races to Deploy Clean Energy that Creates Jobs and Lowers Costs" (2022); at: https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/12/fact-sheet-biden-harris-administration-races-to-deploy-clean-energy-that-creates-jobs-and-lowers-costs/
[72] IEA, "Mexico", at: https://www.iea.org/countries/mexico
[73] McKinsey & Company, "How Mexico can harness its superior energy abundance", (2019), at: https://www.mckinsey.com/industries/oil-and-gas/our-insights/how-mexico-can-harness-its-superior-energy-abundance
[74] Ibid.
[75] World Resource Institute, "This Interactive Chart Shows Changes in the World's Top 10 Emitters", (2020), at: https://www.wri.org/insights/interactive-chart-shows-changes-worlds-top-10-emitters
[76] Government of Mexico, "Intended Nationally Determined Contribution", at: https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf
[77] UNFCCC, "National Determined Contributions (NDCs)", at: https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs/nationally-determined-contributions-ndcs
[78] Ibid.
[79] IRENA, "Renewable Energy Prospects: Mexico" (2015), at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56
[80] Ibid.

Despite these ambitious targets, fossil fuels still make up a significant proportion of Mexico's energy mix.[81] As of 2020, Mexico was generating only 17.1% of its electricity from renewable sources, of which nearly half was from hydropower energy.[82] Despite an increase in renewable energy generation capacity, these efforts have been offset by the rise in fossil-based energy sources used to meet growing energy demands. This has led the carbon intensity of the country's energy mix to remain relatively unchanged since 2011,[83] highlighting the need for further investments in clean energy.

Sustainalytics is of the opinion that the renewable energy projects contemplated in Grupo Bimbo's Framework are expected to be impactful and have the potential to reduce the Company's environmental footprint while contributing to the clean energy targets of the US and Mexico.

Importance of managing plastic packaging to achieve circularity in the US and Mexico

The US generated over 40 million tonnes of plastic waste in 2021, of which an estimated 5-6% was recycled,[84,85] a decrease from 8.7% in 2018.[86] According to the EPA, packaging and containers are major contributors of municipal solid waste (MSW) and accounted for 28.1% of total MSW generation in 2018.[87] To tackle this issue, the US Congress had introduced two bills; i) the Break Free from Plastic Pollution Act of 2020 and ii) the Plastic Waste Reduction and Recycling Act. These pieces of legislation focus on the reduction of single-use plastic, creating new standards for reducing and recycling plastic waste, and establishing a waste reduction research programme.[88,89] Additionally, in 2021, the EPA published the National Recycling Strategy with a goal to increase the US recycling rate to 50% by 2030.[90]

As of 2020, Mexico had produced approximately 7 million tonnes of plastic out of the 367 million tonnes ever produced globally.[91,92] Approximately 40% of 2020 global plastic demand comes from the packaging market,[93] which is expected to grow by 78% to USD 1,652 billion by 2027 from 2019 levels.[94] In Mexico, the food industry is one of the heaviest users of plastic packaging, accounting for about 47% of market demand.[95,96] Moreover, Mexico's plastic packaging market is expected to rise to USD 9.12 billion by 2027 from USD 7.46 billion in 2021.[97] Accordingly, this highlights the need for a comprehensive national programme that will promote recycling of plastic packaging in Mexico.

Mexico produces nearly 8 million tonnes of plastic waste annually,[98] but only 14.5% of the plastic consumed in the country is recycled.[99] Over the last five years, the recycling rate has been stagnant but since 2016, plastic production has steadily risen at an annual average of 3.5%.[100] In 2021, the Mexico Senate passed the Circular Economy Law supporting waste management and

[81] Climate Transparency, "Mexico", (2020), at: https://www.climate-transparency.org/wp-content/uploads/2020/11/Mexico-CT-2020-WEB2.pdf
[82] IEA, "Electricity generation mix in Mexico, 1 Jan - 30 Sep, 2019 and 2020", at: https://www.iea.org/data-and-statistics/charts/electricity-generation-mix-in-mexico-1-jan-30-sep-2019-and-2020
[83] Climate Transparency, "Mexico", (2020), at: https://www.climate-transparency.org/wp-content/uploads/2020/11/Mexico-CT-2020-WEB2.pdf
[84] Osborne M. (2022), "At Least 85 Percent of U.S. Plastic Waste Went to Landfills in 2021," Smithsonian Magazine, at: https://www.smithsonianmag.com/smart-news/the-us-recycled-just-5-percent-of-its-plastic-in-2021-180980052/
[85] Surrinder Foundation, "New Report Reveals U.S Recycling Rate Has Fallen to 5 ~ 6%", (2022), at: https://www.surfrider.org/coastal-blog/entry/new-report-reveals-u.s-recycling-rate-has-fallen-to-5-6-percent#:~:text=The%20Last%20Beach%20Cleanup%20and,rate%20was%205%20~%206%25.
[86] Ibid.
[87] EPA, "Containers and Packaging: Product-Specific Data", (2022), at: https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/containers-and-packaging-product-specific
[88] Congresswoman Haley Stevens, "Stevens Introduces Bipartisan Legislation to Reduce Plastic Waste" (2020) at: https://stevens.house.gov/media/press-releases/stevens-introduces-bipartisan-legislation-reduce-plastic-waste
[89] Congress, "Break Free From Plastic Pollution Act 2020" at: https://www.congress.gov/bill/116th-congress/house-bill/5845
[90] U.S Department of State, "U.S. Actions to Address Plastic Pollution", (2022), at: https://www.state.gov/u-s-actions-to-address-plastic-pollution/
[91] Plastics Europe, "Plastics the facts – 2021: An analysis of European plastics production, demand and waste data" (2021), at: https://plasticseurope.org/knowledge-hub/plastics-the-facts-2021/
[92] What Design Can do, "No Waste Challenge", (2020), at: https://nowaste.whatdesigncando.com/app/uploads/2021/01/Mexico-City-Perspective.pdf
[93] Mordor Intelligence " Plastic Packaging Market - Growth, Trends, Covid-19 Impact, And Forecasts (2021 - 2026) at: https://www.mordorintelligence.com/industry-reports/plastic-packaging-market
[94] Ibid.
[95] ReportLinker, "Mexico Plastic Packaging Market - Growth, Trends, COVID-19 Impact, and Forecasts (2022 - 2027)", (2022), at: https://www.globenewswire.com/en/news-release/2022/05/03/2434408/0/en/Mexico-Plastic-Packaging-Market-Growth-Trends-COVID-19-Impact-and-Forecasts-2022-2027.html
[96] International Trade Administration, "Plastics and Resins", (2021), at: https://www.trade.gov/country-commercial-guides/mexico-plastics-and-resins
[97] Ibid.
[98] Chebulgaeva M. (2020), "Mexico on the way to the circular economy", Lacrus, at: https://lacrus.org/2020/08/04/mexico-on-the-way-to-the-circular-economy/?lang=en
[99] Ibid.
[100] Ibid.

encouraging recycling,[101] but this effort is undermined by the absence of legal frameworks that can regulate plastic disposal and production.[102] Still, there is significant scope for improvement in plastic recycling in the country. The Mexican Association of Plastic Industry estimates that Mexico's secondary plastic materials market has the potential to grow up to 10% annually from its current market value of USD 3 billion with the right policies in place to spur investments in plastic recycling in the country. [103]

Based on the above context, Sustainalytics is of the opinion that Grupo Bimbo's focus on waste reduction and recycling is expected to positively contribute to advancing the US and Mexico's circular economy goals.

Importance of regenerative agriculture in the US

In 2020, the US agriculture sector accounted for 11% of the total greenhouse gas emissions, representing an increase of 6% from 1990.[104] Industrial cropping is the largest source of agricultural emissions due to its heavy use of chemical and fossil fuel-produced fertilizer, as well as practices that degrade soil health, which diminishes its ability to serve as a carbon sink.[105] In 2017 alone, widespread use of these products and practices resulted in a 1.7 billion tonne loss of soil due to wind and water erosion.[106] Furthermore, the topsoil loss rate on agriculture land is nearly 5.8 tonnes per acre/year.[107] In this context, improvements to agriculture and land use practices such as through regenerative agriculture can play an important role in reducing the net releases of greenhouse gases from soils, supporting their function as carbon sinks.[108] In order to reduce atmospheric CO_2, these agricultural methods work towards removing carbon from the atmosphere and storing it within the soil.[109]

Agriculture policy in the US has historically supported industrial agriculture over regenerative practices.[110] The 2023 US Farm Bill, however, is expected to focus on federal policies that can support investment in regenerative agriculture practices, and facilitate a transition away from intensive industrial practices.[111] This includes changes to assist the next generation of farmers, increase the scope of regenerative agriculture stewardship and fund programmes related to agriculture research and education.[112] In 2022, the US Department of Agriculture launched a USD 3.1 billion climate-smart commodities partnership to support farmers by providing climate-smart production practices.[113] Similarly, Natural Resource Conservation Service's Environmental Quality Incentives Programme supports farmers in developing conservation plan to improve air, soil and wildlife habitat, and provided USD 10 million for climate-smart agriculture in 2021.[114,115]

Based on the above context, Sustainalytics is of the opinion that Grupo Bimbo's focus on regenerative agriculture is expected to positively contribute to the advancement of the sustainability of the US' agriculture sector.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The Grupo Bimbo Sustainable Financing Framework is expected to advance the following SDGs and targets:

[101] Bullfrag, "Green Mexico: Senate approved, in general, Circular Economy Law", (2021), at: https://www.bullfrag.com/green-mexico-senate-approved-in-general-circular-economy-law/
[102] Ibid.
[103] Ibid.
[104] US EPA, "Sources of greenhouse gas emissions", at: https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions
[105] Natural Resources Defense Council, "Regenerative Agriculture Farm Policy for the 21st Century", (2022), at: https://www.nrdc.org/sites/default/files/regenerative-agriculture-farm-policy-21st-century-report.pdf
[106] Ibid.
[107] Lawton K., (2017), "Economic of Soil", Farm Progress, at: https://www.farmprogress.com/soil-health/economics-of-soil-loss
[108] Rodale Institute, "Regenerative organic agriculture and climate change", at: https://rodaleinstitute.org/wp-content/uploads/rodale-white-paper.pdf
[109] One Earth, "Regenerative Agriculture can play a key role in combating climate change", at: https://www.oneearth.org/regenerative-agriculture-can-play-a-key-role-in-combating-climate-change/#:~:text=maintaining%20continuous%20vegetation%20cover%20on,water%20use%20efficiency%20by%20plants
[110] Natural Resources Defense Council, "Regenerative Agriculture Farm Policy for the 21st Century", (2022), at: https://www.nrdc.org/sites/default/files/regenerative-agriculture-farm-policy-21st-century-report.pdf
[111] Environmental and Energy Study Institute, "Pathways to regenerative agriculture farm policy for the 21st century", (2022), at: https://www.eesi.org/briefings/view/061622ag
[112]Ibid.
[113] US Department of Agriculture, "Partnerships for Climate-Smart Commodities", at: https://www.usda.gov/climate-solutions/climate-smart-commodities
[114] Natural Resources and Conservation Centre, "Environmental Quality Incentives Program", at: https://www.nrcs.usda.gov/programs-initiatives/eqip-environmental-quality-incentives
[115] Environmental and Energy Study Institute, "Congressional Hearings Leading up to the 2023 Farm Bill Part 1", (2022), at: https://www.eesi.org/articles/view/congressional-hearings-leading-up-to-the-2023-farm-bill

Use of Proceeds/ KPI	SDG	SDG Target
Green Buildings	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	9. industry, innovation and infrastructure 11. Sustainable Cities and Communities	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	11. Sustainable Cities and Communities 12. Responsible Consumption and Production	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
KPI 1: Absolute scope 1 emissions (tCO_2e)	7. Affordable and Clean Energy 9. Industry, innovation and infrastructure	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
KPI 2: Absolute scope 3 emissions (tCO_2e)	12. Responsible consumption and production	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

KPI 3: Share of renewable electricity use (%)	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
KPI 4: Share of treated water use (%)	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

Conclusion

Grupo Bimbo has developed the Grupo Bimbo Sustainable Financing Framework under which it may issue the UoP Instruments and the Linked Instruments.

Under the UoP Instruments, proceeds may finance green projects such as green buildings, renewable energy and sustainable agriculture and sustainable management of living natural resources, eco-efficient products. Sustainalytics considers that the projects funded by the proceeds from bond or loans are expected to provide positive environmental and social impacts. The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Grupo Bimbo to report on the allocation and impact of the use of proceeds.

Under the Linked Instruments, Grupo Bimbo intends to tie the coupon, or premium, or interest rate of the instruments to the achievements of the following SPTs:

(1) SPT 1: Reduce absolute scope 1 emissions by 50% by 2030, against a 2019 baseline;

(2) SPT 2: Reduce absolute scope 3 emissions by 12.5% by 2025, 17.5% by 2027 and 28% by 2030, against a 2019 baseline;

(3) SPT 3: Increase the share of renewable electricity use to 100% by 2025, against a 2020 baseline; and

(4) SPT 4: Increase the share of treated water use to 96% by 2023, 98% by 2024 and 100% by 2025, against a 2020 baseline;

Sustainalytics considers KPI 1 – absolute scope 1 emissions (tCO_2e) to be very strong; KPI 2 – absolute scope 3 emissions (tCO_2e) to be very strong; KPI 3 – share of renewable electricity use (%) to be strong; and KPI 4 – share of treated water use (%) to be adequate. Sustainalytics considers SPT 1 to be highly ambitious, SPTs 2 and 3 to be ambitious and SPT 4 to be moderately ambitious. In addition, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Furthermore, Sustainalytics believes that the Grupo Bimbo Sustainable Financing Framework is aligned with the overall sustainability strategy of the Company and that Grupo Bimbo has strong ESG risk management.

Based on the above, Sustainalytics is confident that Grupo Bimbo is well positioned to issue green use of proceeds bonds and loans and sustainability-linked bonds and loans and that that Grupo Bimbo Sustainable Financing Framework in aligned with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2023.

Appendix 1 Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Grupo Bimbo, S.A.B. de C.V
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Grupo Bimbo Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 17, 2023
Publication date of review publication: **Original publication date *[please fill this out for updates]*:**	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

Sustainalytics is of the opinion that the Grupo Bimbo Sustainable Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021, and Green Loan Principles 2023 (the "Use of Proceeds Principles"). The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Sustainable Agriculture and Sustainable Management of Living Natural Resources, Eco-Efficient Products, and Sustainable Water and Wastewater Management – are aligned with those recognized by the Use of Proceeds Principles and are expected to lead to positive environmental and social impacts.

Use of proceeds categories as per GBP:

☒	Renewable energy	☒	Energy efficiency
☒	Pollution prevention and control	☒	Environmentally sustainable management of living natural resources and land use
☐	Terrestrial and aquatic biodiversity conservation	☒	Clean transportation
☒	Sustainable water and wastewater management	☐	Climate change adaptation
☒	Eco-efficient and/or circular economy adapted products, production technologies and processes	☒	Green buildings
☐	Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	☐	Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Grupo Bimbo Sustainable Investments Committee (the "Committee"), consisting of representatives from the Sustainability, Treasury, Net Zero, Financial Planning, Agrobusiness, Vehicles and Procurement teams or other parties appointed based on their expertise in the matters, will be responsible for the evaluation and selection of eligible projects in accordance with the criteria defined in the Framework. The Committee will meet at least once a year to review and monitor the list of eligible green projects against the eligibility criteria.

Grupo Bimbo has adopted internal policies and processes to address environmental and social risks commonly associated with the financed projects.

Based on a well-defined process to select eligible projects and Grupo Bimbo's risk management process, Sustainalytics considers this to be in line with market practice.

Evaluation and selection

- ☒ Credentials on the issuer's environmental sustainability objectives
- ☒ Documented process to determine that projects fit within defined categories
- ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds
- ☐ Documented process to identify and manage potential ESG risks associated with the project
- ☐ Summary criteria for project evaluation and selection publicly available
- ☐ Other *(please specify)*:

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
- ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The Sustainability, Net Zero, and Treasury departments will oversee and track the allocation and ongoing management of the net proceeds using internal systems.

Grupo Bimbo intends to complete allocation of all proceeds within three years but has retained the option of taking up to five years to allocate in certain cases. Sustainalytics considers market expectation to complete allocation within three years. Unallocated proceeds will be temporarily invested in cash, cash equivalents, and other money market instruments in accordance with Grupo Bimbo's treasury management policies or used to repay a portion of outstanding debt, which will exclude carbon-intensive activities. In addition, Grupo Bimbo has established a look-back period of 36 months preceding the issuance date for refinancing of eligible projects.

Based on the presence of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only	☒ Allocations to both existing and future investments
☐ Allocation to individual disbursements	☐ Allocation to a portfolio of disbursements
☐ Disclosure of portfolio balance of unallocated proceeds	☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

Grupo Bimbo intends to report annually on the allocation of proceeds and corresponding impact. Allocation reporting for green bonds will be publicly available on Grupo Bimbo's website while allocation reporting for other financial instruments will be available to the relevant lenders. Allocation reporting will include the total amount allocated to the portfolio, total amount allocated to each green eligible project category, percentage of new financing and refinancing and balance of unallocated proceeds, if any. Sustainalytics encourages Grupo Bimbo to make its allocation reporting for other financial instruments publicly available.

Where feasible, impact reporting may include key performance indicators such as number of sustainable buildings, percentage of electricity coming from renewable energy sources, and GWh of renewable energy. For a full list of impact indicators, please refer to Appendix 1.

Grupo Bimbo has also committed to an independent review of its annual reporting, which is considered market best practice. Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

☐ Project-by-project	☒ On a project portfolio basis
☐ Linkage to individual bond(s)	☐ Other *(please specify):*

Information reported:

☒ Allocated amounts	☐ Green Bond financed share of total investment
☐ Other *(please specify):*	

Frequency:

☒ Annual	☐ Semi-annual
☐ Other (please specify):	

Impact reporting:

☐ Project-by-project ☒ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings ☒ Energy Savings

☒ Decrease in water use ☒ Other ESG indicators (please specify): See Table

Green Building	• Number of sustainable buildings
Renewable Energy	• Percentage of electricity coming from renewable energy • Annual renewable energy generation in MWh/GWh • Installed renewable energy capacity MW • Avoided/reduced GHG emissions reductions (tCO_2e)
Clean Transportation	• Number of zero emission vehicles • Number of electric vehicles (EVs) charging stations • Avoided/reduced GHG emissions reductions (tCO_2e)
Energy Efficiency	• Avoided/reduced GHG emissions reductions (tCO_2e) • Annual energy savings in MWh/GWh
Pollution Prevention and Control: Elimination of fossil fuels	• Number of ovens converted • Number of fryers converted • Number of boilers eliminated • Avoided/reduced GHG emissions reductions (tCO_2e)
Pollution Prevention and Control	• Reduction in GHG emissions (% or CO_2 equivalent) • Percentage of natural refrigerants used
Environmentally Sustainable Management of Living Natural Resources and Land Use	• Number of hectares with regenerative agriculture practices • Percentage of procurement of raw materials certified by environmental or ethical certification organizations (or volume – tonnes) • Number of hectares of natural landscapes protected, preserved and restored
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	• Percentage of recyclability • Equivalent of tons of recycled packaging • Estimated expenditures on research and development for circular-economy packaging design excluding plastic to oil and plastic to fuel related expenditures

Sustainable Water and Wastewater Management	• Cubic meters of reused treated wastewater from total treated wastewater • Annual water usage reduction (metric tons) • Percentage efficiency improvement in water use

Frequency

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report ☐ Information published in sustainability report

☒ Information published in ad hoc documents ☐ Other (please specify):

☒ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion) ☐ Certification

☐ Verification / Audit ☐ Rating

☐ Other *(please specify):*

Review provider(s): **Date of publication:**

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Appendix 2: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Grupo Bimbo, S.A.B. de C.V

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: March 9, 2023

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

Original completion date of post issuance verification *[please fill this out for updates]*:

At the launch of the bond, the structure is:

☒ a step-up structure ☐ a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

☒ assessed all the following elements (complete review) ☐ only some of them (partial review):

- ☒ Selection of Key Performance Indicators (KPIs)
- ☒ Calibration of Sustainability Performance Targets (SPTs)
- ☒ Verification
- ☒ Bond characteristics (acknowledgment of)
- ☒ Reporting

☒ and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- ☒ Second Party Opinion
- ☐ Verification
- ☐ Certification
- ☐ Scoring/Rating

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIS)

Overall comment on the section *(if applicable)*:

Sustainalytics considers KPIs 1 and 2 to be very strong given that: i) they are a direct measure of a relevant and material environmental issue, ii) they follow a recognized clear and consistent methodology, iii) they lend themselves to benchmarking against external contextual benchmarks, and iv) they have a high scope of applicability.

Sustainalytics considers KPI 3 to be strong given that: i) its definition is clear and consistent, aligned with externally recognized methodologies, ii) it can be assessed against external contextual benchmarks, and iii) it has a high degree of applicability when combined with other emission-related KPIs.

Sustainalytics considers KPI 4 to be adequate given that: i) it follows a clear and consistent methodology, ii) it directly measures performance on a relevant and material ESG issue for the Company, and iii) it has a moderate scope of applicability.

List of selected KPIs:

- Absolute scope 1 emissions (tCO2e)
- Absolute scope 3 emissions (tCO2e)
- Share of renewable electricity use (%)
- Share of treated water use (%)

Definition, Scope, and parameters

☒ Clear definition of each selected KPIs

☐ Clear calculation methodology

☐ Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

☒ Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy.

☒ Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis

☒ Evidence that the KPIs are externally verifiable

☒ Evidence that the KPIs can be benchmarked

☐ Other (*please specify*):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (*if applicable***):**

Sustainalytics considers all SPTs to align with Grupo Bimbo's sustainability strategy and considers SPT 1 to be highly ambitious given that it: i) is above past performance on emissions reduction, ii) is above the targets set by peers, and iii) aligns with the SBTi's 1.5°C scenario.

SPT 2 is considered to be moderately ambitious given that it: i) is above historical performance, ii) is in line with the targets set by peers, and iii) aligns with the SBTi's below 2°C scenario.

SPT 3 is considered to be ambitious given that it: i) is below the historical rate of increase in renewable electricity use, ii) aligns with the targets set by peers, and iii) aligns with the SBTi's 1.5°C scenario and goes beyond the SBTi's renewable energy threshold.

SPT 4 is considered to be moderately ambitious given that it: i) is below historical performance, and ii) broadly aligns with other water-related targets of Grupo Bimbo's peers.

Rationale and level of ambition

- ☒ Evidence that the SPTs represent a material improvement
- ☒ Evidence that SPTs are consistent with the issuer's sustainability and business strategy
- ☒ Credentials on the relevance and reliability of selected benchmarks and baselines
- ☒ Credentials that the SPTs are determined on a predefined timeline
- ☐ Other (please specify):

Benchmarking approach

- ☒ Issuer own performance
- ☒ reference to the science
- ☒ Issuer's peers
- ☐ Other *(please specify)*:

Additional disclosure

- ☒ potential recalculations or adjustments description
- ☒ identification of key factors that may affect the achievement of the SPTs
- ☒ issuer's strategy to achieve description
- ☐ Other (please specify):

3-3 BOND CHARACTERISTICS

Overall comment on the section (*if applicable***):**

Grupo Bimbo has disclosed that the financial characteristics of the instruments issued under the Framework will be linked to the Company's performance against the selected KPIs and SPTs and compliance with its reporting and verification commitments. A trigger event will occur if the Company fails to achieve the SPTs at the target observation date or fails to meet the reporting and verification commitments under the Framework, resulting in: i) a step-up in the coupon rate or increase in premium for bonds; or ii) a step-up in the margin for the loans; or iii) a step up in the interest rate for derivatives. Sustainalytics notes that specific details on the changes or adjustments in financial characteristics will be specified in the specific transaction documentation. This is aligned with the SLBP and SLLP.

Financial impact:

- ☒ variation of the coupon
- ☐ …

☐ Other (*please specify*):

Structural characteristic:

☐ …

☐ …

☐ Other (*please specify*):

3-4 REPORTING

Overall comment on the section (*if applicable*):

Grupo Bimbo commits to report on an annual basis and until the maturity of the instruments on its progress on the KPIs, which will be made publicly available on Grupo Bimbo's website. Grupo Bimbo further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs, including: i) progress on the selected KPIs, including the baselines, ii) qualitative or quantitative explanation of the main factors, including M&A activities, behind performance of the KPI, iii) illustration of the impacts of the KPIs, and iv) re-assessments of the KPIs, restatements of the SPT and/or pro-forma adjustments of baselines or KPI scope. This is aligned with the SLBP and the SLLP.

Information reported:

☒ performance of the selected KPIs

☒ level of ambition of the SPTs

☒ verification assurance report

☐ Other (*please specify*):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify):

☒ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review)*:

Where appropriate, please specify name and date of publication in the "useful links" section.

Level of Assurance on Reporting

☒ limited assurance

☐ reasonable assurance

☐ Other *(please specify)*:

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- ☐ limited assurance
- ☐ reasonable assurance
- ☐ Other (please specify):

Frequency:

- ☐ Annual
- ☐ Semi-annual
- ☐ Other (please specify):

Material change:

- ☐ Perimeter
- ☐ KPI methodology
- ☐ SPTs calibration

Disclaimer

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com