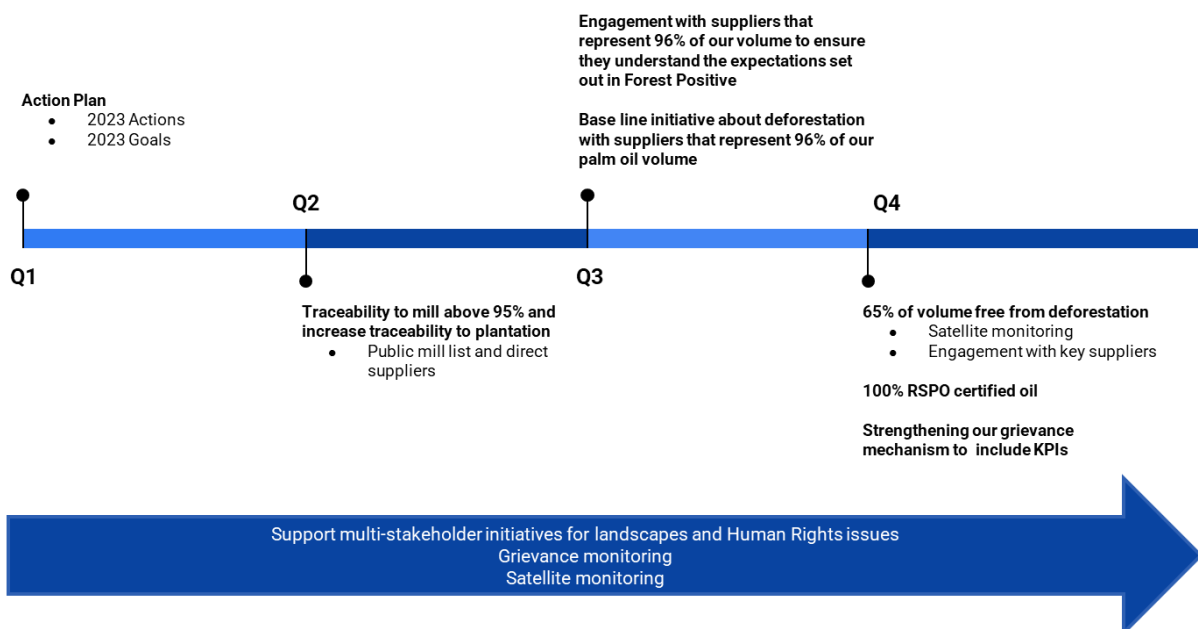




Grupo Bimbo, Global Palm Oil Policy, JUNE Progress Report (2023)

Grupo Bimbo, we are taking actions so that the palm oil we source is Forest Positive. This means that it helps preserve forests and respect communities. This report will delve into the main advances made in the first half of the year across different activities designed to achieve responsible palm oil supply, including: Traceability, engagement with our suppliers, supporting transformation initiatives, progress in the verification of deforestation-free volumes, certification of part of our product volume and strengthening of our grievance mechanism. The timeline below shows the high-level action plan and next the progress made in each area.



1. Understand the countries and regions where palm oil comes from and the associated sustainability challenges

Every year we work to better understand and gather more information about the origins of palm oil. Firstly, this involves knowing more about the mills that produce the oil and, secondly, the farms where it comes from. In addition, at Grupo Bimbo we actively join industry transparency efforts by publishing, as we do every year, our [list of direct suppliers and mills](#).

This year we have decided to report traceability as follows:

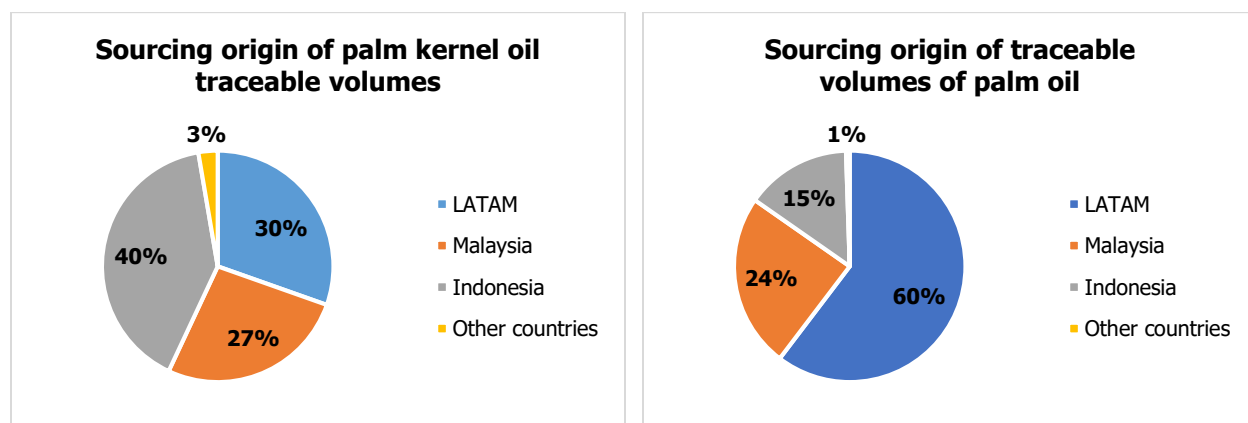
- 1) Direct palm oil: Raw material that we use for the products that we manufacture.
- 2) Indirect palm oil: Palm oil that comes from other ingredients that we deal with, such as chocolates, emulsifiers, among others.

Direct palm oil

In 2023, we carried out the traceability exercise on 96% of our volume of direct palm oil, including our entire volume of palm oil and palm kernel oil. For palm oil, we have achieved mill traceability of 95.25% and a traceability to plantation of 67.59%. Detailed traceability information by type of oil is included below:

	Mill traceability	Traceability to plantation
Palm oil	95.56%	67.52%
Palm kernel oil	83.27%	70.02%

This traceability reporting helps us to better understand the origin of our palm oil, identifying its origins in the following source countries.



Indirect palm oil

In 2023, we have decided to perform the traceability exercise for indirect oil suppliers in the second half of the year. However, we have still included a [list of our direct suppliers](#), taken from the analysis done in 2022 which includes both our direct palm oil suppliers and indirect palm oil suppliers.

2. Relationship with suppliers for the responsible supply of palm oil

We know that moving towards responsible palm oil sourcing is not an individual task and that it depends on the efforts of all those who participate in the chain. Every year we engage with our suppliers to openly discuss the challenges of responsible sourcing, with the goal of continuing to improve year after year. In December 2022, we completed the analysis cycle with 16 of our suppliers (12 direct oil suppliers and 4 indirect oil suppliers) which represented 92% of our total volume. Through the use of the questionnaire called EPI (Engagement for policy implementation), we evaluate our suppliers on the following points:

- 1) Responsible sourcing policy
- 2) Implementation and supplier engagement

- 3) Landscape and social transformation initiatives
- 4) Grievance mechanisms and non-compliant supplier process
- 5) Monitoring and verification actions

The EPI exercise is dynamic, so the points to be analyzed and evaluated are reviewed year on year. At the end of the analysis, the supplier obtains a score for each section and an overall score. In order to improve our reporting, this year we established performance categories according to the score obtained in EPI. These were as follows:

Performance category	General score obtained in the EPI
High	85%-100%
Medium	50%-84%
Low	49%-0%

Of the analyzed volume, and considering the performance categories described in the table above, the results were the following:

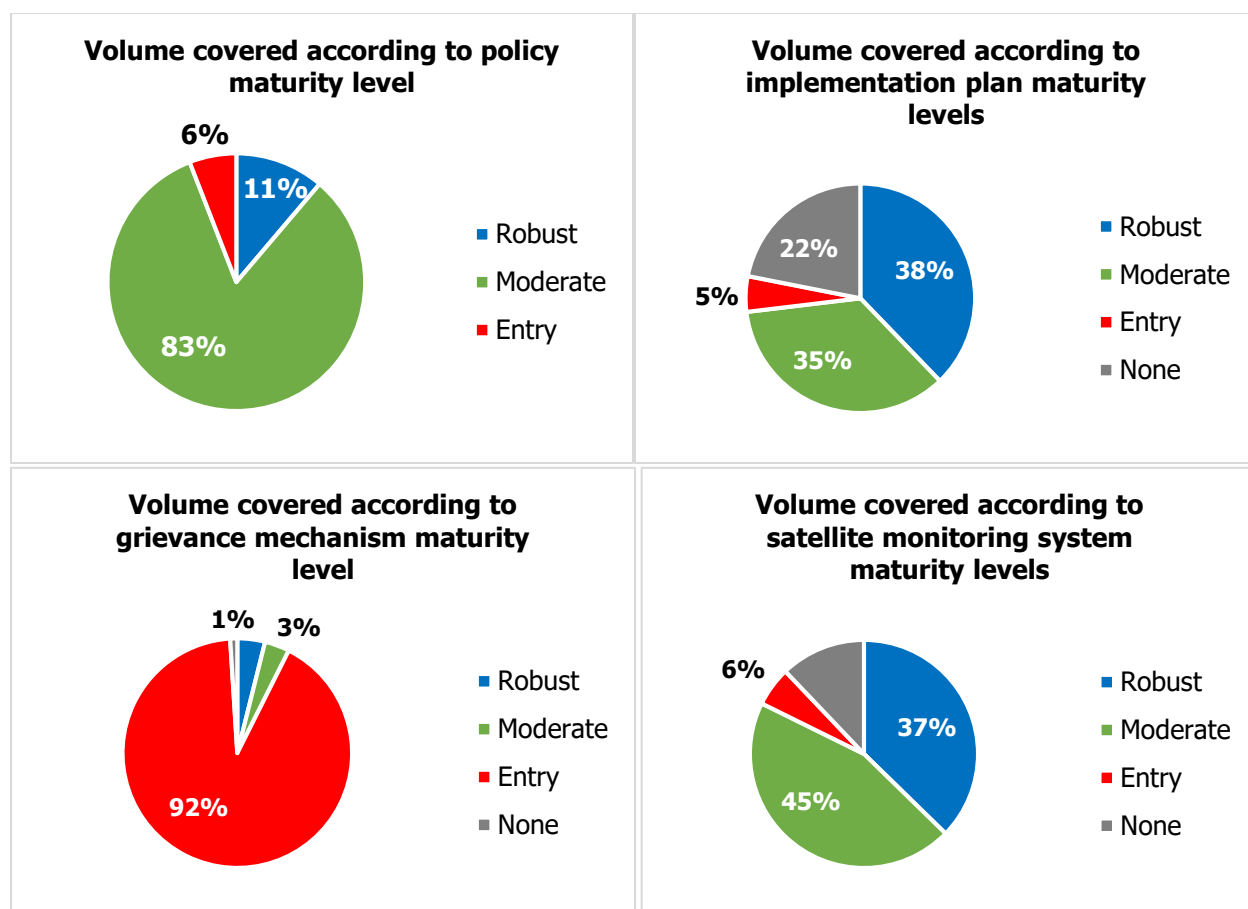
Performance Category	% of the volume analyzed in the EPI 2022 process ¹	Number of suppliers of the 2022 EPI process
High	4%	3 (3 direct palm)
Medium	85%	7 (6 direct palm, 1 indirect palm)
Low	11%	6 (3 direct palm, 3 indirect palm)

Through the establishment of analysis groups, a) Direct Palm Oil Suppliers and b) Indirect Palm Oil Suppliers, we have identified that indirect palm oil suppliers have considerable opportunity for improvement. Of particular importance is one indirect palm oil supplier that participated in both 2021 and 2022 exercises went from low to **medium** performance.

In addition, this year the EPI exercise included an additional stratification that allows us to identify the level of maturity in the areas that we consider to be a priority. The established maturity levels were robust, moderate, and basic.

Below, we detail more information on the main results of the suppliers analyzed based on the volume they represent, for the priority areas: 1) responsible supply policy; 2) implementation plan; 3) grievance mechanism, and 4) satellite monitoring.

¹²In 2022 the EPI process analyzed 16 suppliers covering a volume of 122,292 MT of palm oil



Part of the information that we analyze from our suppliers is the mechanisms in place to address environmental and social issues. We have identified that suppliers who represent 99% of the volume analyzed through EPI include a commitment to safeguard the free, prior and informed consent (FPIC) of indigenous communities in their policies.

Based on this analysis, in February and March, we met with each of our suppliers to discuss the results, recognize their achievements, share our expectations, and also propose action plans on identified areas of opportunity. We have asked our suppliers to update us on the progress of their Action Plan on a quarterly basis.

In addition, with the aim of increasing the performance of our suppliers, especially regional ones, in May we prepared a workshop on NDPE Policies, in order to provide sensitivity training to our suppliers about the components that a robust policy should have and encourage them to strengthen them. In mid-June, regional and ingredient suppliers were also trained on the grievance mechanism and non-compliant supplier processes.

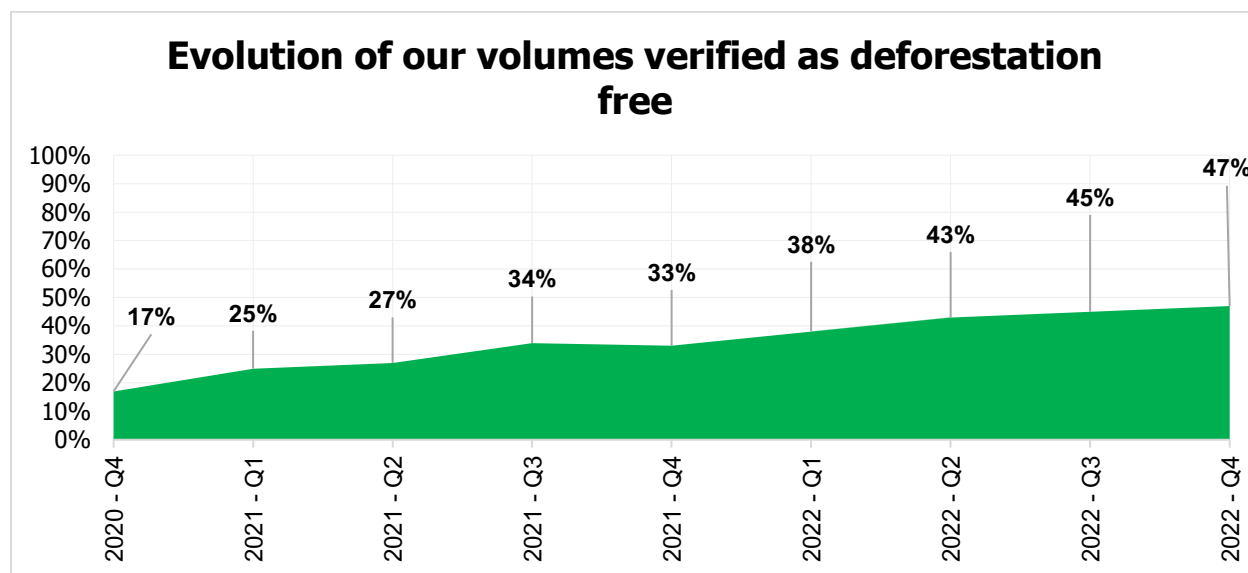
3. Satellite monitoring to move towards a deforestation-free supply chain

To reinforce the actions, we carry out with our suppliers around responsible sourcing, we also do satellite monitoring to identify potential deforestation alerts and to confirm the progress we are

making towards a deforestation-free chain. To do this, we have partnered with the Earthworm Foundation and Starling. The methodology we use to verify our deforestation-free volumes can be explored in more detail [here](#). We currently monitor 66% of our volume of palm oil via satellite.

For the last quarter of 2022, we confirm that **47% of our volume is deforestation-free**, which represents an increase of 9% compared to the first quarter of that same year. In each quarter, we engage with our suppliers to discuss improvement opportunities that allow us to increase our deforestation-free volume. These improvements may be related to increasing the availability of information and refining the data to be able to monitor with even greater levels of precision, in addition to having our suppliers investigate alerts pertaining to potential cases of deforestation identified during the period. Although 18% of our volume is within the monitored volume, we currently do not have enough information to verify it as deforestation-free².

We know that we still have a long way to go, so over the next few years we will be increasing our monitored volume and continue with actions to reach our goal of being verified as 100% deforestation-free.



During the next semester, we will focus on the development of a baseline to define the work strategy with our direct and indirect suppliers of palm oil. The progress made will be available as part of the December report.

On the other hand, this is the first year that we have used the IRF tool (Implementation Reporting Framework) to understand the progress made by the suppliers that make up our chain to ensure compliance with the commitments of deforestation-free practices and the zero exploitation of peatlands. This year, we were able to collect IRF profiles of 8 of our palm oil suppliers. We will analyze these during the second half of the year. We know that there is still a long way to go to obtain more and improved data.

²For more information on the methodology click [here](#).

4. Field transformation initiatives

Grupo Bimbo collaborates financially in two multi-stakeholder initiatives that are associated with our supply regions and that seek to contribute to 3 sustainability challenges identified in our palm oil: Forest conservation; support for small producers and strengthening labor rights in the supply chain. These initiatives are explored below.

Chiapas

Considering that Grupo Bimbo is a Mexican company, and that Chiapas is one of our most relevant palm-sourcing regions in all of Latin America, we have been supporting the region financially since 2018. This project works in two areas: La Encrucijada and Marqués de Comillas. In 2023, the Earthworm Foundation reviewed the way in which the project was communicated, and organized activities around the lines of action of four themes:

New topics	Previous name
1) Supply Chain Transformation	Land Use
2) Restoration and protection of forests	Conservation and restoration
3) Resilient producers	Resilient Family Agribusinesses
4) Ecological agriculture	

1) Supply Chain Transformation

In order to enhance levels of sensitivity of the stakeholders who are closest to the field, a training workshop was performed with 3 mills on responsible supply and sustainability policies. The objective is to ensure that mills know the shared responsibilities across the palm industry in terms of Zero Deforestation, Zero exploitation in peatlands and Zero exploitation in general.

In 2022, a memorandum of understanding was signed with the Mexican Palm Oil Federation (Femexpalma). During this first part of the year, the activities to be carried out in 2023 were set out using a medium-term vision (2025).

2) Restoration and protection of forests

To strengthen the protection of forests, work was done with 3 palm oil mills on an Action Plan to align with the actions allowed in La Encrucijada Reserve and support the producers associated with these mills to properly manage high-density conservation areas and high-density carbon reserves.

Additionally, a work plan was established in conjunction with the local Commission of Natural Protected Areas for 2023.

3) Resilient producers

During this period, we followed up on 22 of the plot plans developed in 2022 and activities were planned for this year.

4) Ecological farming

In 2022, 54 producers worked on organic farming issues such as agroecological practices, use of organic fertilizers, agroforestry practices, and pest management. During the beginning of 2023, 50 of these producers were still being monitored.



Photo 1. Accompanying small producers in procedures related to organic farming

It is important to mention that this landscape initiative is developed in collaboration with different actors including the National Commission of Protected Natural Areas (Conanp); the Mexican Federation of Palm Oil (Femexpalma), alongside local civil society organizations and relevant actors from the initial stages in the palm supply chain (mills and a supplier).

Guatemala

Guatemala is a relevant region of palm supply for us in Latin America and we identified that there are opportunities to strengthen Human Rights and labor issues. Bearing this in mind, we decided to financially support the initiative called "Transformation in the Palm Sector of Guatemala",



designed by the Earthworm Foundation in collaboration with GREPALMA, the Guatemalan palm oil growers union. The initiative centers on direct actions with suppliers and actions at the sector level, coordinated with GREPALMA.

During this semester, the initiative focused on actions at the sector level. Work has been done on the development of strategies in two areas a) Community relations and conflict management and b) Practical

implications of European Legislation in due diligence systems. Both trainings seek to inform palm oil companies, both members and non-members of Grepalma, with the aim of generating knowledge across the industry and allowing the establishment of generalized practices among peer companies.

In June, the workshop on Community relations and conflict management was held, which aimed to strengthen the capacity of community relations managers in participating companies and train in methodologies for the prevention and management of socio-environmental conflicts pertaining to operations. The workshop was held in two different palm oil-producing regions, in the northern region (Sayaxché, Petén) and the northeastern region (Alta Verapaz and Izabal), with the participation of 25 people representing 11 palm oil companies. Training on European Legislation will take place at the beginning of July.

5. Grievance mechanism

During this semester we reviewed the public information we have about our grievance mechanism, and we made some adjustments to improve our management process.

Additionally, during the month of May, we had a training workshop with the Earthworm Foundation team to learn about the Deforestation Response and Monitoring Framework, as part of which we also addressed best practices associated with the management of grievance mechanisms.

6. Transparency and communication

Progress made in the second half of the year will be published in the December progress report.