

## 1. Purpose

Grupo Bimbo supports agricultural practices that promote economic, environmental, and social resilience. We recognize that in the long-term, farmers' livelihoods are dependent on the health of natural resources. In turn, the health and wellbeing of all people is connected to the agricultural systems that feed us and that impact our air, water & forests. Grupo Bimbo will contribute to building transparent and sustainable agricultural systems by mapping our supply chains, and by requiring our suppliers to produce and source according to current best practice and emerging innovation. We will work together with suppliers at every tier of production to support change: direct suppliers, co-manufacturing partners, traders, and farmers. Furthermore, we will work to influence government and financial institution policies and programs to promote sustainable agriculture. Finally, we will look to the expertise of local and indigenous communities, scientists, civil society, and public institutions as we build our knowledge around sustainable agriculture and how best to implement our policy.

Grupo Bimbo expects our suppliers to develop and implement farm management and expansion plans adapted to the size and complexity of their operations. Such plans should be economically viable over the long-term and contain the necessary policies, programs, and procedures to support community interests and protect crucial habitats & ecosystem services. We will work together with our suppliers to identify and implement the best solutions for each regional context.

## 2. Scope

This policy covers all raw agricultural materials used in Grupo Bimbo products worldwide. Suppliers are expected to apply the criteria across their entire operations. The policy outlines criteria that fall within three categories:

- Economic resilience;
- Environmental stewardship;
- Social well-being, including respect for workers and communities.

Grupo Bimbo's intention is for the criteria outlined below to guide an ambitious strategy for expanding best practice across supply chains and foster innovation where existing practices are insufficient or not yet applied at scale. This policy document clearly communicates Grupo Bimbo's commitment and expectations to suppliers and external stakeholders; annual Implementation Plans will be developed to outline an actionable path toward policy compliance (Section 4).

In all categories, suppliers are required to comply with Grupo Bimbo's Code of Conduct and with all applicable laws and regulations in the countries of operation.

## 3. Definitions and references

- (1) [http://www.ilo.org/declaration/info/publications/WCMS\\_095895/lang--en/index.htm](http://www.ilo.org/declaration/info/publications/WCMS_095895/lang--en/index.htm)
- (2) <http://www.grupobimbo.com> . Supplier Code of Conduct.
- (3) Grupo Bimbo will follow the definitions and guidance as laid out in the UN Declaration on the Rights of Indigenous Peoples, as well as the UN FAO's Voluntary Guidelines on the Responsible Governance of Tenure.
- (4) Suppliers should follow the guidance regarding grievance mechanisms from the UN Guiding Principles on Business and Human Rights.
- (5) HCV as defined by the HCV network: <https://www.hcvnetwork.org/about-hcvf/the-sixhighconservation-values>
- (6) HCS forests as defined at <http://highcarbonstock.org> by the High Carbon Stock (HCS) Approach Steering Group.

#### 4. General guidelines

##### Economic resilience

Grupo Bimbo recognizes the importance of economic viability of agricultural production to farmers and communities worldwide, and in particular acknowledges the significance of smallholders in global agricultural supply chains. It is our intent that smallholders in our supply chain are not negatively impacted through the implementation of production criteria. Grupo Bimbo will make a concerted effort to facilitate the inclusion of smallholders into our supply base and, support smallholders to achieve compliance with our policy. Specific information related to smallholder support will be included in our annual Implementation Plans (see section 5).

Economic resilience is achieved through strategic and efficient production practices met with resource and cost-effective best practice and fair pricing for agricultural products. Grupo Bimbo will support agricultural practices and supply chains that create value for farmers and communities and avoid environmental degradation and social conflict, which diminish future value.

Grupo Bimbo expects suppliers at all tiers of our supply chain to create economic, social, and environmental value for agricultural producers by committing to the following criteria:

- Pay fair and reasonable prices for agricultural products.
- Maintain the health and productivity of agricultural assets through responsible environmental and social practices (see criteria in the categories below). Choose efficient and effective input production methods as a way to protect assets and reduce production costs.
- Reduce postharvest losses and food waste by developing a quality control and management system from the field to storage, transportation, processing, and delivery.

##### Environmental stewardship

Agricultural production should not come at the expense of natural habitats and ecosystem services. At Grupo Bimbo, we believe that agriculture and nature can and should co-exist. As such, suppliers at all tiers of our supply chain are expected to commit to the following criteria:

- **Soil conservation and preservation:** Protect or improve soil health by avoiding monocultures, preventing degradation and erosion, reducing runoff, and protecting soil fertility and biodiversity. As feasible, implement crop rotation and intercropping, no till, establishing ground cover, and agroforestry.
- **Water Management:** Promote responsible water use in crop production. Prevent and mitigate impacts on water quality and quantity through implementation of water management plans, including additional conservation measures in water-stressed areas. Implementation must include strategies to responsibly manage the risk of pollutant runoff or contamination of ground or surface water with pesticides, nutrients, or soil. Long-term access of water resources for local communities must be guaranteed.
- **No deforestation:** Protect forests and natural habitats by preventing conversion of High Conservation Value (HCV) (5) areas and High Carbon Stock (HCS) forests (6). Furthermore, recognizing that the HCV and HCS methodologies were created for the context of temperate and tropical forests, in the event that they are not adequate for a specific ecosystem, it will be necessary to work with experts and stakeholders to define an alternative.
- **No peatland destruction:** Conversion of peatlands (regardless of their depth) is prohibited, including development of farms or grazing land.
- **No illegal or destructive burning:** Suppliers will not use burning for land clearing or other developments unless there is evidence that burning is legal and controlled and does not result in additional land use change.
- **Responsible pest management and limits to agrochemical use:** Eliminate the use of Paraquat, as well as any chemical categorized as World Health Organization Class 1A or 1B, listed by the

Stockholm or Rotterdam Conventions, or not allowed by law. As feasible, suppliers should use Integrated Pest Management techniques<sup>1</sup> suitable to their context and seek to gradually reduce use of agrochemicals.

- **Air Quality:** Promote high air quality through the responsible handling, storage, and disposal of manure, the use of appropriate application techniques for agrochemicals, and the regular maintenance of machinery. As feasible, implement technological upgrades to reduce emissions into the air.
- **Energy, Carbon and Greenhouse Gas Reduction:** Optimize energy use and minimize greenhouse gas emissions in crop production, field activities, and the management of herd and agricultural waste. Maximize the use of renewable energy as available.
- **Animal welfare:** Respect the “Five Freedoms” of animal welfare: freedom from hunger, thirst and malnutrition, freedom from fear and distress, freedom from physical and thermal discomfort, freedom from pain, injury and disease, and freedom to express normal patterns of behavior<sup>2</sup>. Develop plans to phase out of routine use of antibiotics in animal rearing.
- **Waste management:** Use waste storage, treatment, and disposal practices that do not pose risks to human or ecosystem health. Recycle all materials possible. Organic waste should be composted or otherwise processed for use as organic fertilizer or bioenergy.

### Respect for workers and communities

In accordance with the ILO’s Fundamental Conventions (1) and Grupo Bimbo’s Supplier Code of Conduct (2), suppliers at all tiers within our agricultural supply chain are expected to commit to no exploitation of people and communities, including the following criteria:

- Prohibit child labor, forced labor, and bonded labor.
- Compensate workers in accordance with all applicable laws and regulations—including those pertaining to minimum wage, overtime, maximum hours, and benefits.
- Prohibit discrimination or harassment in employment or occupation; promote practices that empower fair and equal conditions for all women, as a pillar of agricultural community development.
- Respect workers’ rights to freedom of association and to collective bargaining.
- Provide a safe and healthy work environment, including access to potable drinking water, safe and hygienic sanitation, adequate and appropriate personal protective equipment (PPE), and clean and secure housing conditions as priority. Workers should have access to medical care and employers should have contingency plans and programs in case of emergency.
- Create a fair and transparent relationship with long-term agreements with workers, including written employment contracts in a language that the workers can understand.
- Use ethical recruitment practices, in which recruitment processes are documented and transparent, and costs charged to the workers are transparent, justified, and legal. We support the UN Global Compact’s initiative to eliminate labor recruitment fees and expect suppliers to develop plans to phase them out.
- Prevent and prohibit corruption, including extortion and bribery.

In addition, when producers in Grupo Bimbo’s agriculture supply chain are involved in land acquisition, lease, or utilization, they must respect land tenure rights and obtain and demonstrate the Free, Prior and Informed Consent (FPIC) of indigenous and local communities on lands to which they hold legal, communal, or customary rights. (3) New or existing conflicts, including ones resulting from a lack of FPIC, should be

<sup>1</sup> The IPM Institute in the US offers several helpful resources: <https://ipminstitute.org/federal-agencyresources/>. Resources in Spanish are available here: <http://www.mapama.gob.es/es/agricultura/temas/sanidad-vegetal/productos-fitosanitarios/guias-gestionplagas/>.

<sup>2</sup> For further information: <http://webarchive.nationalarchives.gov.uk/20121007104210/http://www.fawc.org.uk/freedoms.htm>.

managed and resolved through a transparent, balanced, and accessible dispute resolution process. This may require redress for Indigenous Peoples or local communities.

Supplier companies in Grupo Bimbo's supply chain must have a credible and accessible grievance mechanism appropriate to their size that allows for stakeholders to report concerns without fear of recrimination, reprisal, or dismissal. (4)

## **5. Implementation**

This policy is effective immediately. However, Group Bimbo recognizes that full implementation will require restructuring of production systems – this will take time and must be approached as a process of continuous improvement, monitoring, and innovation.

We will begin our implementation process by engaging with partners to map our supply chain. Our goal is to understand key risks and opportunities for change by answering three questions: (1) What and where are the problems associated with the raw agricultural products we purchase? (2) Where does Grupo Bimbo have the most leverage to push for and support change? (3) Which suppliers are best positioned to partner with us to pilot innovative projects. Answering these questions will allow Grupo Bimbo to prioritize commodities and/or regions for engagement and identify appropriate interventions to contribute to improved practices.

Grupo Bimbo recognizes that the context of agricultural production within our supply chain will vary significantly depending on geography, size of a supplier's operations, and existing environmental conditions. Grupo Bimbo views traceability as the basis to work with suppliers of agricultural commodities, to identify the origin of raw materials and to be able to identify potential sustainability risks that may exist. As such, we will release commodity and/or geography-specific criteria and indicators as we learn more about the particular contexts within our supply chains. Grupo Bimbo believes that the use of traceability encourages supplier engagement and monitoring of policy implementation. Furthermore, Grupo Bimbo will seek innovative strategies to ensure that positive change is occurring on the ground and will identify appropriate third parties to measure and verify our progress. We will develop annual Implementation Plans that will contain targets and timelines for our immediate steps towards achieving and monitoring compliance with the policy. The Implementation Plans will be publicly available, and we will report twice a year on our progress. The first Implementation Plan will be published within 6 months of the publication of this policy.

The policy criteria will be included in the Grupo Bimbo supplier selection process. In the event of noncompliance, we will work with suppliers to create a corrective action plan with reasonable time commitments to meet our requirements. Suppliers failing to meet our time-bound requirements will be subject to non-renewal or termination of contracts.

Global best practice in sustainable agriculture is constantly evolving as knowledge expands and is shared. As such, Bimbo will conduct a periodic review of our policy criteria to ensure that they represent current expertise in sustainable agriculture practices.

## **6. Responsibilities**

All procurement areas in all regions within Grupo Bimbo must work with their supply chain to comply with this policy, among others published on the Grupo Bimbo website, e.g. Grupo Bimbo's Supplier Code of Conduct, Responsible Palm Oil Sourcing Policy, and the Global Integrity Policy.

## **7. Responsibility / Ownership**

The Global Procurement Department is the assigned owner of this policy and main responsible for its content, update and submission for approval to the Global Internal Control and Risk Management Department, Steering Committee and CEO.

**8. Updates**

The changes implemented in between versions are described below:

Revision / History of the revision				
Version	Revision Date	Updated by	Approved by	Main Changes
1				