



GRUPO BIMBO GLOBAL PALM OIL POLICY, ACTION PLAN – YEAR 1 2nd PROGRESS UPDATE

Grupo Bimbo's commitment to responsible sourcing of palm oil is defined in our [Global Palm Oil Policy](#), released in September 2015. In April 2016, we released our [Year 1 Action Plan](#), which outlines our commitments for the first 12 months of policy implementation. Our first public update on the status of Action Plan progress can be found [here](#). This second report provides an additional update and summarizes Year 1 Action Plan progress. Furthermore, it outlines progress made toward Year 2 goals.

Year 1 goals and progress

Since launching the Year 1 Action Plan, Grupo Bimbo, in partnership with [The Forest Trust](#), has been actively engaging with our suppliers and stakeholders to execute the Plan and fulfill our policy commitments. Below are our Year 1 commitments for implementing the Grupo Bimbo Global Palm Oil Policy:

1. Communicate our responsible sourcing commitments to our top suppliers (90% of all of the palm oil and palm kernel oil we use).
2. Establish traceability by mapping supply chains of non-derivative palm oil (CPO) and palm kernel oil (PKO) back to palm oil mills.
3. Track policy implementation with direct suppliers.
4. Implement transformation activities in our supply chain to understand and address specific policy compliance challenges at the palm oil producer level.

✓ **Progress communicating our responsible sourcing commitments to suppliers**

Grupo Bimbo's engagement with our top suppliers of non-derivative palm oil products began with webinars during May and June in which we introduced our Global Palm Oil Policy and sourcing requirements. These individual calls were held to ensure that each supplier clearly understood our policy and our perspective on the widespread social and environmental challenges of palm oil production. Through this effort we met our goal of reaching every supplier that represents more than 1% of our supply of non-derivative CPO and PKO, accounting for 90% of our total non-derivative CPO and PKO supply.

✓ **Progress establishing traceability of our palm oil supply chains**

In the second stage of engagement with our top suppliers, Grupo Bimbo requested traceability data for CPO and PKO in order to identify the specific palm oil mills that produce the palm oil that is used in our products. Establishing traceability of our supply chain to the mill level is the first step on the path towards being able to identify specific challenges and promote improved practices. In our Action Plan, we set the 2016 goal of establishing 95% traceability for our top suppliers (Table 1), which represent 90% of the palm oil and palm kernel oil we use. We reached this goal at the end of 2016. This means Grupo Bimbo’s total mill level traceability is 85.5% for our combined volumes of PKO and CPO.

Table 1. Grupo Bimbo direct suppliers representing 90% of CPO & PKO volume (listed in alphabetical order)
AAK
Alpezzi Chocolate
Barry Callebaut
Cargill
Oleofinos
Team Foods

Note that for Year 2 policy implementation we are committed to expand the scope of our supply chain mapping to cover a larger percentage of the palm oil we use.

✓ **Progress in assessing and tracking policy implementation by our suppliers**

The successful implementation of our Global Palm Oil Policy requires our direct suppliers to proactively engage producers in their supply base. With this keenly in mind, we began a process with each of our top suppliers to assess their respective policies, plans and systems for responsible sourcing and production of palm oil. We evaluated a range of elements including the presence/content of a public policy on palm oil, traceability efforts, the steps taken to implement responsible palm oil sourcing/production, and transparency around grievance management. Using the baseline information collected in 2016 (see Figure 1), Grupo Bimbo identified strengths and gaps for each supplier. We then held follow-up calls with each supplier to discuss and agree upon concrete opportunities and specific milestones for stronger policy implementation up the supply chain.

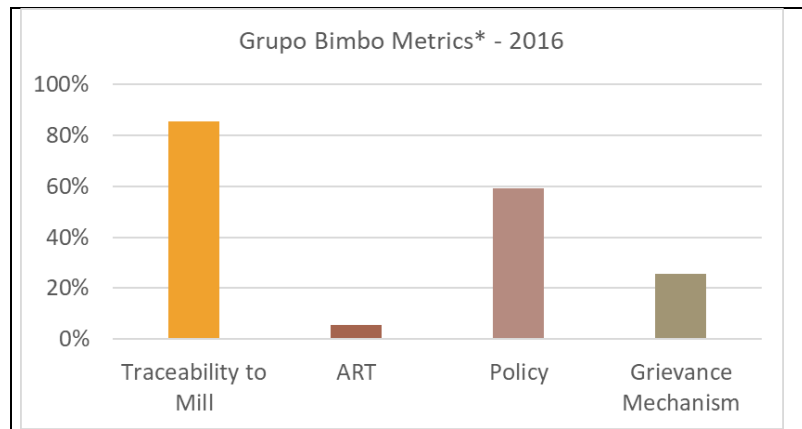


Figure 1. Data collected in 2016 for Grupo Bimbo’s top 6 suppliers representing 90% of palm oil volume.

**Metric Details:*

Traceability to Mill: percentage of volume that can be traced back to a palm oil mill where the parent company, name and location of the mill are known

ART: percentage of volume that originates from a geography and/or refinery/aggregator catchment area that is implementing a comprehensive program to engage all mills within the area, e.g. Aggregator/Refiner Transformation (ART) Plan or ART equivalent.

Policy: percentage of volume coming from direct suppliers that have a public NDPE policy equivalent to Grupo Bimbo's

Grievance: percentage of volume coming from direct suppliers that have a public grievance mechanism

✓ **Progress in the transformation of palm oil production practices on the ground**

One of the priority goals in our first year of policy implementation was to support actions and initiatives at the ground level in palm oil producing countries that directly and tangibly address social and/or environmental problems associated with palm oil development and production. Traceability information, research, and stakeholder input informed our decisions about where to support change first. During our Year 1 Action Plan, we supported two on the ground projects in Latin America, the region where 90% of our mapped supply chain originates (see Table 2).

Colombia
Costa Rica
Ecuador
Guatemala
Honduras
Indonesia
Malaysia
Mexico
Nicaragua

The first project we supported was a scoping initiative aimed at understanding stakeholder perspectives on social-environmental conflict in Sayaxché, Guatemala. The goal was to determine the potential for a participatory problem-solving approach to key challenges in the regional palm sector. Results from this work can be found [here](#). The second project assessed a palm oil mill located in Ecuador and identified key threats to - and opportunities for - the protection of forests and people in line with Grupo Bimbo's policy commitments.

In parallel to this on the ground work, Grupo Bimbo has been engaging with direct suppliers regarding specific grievances in order understand what steps suppliers are taking to address issues of concern and work towards compliance with Grupo Bimbo's Global Palm Oil Policy.

Year 2 progress

In Grupo Bimbo's Year 1 Action Plan, we committed to expanding our supply chain mapping in 2017 to include suppliers representing 95% of our palm oil volume (compared to 90% in 2016). To reach this goal, in June 2017 we held introductory calls with 6 additional suppliers to socialize the Grupo Bimbo Palm Oil Policy, clearly outline our expectations for suppliers, and prepare suppliers for upcoming traceability requests and progress assessments. We have since followed up with each supplier to provide a mill traceability template and progress assessment questionnaire. Updated traceability results and supplier metrics will be made publicly available with our next Progress Update.