



GRUPO BIMBO GLOBAL PALM OIL POLICY, ACTION PLAN – YEAR 2 1st 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 2017, we released our Year 2 Action Plan, which outlines our commitments for the second year of policy implementation. Public updates on Action Plan objectives and progress can be found [here](#). Here we report on additional progress & summarize our Year 2 work.

Year 2 goals and progress

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 2 commitments for implementing the Grupo Bimbo Global Palm Oil Policy:

1. Communicate Grupo Bimbo's responsible sourcing commitments and requirements to top suppliers of non-derivative palm oil (CPO) and palm kernel oil (PKO) products.
2. Map the supply chains of Grupo Bimbo's top suppliers of CPO and PKO to the palm oil mill level
3. Track policy implementation with direct suppliers. Grupo Bimbo will track and evaluate supplier progress according to 6 key categories:
 - a. The presence and content of our suppliers' own sourcing policy
 - b. Traceability to mill and plantation level
 - c. Approaches to improving social and environmental practices on the ground
 - d. Mechanisms/processes for managing grievances
 - e. Transparency
 - f. Verification
4. Implement transformation activities to understand and address specific policy compliance challenges at the producer level

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

In Grupo Bimbo's Year 2 Action Plan, we committed to expanding our supply chain mapping in 2017 to include suppliers representing 95% of our CPO & PKO volume (compared to 90% in 2016). In June, Grupo Bimbo 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.

✓ **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 2017 goal of establishing 95% traceability for our top suppliers, which represent 95% of the palm oil and palm kernel oil we use. We exceeded this goal at the end of 2017, reaching 96.5% traceability for our top suppliers. This means Grupo Bimbo’s total mill level traceability is 92% for our combined volumes of PKO and CPO, which represents a 6.5% increase from 2016.

✓ **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 in mind, we are working 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.

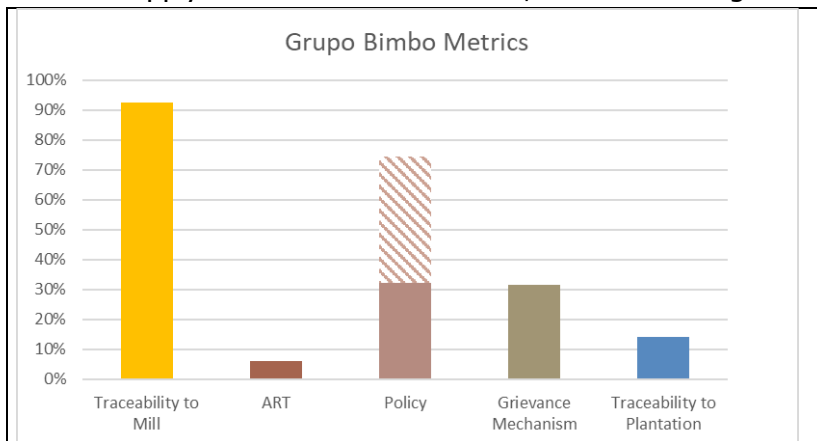


Figure 1. Information regarding the percentage of Grupo Bimbo’s palm oil volume covered by key metrics. Note that the shaded area represents palm oil volume purchased from suppliers with policies that are nearly equivalent to Grupo Bimbo but lack an explicit commitment to no-burning. These suppliers do have an RSPO commitment, which stipulates guidance around the use of fire for land preparation. We continue to work with all suppliers to ensure their policy commitments reflect those of Grupo Bimbo.

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

Traceability to Plantation: percentage of volume that can be traced back to a palm oil plantation where parent company, estate name, % volumes, and location is known for all estates larger than 50 Ha and where number of smallholders and % volume provided by smallholders is known for farms smaller than 50 Ha.

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

Since the creation of our Palm Oil Policy, one of our priority goals has always been to support actions and initiatives at the ground level that tackle the often complex social and/or environmental problems associated with palm oil development and production.

In 2017, Grupo Bimbo selected southern Mexico as our focus area for supporting on the ground transformation. This region is important to Grupo Bimbo from a volume perspective and we are committed to using our leverage to push for change. There are a number of challenges here including smallholder livelihoods, encroachment into sensitive areas, and forest loss. As a first step toward tackling these challenges, Grupo Bimbo is investing in a project to monitor deforestation and identify high carbon stock areas. Implementation will continue into 2018.

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

Table 2. Countries of origin for Grupo Bimbo’s palm oil supply chain (in alphabetical order)

Brazil
Colombia
Costa Rica
Ecuador
Ghana
Guatemala
Honduras
Indonesia
Ivory Coast
Malaysia
Mexico
Nicaragua
Nigeria
Panama
Papua New Guinea
Peru
Solomon Islands
Thailand
Venezuela