



**GRUPO BIMBO
GLOBAL PALM OIL POLICY
YEAR 6 PROGRESS UPDATE– June 2021**

Grupo Bimbo's commitment to palm oil responsible sourcing is defined in its [Global Palm Oil Policy](#), published in September 2015. In 2021, Grupo Bimbo has started the sixth implementation year of its policy. Public updates on Grupo Bimbo's annual Action Plan objectives and progress can be found [here](#).

Additionally, in 2019 Grupo Bimbo made a corporate-level commitment to purchase 100% RSPO certified oil by 2023, to date, Grupo Bimbo has achieved a 20% global increment with a goal of reaching 40% by the end of 2021

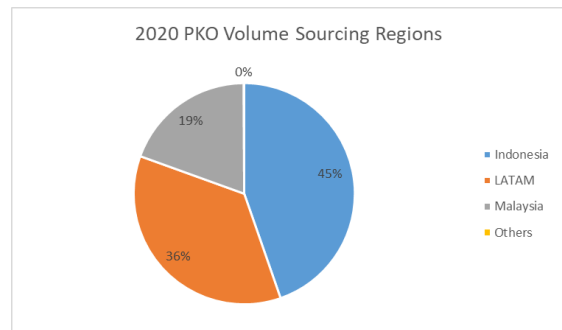
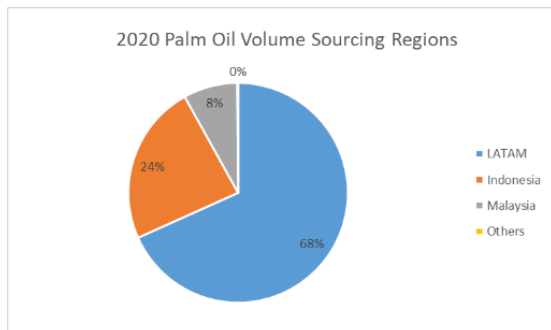
Year 6 progress

Grupo Bimbo, in partnership with [Earthworm Foundation](#), has been actively engaging with its suppliers and stakeholders to execute the [Action Plan](#) and fulfill its policy commitments. During the first half of the year progress was made in the following 5 strategic areas.

Map the supply chains of Grupo Bimbo's top suppliers of CPO and PKO to the palm oil mill level, and to plantation level with suppliers who have well-defined supply bases for their Fresh Fruit Bunches (FFB). In accordance with its policy, Grupo Bimbo has continued updating traceability data for its supply chain. This year it has focused on 17 suppliers representing 95% of the volume. This data provides information on refineries, traders and mills and helps Grupo Bimbo to make decisions about priority challenges and areas for improvement in the performance of their suppliers.

In addition, Grupo Bimbo begins this year to request to its suppliers traceability to plantations to be able to join efforts meeting industry expectations that is seeking greater transparency. Traceability to plantations becomes a requirement for Grupo Bimbo's suppliers the same year that Grupo Bimbo begins monitoring deforestation in its supply chain

Grupo Bimbo total volume	%	Traceability to mill	Traceability to plantations
Palm oil	99.5 %	94 %	64 %
Palm Kernel Oil	0.5 %	100 %	16 %



[Here](#) mil list can be consulted.

Track policy implementation with suppliers.

In 2020, Grupo Bimbo has continued with direct supplier engagement to understand progress towards its Palm Oil Policy. This engagement process began in 2016. Specifically, Grupo Bimbo is collecting data around:

- a) The presence and content of its suppliers' own sourcing policies
- b) Traceability to mill and plantation level
- c) Group-level implementation plan and supplier engagement
- d) Transformation in action:
 - I. Aggregator and landscape level.
 - II. Labor and social issues.
 - III. Land management and conservation
- e) Mechanisms/processes for managing grievances
- f) Verification and monitoring

These are the results achieved during the exercise carried out in 2020. Grupo Bimbo will begin with the 2021 evaluation in July and will report the supplier progress in December 2021.

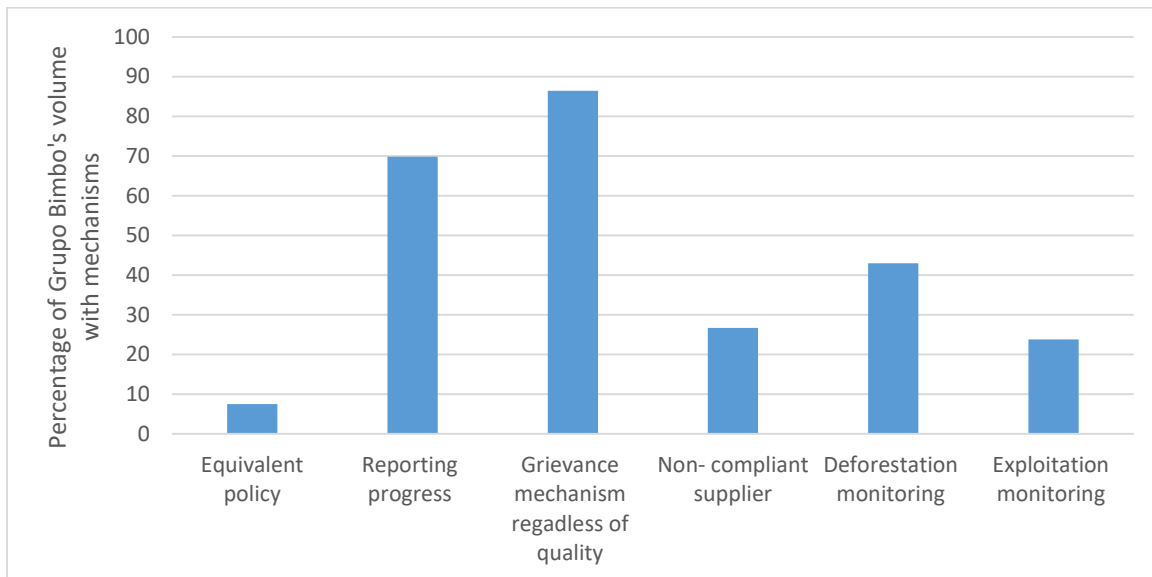


Figure 1: Métricas¹ reported by Grupo Bimbo direct suppliers.

¹ *Metric details:

Equivalent policy: supplier has a public Palm Oil Policy equivalent to Grupo Bimbo's

Reporting progress on the NDPE: Supplier reports publicly on progress towards reaching time-bound milestones and compliance with its responsible sourcing policy.

Grievance Mechanism: supplier has a public grievance mechanism (regardless of quality).

Non-compliant supplier engagement mechanism; supplier has a non-compliant supplier engagement mechanism including.

Significant progress has been observed regarding suppliers' maturity level, in addition to identifying work areas for 2021. Currently, available tools and technology are being evaluated to monitor deforestation in their supply chain. Other results achieved are:

- 212,858 smallholders who are directly or indirectly linked to suppliers participate in small producer programs.
- 50% of providers reported participating in landscape programs.
- 46,343 hectares of forest were reported as included in forest conservation, restoration or reforestation activities of their company or third parties.

Through these dialogues, Grupo Bimbo has the opportunity to share with suppliers the commitments with the Consumer Goods Forum in terms of the responsible supply of palm oil.

Implementation of transformation projects.

Guatemala's social performance in the palm industry

A materiality study was carried out in 2019 in the agricultural products supply chains, including palm oil. Labor issues on palm oil specifically in Latin America was one of the most material issues, along with deforestation. From results obtained from the Labor Risk Analysis in Latin America made in 2020 in the palm oil industry, Grupo Bimbo decided in 2021 to participate in a project to support GREPALMA (Gremial de Agricultores de Guatemala) for capacity building and monitoring labor and human rights issues.

Through a participatory process, the following issues were prioritized to be addressed:

- Free and Informed Prior Consent and consultation processes
- Freedom of association and collective bargaining
- Health and Safety in the communities (related to the impact of the companies)
- Human Rights Defenders

Landscape projects

Grupo Bimbo has continued fieldwork, adapting to the exceptionality of the COVID-19 situation that has occurred globally.

Like previous years, it has continued investing in two landscape-level projects in southern Mexico, in the state of Chiapas. This region has been prioritized since more than 60% of Grupo Bimbo's palm oil volume comes from Latin America, and it is considered necessary to generate solutions to prevent deforestation in the context of smallholders and improve farmers' livelihoods.

Monitoring for no deforestation: Supplier carries out monitoring activities related to deforestation in their supply chain (e.g. field visits, spatial monitoring, civil society monitoring etc) (self-reported by supplier).

Monitoring for no Exploitation: supplier carries out monitoring activities related to exploitation (e.g. field verification/assessments, audits) (self-reported by supplier).

The project located in the municipalities of Marqués de Comillas and Benemérito de las Américas is a pilot of the High Carbon Stock (HCS) methodology in the context of smallholders. The area is one with the highest risk of deforestation in Mesoamerica. Despite the emergency situation derived from COVID-19, the project has continued to reach out to mills in the region and other relevant stakeholders.

The project in La Encrucijada Biosphere Reserve focuses on protecting native ecosystems and improving farmers' livelihoods through compliance with the Management Program of the Protected Natural Area since agricultural expansion has an impact on critical mangrove and wetland habitats. During the first semester of the year, the Multi-stakeholder Plan has been monitored in its three lines of action:

- **Resilience of smallholders:** During the first semester, a socioeconomic and environmental study was completed with the pilot groups. Based on the results an Action Plan for 2025 has been prepared and validated by the mills in the region. In addition, 42 Farmers Plans were completed with smallholders that began last year.

Using parts of the Action Plan, two training workshops and an exchange of experiences were developed regarding *Agricultural diversification, inclusion of cocoa* to interested palm growers. In addition, we continue to work on identifying financial mechanisms to seek funding for smallholders.

- **Conservation and restoration:** During the first semester, 15 ha of mangroves reforested last year in the core zone were maintained. In addition, a nursery with 3,500 plants has been established to recover 5 ha of green buttonwood mangrove and red mangrove that were lost due to a fire. The community groups participating have had training workshops for producing fertilizers and organic manures, as well as environmental education workshops.
- **Land use:** In the areas where palm crops were eliminated, smallholders have been monitored for productive restructuring, in compliance with the Management Program (PM) of the Reserve. Workshops and meetings have been held with CONANP-Encrucijada to address the issue of updating the Decree and Management Program. In coordination with Conanp-Encrucijada, the palm sector has been invited to actively participate in the process. In parallel, work with the extractors is being done on the Action Plan in order to comply with the Management Program and identify the challenges of the sector with its smallholders.

Deforestation monitoring

Grupo Bimbo has taken a step forward on responsible sourcing of its palm oil chain and begins this year -2021- to monitor deforestation of its chain through [Starling](#), satellite technology developed by Airbus and Earthworm Foundation. In the last six years, Grupo Bimbo has worked to increase transparency in the palm oil industry through traceability exercises and supplier engagement, promoting the publication of lists of mills and concession boundaries, when applied. Thanks to the efforts of the industry, the monitoring of deforestation is possible, which

has generated enough information to be able to detect and act against deforestation linked to the palm oil supply chain.

During this first year, it is covering 51% of its volume and in this first semester it can confirm that 25% of its total volume is deforestation-free. In addition, Grupo Bimbo has begun engaging with suppliers that are under monitoring to evaluate, investigate and take action in the event of deforestation associated with the chain.

Grupo Bimbo thus fulfills the commitment to monitor and verify non-deforestation within its palm supply chain, which is a commitment aligned with the expectations of the [Consumer Goods Forum](#).

Continuous improvement

Grupo Bimbo understands responsible sourcing as a continuous improvement of commitments where, depending on the level of maturity, higher levels of success are achieved. Training both internal and external stakeholders is key to progress and this year, in addition to the ongoing dialogue with suppliers, Grupo Bimbo socialized the complaints mechanism internally in preparation for its publication in the second half of the year.