



**GRUPO BIMBO
GLOBAL PALM OIL POLICY
YEAR 3 PROGRESS UPDATE – January 2019**

Grupo Bimbo's commitment to responsible sourcing of palm oil is defined in our [Global Palm Oil Policy](#), released in September 2015. We have now completed our 3rd year of Policy implementation. Public updates on our annual Action Plan objectives and progress can be found [here](#).

Year 3 progress

Grupo Bimbo, in partnership with [Earthworm Foundation](#) (previously The Forest Trust), has been actively engaging with its suppliers and stakeholders to execute the Plan and fulfill its policy commitments.

Year 3 progress can be summarized in 5 key 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 16 suppliers representing 95% of its total palm oil volume, and has been able to trace more than 96% of this volume to palm oil mill. This means that Grupo Bimbo's total mill traceability score is 91%. 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. Table 1 summarizes the countries of origin for Grupo Bimbo's palm oil volume.

Track policy implementation with suppliers.

Grupo Bimbo has been working with direct suppliers (representing 95% of palm oil volume purchased) to track and review their own policies and performance regarding the following aspects:

- a. The presence and content of its 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.

Below (Figure 1) is a summary of Grupo Bimbo's supplier metrics. Grupo Bimbo will continue working hand in hand with suppliers to achieve aligned palm oil policies and best practice in the field.

Table 1. Countries of origin for Grupo Bimbo's palm oil supply chain (in alphabetical order)
Brazil.
Colombia
Costa Rica
Ecuador
Gabon
Ghana
Guatemala
Honduras
India
Indonesia
Ivory Coast
Malaysia
Mexico
Nicaragua
Nigeria
Panama
Papua New Guinea
Peru
Solomon Islands
Thailand

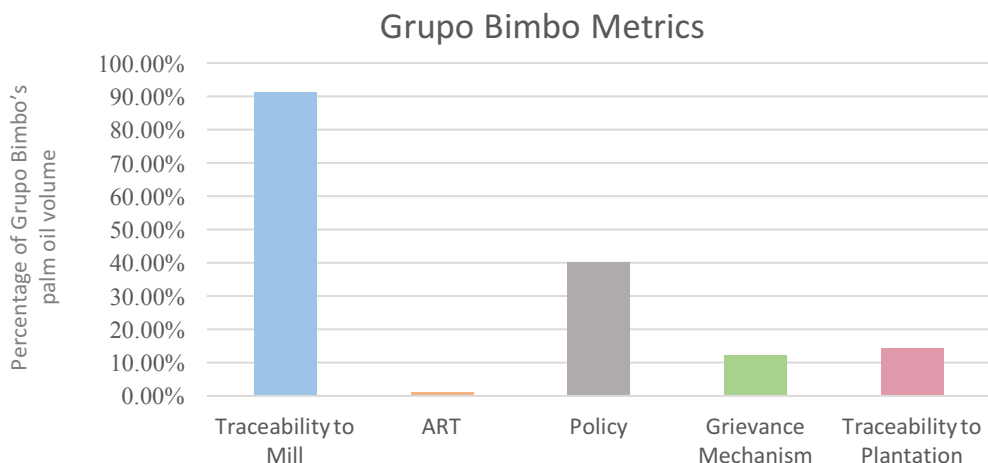


Figure 1. Information regarding the percentage of Grupo Bimbo's palm oil volume covered by key metrics.

***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 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.

Grupo Bimbo uses this information as a basis for dialogue with suppliers regarding areas of progress and opportunities for improvement. Grupo Bimbo has continued to engage in direct dialogue with their suppliers to communicate expectations and, when needed, to guide and support suppliers' actions to achieve best practice in policy implementation.

Grupo Bimbo's non-compliant supplier process

This year Grupo Bimbo has been working on formalizing a non-compliant supplier process. It has now been socialized with procurement leads from various business units and is currently undergoing a final round of revisions. When finalized, Grupo Bimbo will publish a summary of the process.

In 2018, Grupo Bimbo made the decision to suspend two palm oil suppliers due to ongoing non-compliance with its Palm Oil Policy. You can find the public announcement about its Q2 decision to suspend Guatemalan palm oil refinery Olmeca, sister company to Reforestadora de Palmas del Petén, S.A (REPSA) in Grupo Bimbo's first Year 3 Progress Update [here](#). In Q4, it also decided to suspend Indofood.

Implement transformation activities

In 2018, Grupo Bimbo has channeled on the ground investments to southern Mexico. Grupo Bimbo is investing in two smallholder landscapes, in the state of Chiapas Mexico, to prevent deforestation and other land use conversion by palm oil.

In both landscapes, baseline information about current land use provided by [Starling](#) has served as the basis for stakeholder engagement. In the first landscape, Marques de Comillas, a smallholder [High Carbon Stock Approach](#) project is now being piloted. In the second landscape, La Encrucijada Biosphere Reserve, a multi-stakeholder land use planning process is underway to support the preservation of important wetland habitat. Beyond the direct impact of these landscape-scale projects in Mexico, the goal is to generate lessons learned that can be used by other industries players across Latin America, where smallholder palm growers play an important role in many countries.

GB will continue to support both projects in 2019 and will update its prioritization process to determine where additional investment can have the most impact.

Continuous improvement

This year, Grupo Bimbo has invested in internal capacity building for policy implementation. This has included additional training for its businesses units so that they can take a more active role in supplier engagement. Furthermore, Grupo Bimbo has increased field visits for procurement staff to review supplier practices and strengthen messaging around the importance of its palm oil policy.