



**GRUPO BIMBO
GLOBAL PALM OIL POLICY
YEAR 7 PROGRESS UPDATE
June 2022**

Grupo Bimbo's commitment to sustainable sourcing of palm oil is set out in the [Global Palm Oil Policy](#), which was published in 2015. This year, 2022, marks the seventh year of the implementation of this policy.

Progress in year 7

At the beginning of 2022, Grupo Bimbo outlined its Yearly Action Plan which established a set of actions to be carried out with the goal of meeting commitments set out in the Global Palm Oil Policy. Grupo Bimbo, in partnership with [Earthworm Foundation](#), works actively with suppliers in order to socialize the policy and work on its implementation. During this first period, progress has been made in the following key areas:

- **Mapping palm oil and palm kernel oil supply chain with top suppliers at mill and plantation level**

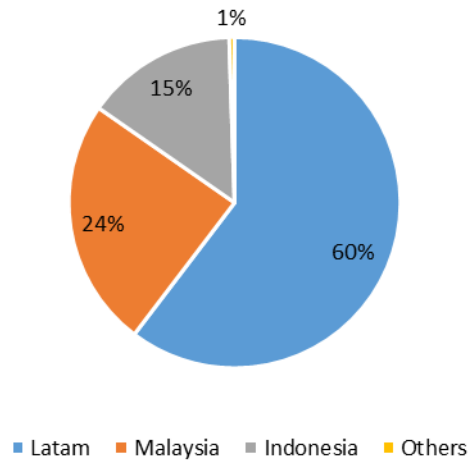
As in previous years, Grupo Bimbo carried out its traceability exercise. This year, the traceability exercise focused on 18 suppliers which represent 96% of the total volume of palm oil. This analysis collects data pertaining to refineries, traders and factories and allows us to identify challenges and opportunities to improve suppliers' performance and prioritize actions.

Grupo Bimbo continue requesting suppliers to provide traceability at plantation level, to understand origin and to continue striving for enhanced levels of transparency, which is outlined as a clear expectation for this industry. This year, we achieved 95% of overall traceability to mill and 59% of traceability to plantation. Detailed traceability per type of oil is as follows:

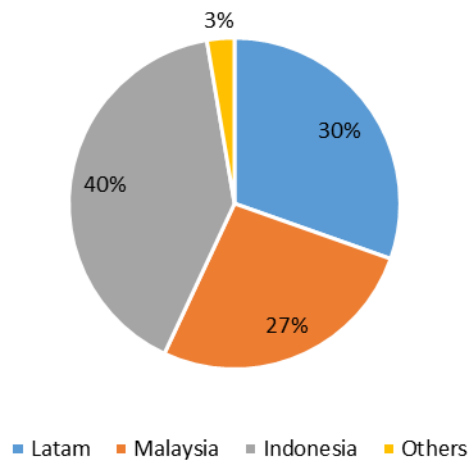
	Traceability to mill (TTM)	Traceability to plantation (TTP)
Palm oil	95%	65%
Palm kernel oil	99%	31%

Traceability also allows us to identify our sourcing regions and address specific challenges and opportunities of improvement. As per last year analysis, Latin America continues to be our main sourcing region for palm oil while Indonesia also remains our main sourcing region for palm kernel oil.

2021 Palm oil sourcing origin



2021 PKO sourcing origin



By clicking this [link](#) you can find a list of suppliers and mills that are part of Grupo Bimbo's supply chain.

- **Monitoring suppliers' compliance with the policy**

In 2021, Grupo Bimbo continued working with its direct suppliers to better understand their progress in terms of compliance with our Palm Oil Policy. This process of dialogue started in 2016 and evaluates the following areas:

- a. Presence and content in suppliers own policy regarding their suppliers' chains
- b. Traceability at mill and plantation level
- c. Implementation plan at a company level and suppliers' commitments

- d. Transformative actions taking place:
 - o At both refinery / aggregator and in terms of landscape
 - o Labor and social issues
 - o Land management and conservation
- e. Grievance mechanism/process
- f. Verification and monitoring

Below, the results from the exercise carried out in the second semester of 2021 are outlined. Bimbo plans to start evaluations for 2022 in July and will report on the suppliers' progress in December 2022.

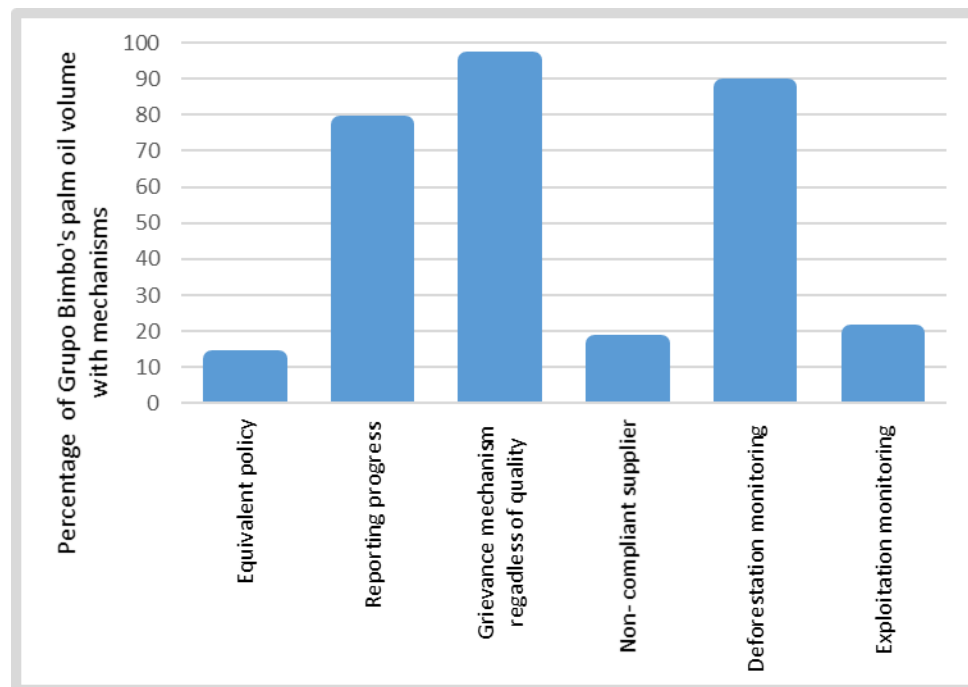


Figure 2: Metrics¹ reported by direct Grupo Bimbo suppliers

In 2021, significant progress was made in terms of supplier maturity. These achievements include significant progress in the area of Monitoring of Deforestation. Furthermore, 100% of evaluated suppliers have policies that deal with responsible sourcing, and we have also

¹ *Metric details:

Equivalent policy: the supplier has a public palm oil policy equivalent to that of Grupo Bimbo

Progress reports for sustainable palm oil policy: the supplier publishes public reports on progress towards milestones with defined timeframes and compliance on responsible sourcing.

Grievance mechanism: the supplier has a grievance mechanism in place (regardless of its quality).

Non-compliant supplier processes: the supplier has a process designed for approaching suppliers that do not comply

Monitoring of deforestation: the supplier carries out activities in the monitoring of deforestation across their supply chain (e.g., field visits, spatial monitoring, civil society monitoring, etc.) (declared by supplier).

Monitoring of exploitation: the supplier carries out activities in the monitoring of exploitation across their supply chain (e.g., field verification / evaluations and audits) (declared by supplier).

observed an enhancement in the strength of these policies, meaning they have come into line with Grupo Bimbo's policy and industry expectations.

Other results include:

- 282,046 small producers linked either directly or indirectly to suppliers participating in small producer programs.
- 46% of suppliers reported participation in landscape programs.
- 197,335 hectares were reported as forming part of conservation activities, forest restoration and/or reforestation programs by the company and third-parties.

Through the management of this dialogue, Grupo Bimbo has the opportunity to socialize Global Palm Oil Policy with suppliers and ensure that they can align with the commitments set out in the [Consumer Goods Forum](#) and the Forest Positive Coalition Working Group.

- **Implementation of transformation projects.**

Guatemala's social progress in the palm oil industry

The goal of this project is to develop skills to improve labor and Human Rights issues in palm oil companies in Guatemala. In 2022, this project has reported the following progress during the implementation of phase 2:

- Companies were given two training modules on 1) Free Association and Collective Bargaining and 2) Community Health and Safety, rounding off the planned cycle of training sessions. During 2021, training was given on 1) Free, Prior and Informed Consent (FPIC) and advice and 2) Human Rights Defenders. 5 palm oil companies and 2 Civil Society organizations and also EF & Grepalma participated in these sessions.
- As a result of these training modules, training guides were created in order to support companies in passing on this knowledge at an operational level for the key takeaways from each module topic.
- The four training guides were given to participating companies to receive their feedback about the guides and the next steps to be taken in order to allow us to work towards supporting companies in trying and implementing the proposed improvements that are adequate for their companies.

This project is aligned with Grupo Bimbo's sustainability strategies, given that in 2020 a Risk analysis on labor issues was conducted for Latin America specifically for the palm oil industry and participation in the aforementioned project was decided upon analysis of the results of this assessment, in order to continue taking action.

Landscape projects in Mexico

Grupo Bimbo works in partnership with other companies in its continued support for the Chiapas Landscape Project in Mexico, which aims to generate actions that prevent deforestation. The project focuses on two locations: a) Marqués de Comillas and Benemérito de las Américas, one of the areas at greatest risk of deforestation in Mesoamerica and b) Reserva

de la Biosfera La Encrucijada, where agricultural expansion has impacted coastal ecosystems. The project is relevant due to its location in Latin America, which according to the traceability exercises carried out yearly, constitutes one of most important palm oil sourcing region for Grupo Bimbo. This is one of the two landscape initiatives that we support financially, this one focused on palm oil and the second one focused on soy. After just over two years of restrictions due to the COVID-19 health emergency, activities have been reactivated to a greater extent this year.

The activities carried out in the Landscape form part of a plan agreed to alongside key organizations in the region and takes into account a range of actions to be implemented from 2018 through 2025. The plan is divided into three work streams which are outlined below along with key progress:

- **Resilient Farming Families:** During this semester, the project has worked with 40 palm oil farmers in actions aimed at addressing management of their land that allows for a strategic vision of their resources in order to promote the diversification and strengthening of their crops. Furthermore, work was completed with 15 producers in the area of diversification, including recovery of cocoa crops, processes in the production of organic fertilizer and prevention of pests. Lastly, a diagnostic activity is underway with 10 palm oil producers that keep animals in order to implement sustainable livestock policies.
- **Forest protection & restoration:** During the first semester, maintenance was given to 6 hectares of mangroves that were reforested in the previous year's nucleus area. A nursery was established with 1000 plants grown to reforest the mangrove that hadn't survived during the low-water season. The maintenance of this area has been organized through the structuring of community-based groups and the majority of the community currently participates (50 *ejidatarios*). Three environmental samples have been conducted in the reforestation area as part of this work.
- **Land use:** This activity aims to promote the organized palm oil production under a sustainability approach and to achieve these, we work in collaboration with local organizations. A working plan was created with RSPO/Encrucijada/Earthworm/Solidaridad and has now been implemented. Monthly meetings are held with CONANP-Encrucijada in order to organize activities with extractors and small producers and are held on topics related to compliance with the Reserve Management Program. Three Action Plans were devised to promote compliance with the Encrucijada Management Program formed by coastal extractors, which are currently in a process of evaluation in order to be able to launch and implement them. A meeting was held in order to define the challenges faced by the palm oil industry in the Reserva de la Biosfera La Encrucijada on the coast of Chiapas, with participation from different companies from the sector, including a refinery, four extractors, federal and municipal government and a civil organization. A HCSA study has now been conducted for Marqués de Comillas Reserve and a process of socialization has begun with the refinery. The goal for next semester is to complete socialization with the extractor and small producers.

All these activities seek to address the following systemic issues: Conservation and sustainable management of forests and natural ecosystems, restoration and rehabilitation of deforested areas and natural ecosystems, positive and lasting inclusion and resilience of farmers and local communities and, sustainable development partnership. This effort carried out by Grupo Bimbo is aligned to the commitments made through the [Consumer Goods Forum](#) on participating on landscape initiatives.

- **Monitoring of deforestation**

In 2021, Grupo Bimbo decided to take an additional step towards responsible sourcing in its palm oil supply chain with the launching of deforestation monitoring through a partnership with [Starling](#), satellite technology developed by Airbus, and Earthworm Foundation.

This year, Grupo Bimbo has decided the scope of this initiative and will work with 4 suppliers. This semester, Grupo Bimbo can confirm that 38% of its supply chain is deforestation-free. We are aware that this is not an easy journey, and we will continue working alongside our suppliers with a view continued improvement and constant evaluation, investigation and the promotion of actions in the case that deforestation is identified and found to be linked to the supply chain.

Grupo Bimbo meets its commitment to monitor and verify that deforestation does not exist inside its palm oil supply chain and work in alignment with the expectations set out by the [Consumer Goods Forum](#).

- **Derivatives**

This year, Grupo Bimbo has decided to take a further step towards understanding its derivatives supply chain. In order to achieve this goal, a process of analysis is being conducted this year in order to identify main sourcing regions for derivatives and the challenges that are associated to them. This exercise will be rounded off in the second semester of this year and results published in the December 2022 progress report.

- **Supplier maturity analysis**

With the goal of identifying how Grupo Bimbo can better support suppliers in progressing towards sustainability-based actions, a process of analysis is being carried out this year that allows us to identify the level of maturity of each of our suppliers. This will allow Grupo Bimbo to recognize suppliers that have managed to advance on their journey towards sustainability and support those who haven't been able to make sufficient progress. The mechanisms to be used for this analysis are currently being reviewed internally and are then planned to be socialized across Grupo Bimbo's business units in order to obtain feedback.

- **Continuous improvement**

Grupo Bimbo is aware of the importance of strengthening understanding among both internal and external stakeholders on the diverse range of activities that guide our sustainable supply and sourcing policies. For this reason, Grupo Bimbo decided to hold two workshops on its grievance mechanism at the beginning of the year. The first workshop was aimed at purchasing department teams with the objective of preparing them on the steps that need to be followed upon receiving a grievance and the internal roles that are involved in managing this process. The second workshop was aimed at those who comprise the Grievance Committee with the goal of understanding the nature of their responsibilities in the case of receiving a grievance and the actions to be carried out. Grupo Bimbo's grievance process can be accessed through this [link](#). Grupo Bimbo keeps monitoring, as previous years, alleged violations of our NDPE commitments from companies within our supply chain. In this 2022, 3 grievances were managed associated to Human Rights, in two we engaged with our supplier to better understand the situation and the actions taken, and in one case, the Grievance Committee was gathered to make a decision.