



GRUPO BIMBO GLOBAL PALM OIL POLICY PROGRESS REPORT DECEMBER 2022

Grupo Bimbo's commitment to responsible palm oil sourcing is outlined in its [Global Palm Oil Policy](#), published in 2015. This year, 2022, marks the seventh year of implementation of the policy. This report describes the progress made during the second half of the year.

In 2019 Grupo Bimbo committed to buy 100% RSPO certified oil by 2023. By the end of 2022, Grupo Bimbo will reach 80% of sustainable palm oil volume.

Year 7 progress

Grupo Bimbo, in partnership with [Earthworm Foundation](#), actively engages with suppliers and other stakeholders to advance its Annual Action Plan which allows them to make progress in the commitments established in its palm oil policy.

- **Map supply chains of main suppliers of crude palm oil and palm kernel oil**

During the first half of the year, Grupo Bimbo did a traceability exercise with 18 of its suppliers, that represent 96% of palm oil and palm kernel oil volume. Traceability is important, since it allows Grupo Bimbo to collect information about its supply chain, focus efforts to increase transparency and assess performance of suppliers. This year, Grupo Bimbo achieved 95% of traceability to mill (TTM) and 59% of traceability to plantation (TTP). More details about the results of this exercise can be found in the [June Progress Report](#).

- **Tracking policy implementation with suppliers**

Every year, Grupo Bimbo engages with direct suppliers to communicate its [Global Palm Oil Policy](#) and its NDPE commitments. Throughout this process suppliers are assessed in the following areas:

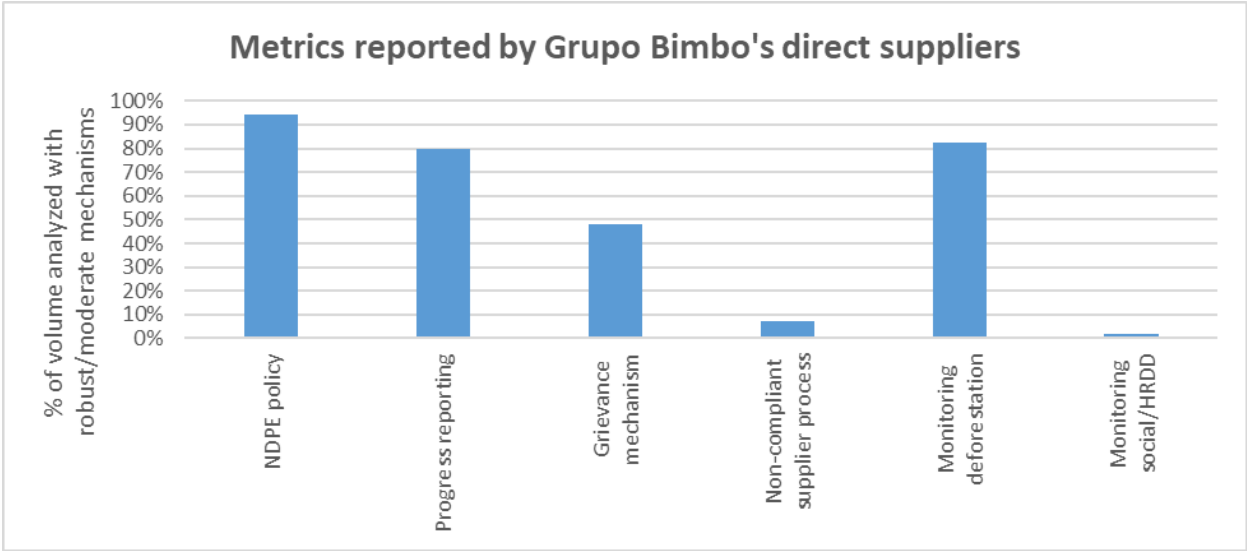
- a) Suppliers' own sourcing policy and its content.
- b) Traceability to mill and plantation level
- c) Implementation plan and supplier engagement
- d) Support in transformation initiatives:
 - Focus on labor and social issues
 - Focus on land management and conservation
- e) Mechanism/process to manage grievances
- f) Mechanisms to verify and monitor NDPE commitments

This year, Grupo Bimbo included suppliers that represent 96% of its palm oil and palm kernel oil volume and reached a response of suppliers representing of 92.37% of its volume.

The results show that Grupo Bimbo’s suppliers have achieved considerable progress to implement their own No Deforestation, No Peat Development and No Exploitation (NDPE) commitments. Grupo Bimbo is working this year under a framework to identify different compliance level by supplier (robust, moderate and entry) to discuss specific actions based on maturity level.

Key indicators for the volume engaged are:

- For the second consecutive year, 100% of the suppliers under the engagement have a responsible sourcing policy. 94% of the volume is covered under a robust/moderate policy.
- 80% of palm oil volume is sourced from suppliers that publicly report the actions they are taking to advance in their NDPE commitments.
- 84.6% of the volume engaged has a grievance mechanism.
- 82% of the volume engaged have systems to monitor deforestation within their own supply chain.
- Suppliers from 42% of the volume have a cut-off date that aligns with Grupo Bimbo cut-off date.
- 56% of suppliers that answered the survey have a program that supports smallholders.
- 50% of suppliers advised that they are participating in landscape programs.



Graph 1: Metrics reported by direct suppliers of Grupo Bimbo
 Source: Grupo Bimbo engagement program

Continuing with this assessment, Grupo Bimbo will establish a dialogue with its suppliers to discuss improvement opportunities and to establish an Action Plan to close identified gaps.

Moreover, to promote continuous improvement, Grupo Bimbo has established a program to increase performance of suppliers by providing support and driving consequences for non-compliant suppliers. This is a multi-year program in which the initial years will focus on communicating expectations and providing training tools for suppliers on topics related to how to address commitments on No Deforestation, No Peat Development and No Exploitation. During

the dialogue with suppliers, Grupo Bimbo will begin socializing expectations to drive more change within its supply chain.

This effort is aligned with communicating to our suppliers the Forest Positive Ask from the [Consumer Goods Forum](#). It also aligns with the commitments from the Forest Positive Coalition, who seeks to foster collective action at the industry level to halt deforestation, forest degradation and conversion linked to the impact supply chains have on key commodities.

- **Implementation of transformation initiatives**

- Guatemala's social progress in the palm oil industry

- In 2022, Grupo Bimbo continues to support, along with other companies, the project led by Earthworm Foundation in alliance with the Palm Grower Association of Guatemala (GREPALMA, for its initials in Spanish). The goal of this project is to develop skills for the betterment of working conditions and Human Rights in palm oil companies in Guatemala.

- This project addresses 4 topics prioritized by the palm oil companies, its clients and civil society organizations: 1) Free, Prior and Informed Consent (FPIC); 2) Community Health and Safety; 3) Freedom of Association and Collective Bargaining and 4) Human Rights Defenders.

- As mentioned in the [previous progress report](#), during the first half of the year, two training modules were developed (4 virtual sessions per module). After the training, documents with best corporate practices were prepared for each topic and a self-assessment tool. These documents were used as the basis to do an initial diagnostic with every participating palm oil company.

- During the second half of the year, participatory workshops were done with each company to develop an initial diagnostic and applying the self-assessment tools for FPIC and Community Health and Safety. This process contributed to identifying initial gaps and points to review during field visits.

- Field visits have complemented these diagnostics, and companies will work on the development of an Action Plan. Additionally, an event will happen at the end of the year to share best corporate practices in the palm oil industry and from other Guatemalan industries. After this event, companies will share lessons learned and the next steps for this initiative will be discussed. At the end of this phase, communications materials will be developed and a summary of best practices implemented by participant companies will be shared with other palm oil companies' part of GREPALMA, with the objective to increase these efforts among the industry.

- Landscape project in Mexico

- Grupo Bimbo continues to fund a landscape project in Chiapas at the south of Mexico. This region has been prioritized since more than half of Grupo Bimbo's palm oil volume comes from Latin America, and its commitment to smallholders makes it necessary to create solutions that can prevent deforestation in this context and improve their livelihoods. The activities done through

this initiative are part of a Multistakeholder Plan with a vision to 2025. This plan has three-line actions, progress made during the second semester are as follows:

- **Resilient producers:** To facilitate productive management, Integral Plat Plots were developed with 7 palm oil producers, work with 47 palm oil producers in 2022. To strengthen actions towards productive diversification, six training workshops were given on cocoa management (15 palm oil producers), and a livestock analysis was finalized (17 palm oil producers) to serve as a basis to support responsible livestock production. Efforts continue to strengthen a pilot parcel on reproductive conversion, in a zone where no palm is allowed in the Biosphere Reserve La Encrucijada.
- **Forest protection and restoration:** Maintenance of reforestation (6 ha; 500 plants/ha) continued during the second half of the year in the Francisco I Madero (50 ejidatarios), this activity finalizes all the multi-annual activities planned for this reforestation and its maintenance. Additionally, a plan to eliminate invasive palm oil trees from wetlands was developed with the National Commission of Protected Natural Areas (Conanp, for its initials in Spanish), this plan will be used as guidance for mills and Conanp to address invasive palm oil.
- **Land use:** Work has been done with one of the social mills to develop and validate an Action Plan to comply with the Management Plan of the La Encrucijada Biosphere Reserve, two other social mills have a progress of 90%. A meeting with social mills was developed to identify their challenges to advance towards responsible sourcing of fresh fruit bunches (FFB). Also, an exchange experience was organized and a field visit to La Encrucijada with social mills, refiners and communities was done to strengthen the commitments on responsible sourcing.

- **Deforestation monitoring**

This year, Grupo Bimbo continues monitoring deforestation within its supply chain through [Starling](#), a satellite monitoring tool developed by Airbus and Earthworm Foundation. Moreover, Grupo Bimbo engages quarterly with suppliers under monitoring to increase the level of transparency regarding data and responding to the deforestation alerts identified.

In this semester, Grupo Bimbo continues to work with four of its key suppliers that source 66% of Grupo Bimbo's total palm oil and palm kernel oil volume. At the second quarter of 2022, 43% of Grupo Bimbo's volume has been verified as deforestation free.

Aligned with [Consumer Goods Forum](#) expectations, Grupo Bimbo monitors and verifies no-deforestation within its supply chain.

- **Palm-based derivatives**

For the first time, Grupo Bimbo has started to analyze their palm-based derivatives within its supply chain, following the recommendations of the [Consumer Goods Forum](#). During the second half of the year, Grupo Bimbo engaged with key suppliers to learn about their approach on palm-based derivatives and its traceability, and the efforts taken to advance NDPE commitments. As a

result of this analysis, Grupo Bimbo has defined next steps and to increase the transparency of their supply chain.

- **Continuous improvement**

Grupo Bimbo has published its [grievance mechanism](#) that includes a process to follow on non-compliant suppliers. At the beginning of 2022, Grupo Bimbo socialized the process with their own business units and trained the Grievance Committee on the mechanism implementation and how to manage grievances based on specific decision trees.

During this semester, Grupo Bimbo continues to follow up on grievances received, reaching out to direct suppliers to move the industry towards making progress in responsible sourcing.