



GLOBAL PALM OIL POLICY ACTION PLAN – YEAR 1

Grupo Bimbo released its Global Palm Oil Policy in September 2015, committing to establishing a transparent global supply chain which fulfills the principles of no deforestation, no exploitation, and no development on peatlands. Grupo Bimbo is now partnering with The Forest Trust (TFT) to implement its policy commitments globally with an initial focus on its top suppliers¹ of non-derivative palm oil products.

The general steps for the implementation of the Global Palm Oil Policy in the first year are the following:

1. Communicate Grupo Bimbo's responsible sourcing commitments and requirements to its top direct suppliers of non-derivative palm oil (CPO) and palm kernel oil (PKO) products;
2. Track policy implementation with suppliers - Work with first and second tier suppliers to develop time-bound targets for key progress indicators on policy implementation and assess and monitor compliance towards reaching those targets;
3. 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);
4. Implement transformation activities with our partner, TFT, to understand and address specific policy compliance challenges at the producer level. Grupo Bimbo and TFT will analyze social and environmental risks in our supply chain and identify suppliers for which policy compliance is a significant challenge and where market leverage can be used to facilitate transformative change at the ground level;
5. Report on the implementation of this Action Plan every six months.

¹ These suppliers represent 90% of the non-derivative palm oil used by Grupo Bimbo.

- 1) Communicate Grupo Bimbo's responsible sourcing commitments and secure cooperation from key suppliers:** Grupo Bimbo has shared its new Global Palm Oil Policy with its top suppliers, which include every supplier that provides more than 1% of our supply of non-derivative CPO and KPO. Together they represent over 90% of the non-derivative CPO and KPO we use. We will meet with each of these suppliers to ensure that our commitments are clearly understood and that they agree to work with us on policy implementation.

- 2) Map Grupo Bimbo's non-derivative palm oil and palm kernel oil supply chains:** In the first year of the Action Plan, the priority will be to map the supply chain to the palm oil mill-level of our non-derivative CPO and PKO supplies. We will work to establish traceability to the refiner-level for manufactured ingredients at the same time that we pursue mill-level information for our fats and oils supply chains. In accordance with our policy, we will regularly disclose a list of our top suppliers and sourcing countries.

Priority will be given to establishing traceability for the non-derivative products for several reasons. Firstly, non-derivatives represent the largest part of Grupo Bimbo's palm oil footprint and thus are naturally the focus of an impact-oriented strategy for policy compliance. The derivatives supply chains are more complex in terms of physical links, and volumes are generally spread out across a larger number of suppliers. This means that these chains require comparatively greater efforts and resources (the return on effort is much lower). Nonetheless, in 2016 Grupo Bimbo will begin collecting basic procurement data on its derivatives supply chains in preparation for future mapping.

Our timeline for establishing traceability of our non-derivative supplies of palm kernel and palm oil is the following:

By the end of 2016: Grupo Bimbo will establish 95% traceability to palm oil mill level for 90% of our volume of palm kernel and palm oil supply (top 6 suppliers);

By mid 2017: Grupo Bimbo will establish 95% traceability to palm oil mill level for 95% of our volume of palm kernel and palm oil supply (top 10-11 suppliers).

Although the focus in the first year will be on mill-level traceability, mapping to plantation-level will be one of the elements discussed with suppliers early in our engagement with them and monitored throughout the year. In the short term, we will seek to understand their current efforts and the progress they have made to date in establishing plantation traceability. We will seek to establish plantation level-traceability with suppliers who have well-defined supply bases for their Fresh Fruit Bunches (FFB).

Once palm oil mill-level traceability is established for non-derivatives supplies (end of 2016), Grupo Bimbo will work with its partner, TFT, to determine the steps and methods for establishing plantation-level traceability more broadly.

3) Tracking policy implementation with suppliers: Grupo Bimbo will engage with its direct suppliers (and importers/refiners in some cases) to establish measurable and time-bound milestones for the implementation of several fundamental elements of its policy. The definition and monitoring of targets and indicators (including supplier's own sourcing policy, traceability, grievance mechanism, etc.) will be used in the first year to facilitate a new dialogue along our supply chain about our requirements and their participation in fulfilling our commitment to responsible sourcing.

Transformation: Grupo Bimbo recognizes that in order to meet the goals it has set for responsible sourcing of palm oil products, it will be necessary to strategically support changes at the plantation and mill level where social and environmental risks are most prevalent. We propose at least two transformation activities in our supply chain in the first year of policy implementation. These activities may include field assessments, trainings, workshops, or other forms of support for producers who require outside assistance in addressing important risk issues.

To this end, Grupo Bimbo and our partner, TFT, will consider a range of inputs, including reports and findings from subject matter experts, to analyze social and environmental risks in our supply chain and identify producers (mills and plantations) where compliance is a significant challenge and where we can exercise leverage to make change happen. This will involve a proactive approach that seeks to act on serious risk situations that we identify through desktop research, due diligence procedures, and on the ground assessments. Grupo Bimbo is also aware that it may be necessary to respond to specific cases of potential non-compliant suppliers that are brought to our attention through grievance mechanisms, media



and NGO reports, and other communication channels. Assessments will lead to the identification of measures and initiatives to address risk and non-compliance.