



**GRUPO BIMBO
GLOBAL PALM OIL POLICY
YEAR 4 PROGRESS UPDATE – August 2019**

Grupo Bimbo's commitment to responsible sourcing of palm oil is defined in its [Global Palm Oil Policy](#), released in September 2015. Grupo Bimbo has now started its 4th year of Policy implementation. Public updates on Grupo Bimbo's annual Action Plan objectives and progress can be found [here](#).

Additionally, this year Grupo Bimbo made a corporate level commitment to purchase 100% RSPO certified oil by 2023, which it sees as one important aspect of Global Palm Oil Policy implementation.

Year 4 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 4 progress can be summarized in 4 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 17 suppliers representing 95% of its total palm oil volume, and has been able to trace more than 94% of this volume to palm oil mill. This means that Grupo Bimbo's total mill traceability score is 90%. Also, Grupo Bimbo has achieved a 23% plantation traceability score. 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.

In 2019, Grupo Bimbo has continued with direct supplier engagement to understand progress towards its Palm Oil Policy. This engagement process began in 2016 and this year Grupo Bimbo has increased the detail of the information request in order to increase visibility into supplier practices and address stakeholder priorities. 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

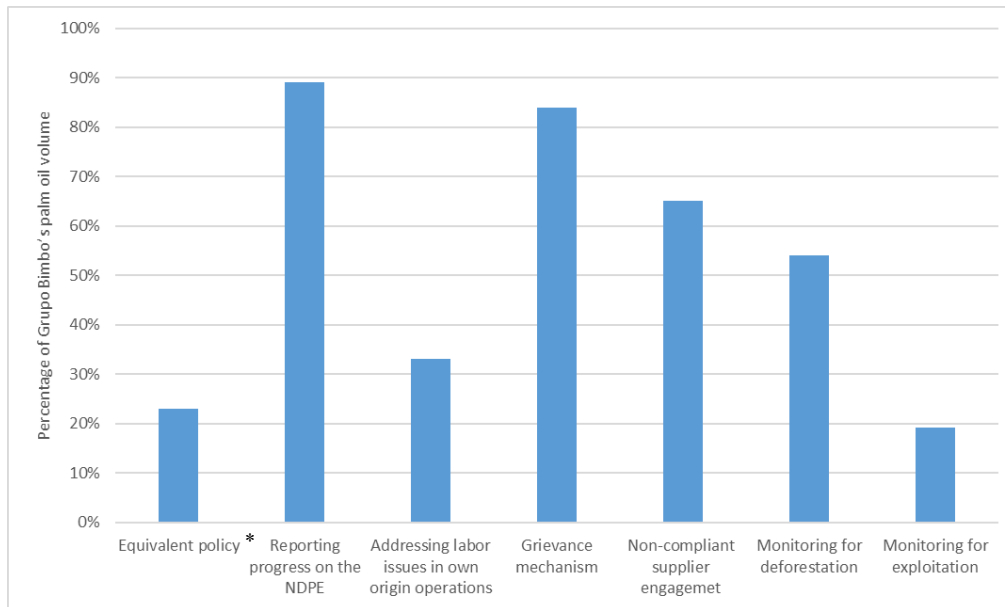
f) Verification and monitoring

This updated engagement process, in comparison with previous years, allows Grupo Bimbo to:

- Understand specific actions taken to address topics such as labor rights, smallholder sustainability and/or livelihood programs, or forest conservation initiatives.
- More efficiently: track change over time, follow-up with suppliers on agreed-upon actions, and compare supplier performance across a range of specific criteria.
- Collect specific data at both group and refinery levels regarding the implementation of Grupo Bimbo’s Palm Oil Policy commitments.

The first round of 2019 supplier questionnaires was launched in March with 11 suppliers representing 85% of Grupo Bimbo’s palm oil volume. The second round of supplier questionnaires will be sent out in September to an additional 6 suppliers representing 10% of Grupo Bimbo’s palm oil volume.

Below (Figure 1) is a summary of metrics representing a subset of 11 of Grupo Bimbo’s suppliers who supply 85% of Grupo Bimbo’s total volume. Most metrics are self-reported data by the suppliers and Earthworm Foundation does not verify or audit supplier responses.



Brazil
Cameroon
Colombia
Costa Rica
Ecuador
Gabon
Ghana
Guatemala
Honduras
India
Indonesia
Ivory Coast
Malaysia
Mexico
Nicaragua
Panama
Papua New Guinea
Peru
Thailand

*100% of the 11 suppliers engaged in the first round have a sustainable palm oil sourcing policy. The key gaps found in those policies that were not equivalent to Grupo Bimbo’s were related to scope – not all policies mentioned covering third party suppliers or joint ventures – and commitment to and HCS A commitment.

Other relevant metrics from this subset of Grupo Bimbo’s supply chain (11 suppliers representing 85% of the total volume) which were self-reported by Grupo Bimbo’s direct suppliers:

- ✓ 38,040 smallholders directly under supplier's management are self-reported by the supplier as being engaged in smallholder's programs
- ✓ 50% of the suppliers self-reported being participating in landscape programs.

- ✓ 42,912 hectares of forest were self-reported by these 11 Grupo Bimbo suppliers as being included in their company's or third party's suppliers forest conservation activities.

*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.*

Addressing labor issues in own origin operations: *supplier is taking credible, robust measures to address the labor rights issues identified in the origin operations that they own (self-reported by supplier).*

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 (regardless of quality).*

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).*

Traceability to Mill: *volume that can be traced back to a palm oil mill where the parent company, name and location of the mill are known*

Traceability to Plantation: *Volume that the supplier self-reported as being able to be traced.*

ART: *volume that originates from a geography and/or refinery/aggregator catchment area that is implementing a comprehensive program to engage all mills within the area, e.g. Aggregator/Refiner Transformation (ART) Plan or ART equivalent.*

This information serves as the basis for direct dialogue with suppliers regarding policy implementation, ongoing challenges, and additional action required. Grupo Bimbo is committed to guide and support suppliers in their continuous improvement towards a sustainable palm oil supply chain.

Implement transformation activities

Over the last six months, Grupo Bimbo has continued investing in the ground landscape work in southern Mexico, in the state of Chiapas, through two projects. We have prioritized this region as more than 50% of Grupo Bimbo's palm oil volume comes from Latin America and we see the need to generate solutions to prevent deforestation in a smallholder context and improve farmer livelihoods. In both projects, we aim to generate lesson learned that can be scaled up across Grupo Bimbo's supply chains.

The project in the municipalities of Marqués de Comillas and Benemérito – one of the highest risk areas for deforestation in Mesoamerica – is a smallholder High Carbon Stock Approach (HCSA) [trial](#). To date, land use has been categorized using [Starling](#) technology, and a preliminary HCS forest stratification is in progress. Next steps include working with stakeholders to select *ejidos* (a system of communal land tenure) for land use planning and developing the incentive mechanisms needed to enforce conservation agreements.

The project in La Encrucijada Biosphere Reserve – where agricultural expansion is threatening critical mangrove and wetland habitats – is focused on protecting native ecosystems and improving farmer livelihoods. Satellite mapping of the Reserve has served as the basis for multi-stakeholder dialogue and joint goal-setting around land use and agricultural best practice. Grupo Bimbo's direct supplier, Oleofinos, in the region has recently imposed a moratorium on palm oil

expansion until land use requirements are finalized. [This video](#) provides more background about this project and Grupo Bimbo's brand and refiner partners.

Continuous improvement

Grupo Bimbo continues to invest in internal capacity building focused on integrating Business Units into palm oil policy implementation. The goal is to foster dialogue between local procurement and suppliers regarding policy implementation and performance and provide sustainability metrics that can be used in procurement decisions.