



GLOBAL PALM OIL POLICY YEAR 3 PROGRESS UPDATE August 2018

Grupo Bimbo’s commitment to responsible sourcing of palm oil is defined in our [Global Palm Oil Policy](#), released in September 2015. We are now in our 3rd year of Policy implementation. Public updates on our annual Action Plan objectives and progress can be found [here](#). In this report, we provide an update on progress from Q1 & Q2 2018.

Year 3 progress

Grupo Bimbo, in partnership with [The Forest Trust](#), has been actively engaging with our suppliers and stakeholders to execute the Plan and fulfill our policy commitments, through the following actions:

1. Establishing traceability of our palm oil supply chains

In February, Grupo Bimbo requested updated traceability data from top suppliers (we will be publishing an updated supplier list in our next Progress Update) in order to identify the specific palm oil mills that produce the palm oil (PO) and palm kernel oil (PKO) that is used in our products. We were able to trace 87% of the PO/PKO volume

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
Indonesia
Ivory Coast
Malaysia
Mexico
Nicaragua
Nigeria
Panama
Papua New Guinea
Peru
Solomon Islands
Thailand

purchased for use in our products to palm oil mill. (Table 1 shows our sourcing by country.) Note that this data comes from suppliers representing 88% of the total volume we purchase; in Q3 we will be sending out traceability requests to an additional six suppliers in order to achieve 95% coverage. Grupo Bimbo uses this traceability information as the basis for responding to grievances, promoting improved practices, and prioritizing on the ground engagement throughout the supply chain.

2. Assessing and tracking policy implementation by our suppliers

The successful implementation of our Global Palm Oil Policy requires that our direct suppliers proactively engage producers in their supply base. Grupo Bimbo is working with our top suppliers to assess their respective policies, plans and systems for responsible sourcing and production of palm oil. On an annual basis, we evaluate a range of elements including the presence/content of a public policy on palm oil, traceability efforts, the steps taken to implement responsible palm oil sourcing/production, and transparency around grievance management (Figure 1).

As part of its commitment to a responsible palm oil supply, in March 2018, Grupo Bimbo made the decision to suspend sourcing from Guatemalan palm oil refinery Olmeca, sister company to Reforestadora de Palmas del Petén, S.A (REPSA). The suspension is a result of REPSA’s failure to meet requirements associated with our Global Palm Oil Policy

In June, July, and August we held calls with priority suppliers to discuss each of these elements, review progress, and set targets for improvement. This year our Global Procurement team is working to more systematically incorporate engagement results into our supplier reviews to ensure that our purchasing decisions are tied to sustainability results.

*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 mills 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.

3. Transformation of palm oil production practices on the ground

Since the creation of our Palm Oil Policy, one of our priority goals has been to support actions and initiatives at the ground level that tackle the often complex social and/or environmental problems associated with palm oil development and production. Given that at least 63% of our total palm oil volume originates in Latin America, we have focused our attention on the challenges faced by this region. Our vision is that by playing an active role in problem-solving, we will contribute scalable solutions to the food industry and inspire our suppliers to do the same.

In 2018, Grupo Bimbo has channeled on the ground investments to southern Mexico. In partnership with one of our largest suppliers in Mexico, we are planning an HCS mapping process in a landscape (approximately 200,000 Ha) dominated by smallholders. We have initial stratification data from satellite imagery and will be conducting ground truthing in Q3.

