

## 1. Purpose

Establish the general guidelines to make additional investments in advertising material and commercial expenses, different from the ones previously authorized in the annual budget, as well as needed outside of annual planning in the SGI forum, and that are related to strategic growth initiatives for the Organization.

## 2. Scope

This policy applies to all associates in the marketing department from all Business Units, in its different geographies of Grupo Bimbo.

## 3. Definitions

**Break-even point:** The production level where total sales equals costs and expenses, in other words, the break-even point is where a Company gets neither profitability nor losses.

**Business case:** Document that summarizes all the relevant information of a project, including the opportunity area, conceptualization, resources needed, expected benefits, implementation timeline, etc. It is prepared by the responsible party in the Organization, by a multidisciplinary team of all the involved areas.

**Costs and expenses:** Costs incurred in the normal course of business to generate revenue.

**Earnings before interest and taxes (EBIT):** It is a company's net income before income tax expense and interest expenses are deducted.

**Management profit:** Internal monitoring concept representing revenues less costs and expenses proper of the business operation. It is associated with the Organization's goals for bonus purposes.

**Pull:** It is the annual investment in advertising, which includes promotional campaigns and marketing expenses to attract final consumers, gain household penetration, market share and, consequently, increase sales.

**Tier 1 (T1) Innovation: Care and improvement;** Optimize and develop our brands and portfolio

**Tier 2 (T2) Innovation: Differentiated;** Expand, differentiate, or streamline the current business to grow today

**Tier 3 (T3) Innovation: Disruptive;** Transform the business for the future

## 4. Responsibilities

**Marketing VP/Lead in the Business Unit:** Coordinates the business case elaboration that justifies the additional investment in pull and obtains approval from the Business Unit Director, and Global Marketing and Financial Planning Departments.

**Sales VP in the Business Unit:** Prepares, along with the marketing department, the sales forecast that supports the business case.

**Controller VP in the Business Unit:** Provides, during the preparation of the business case, the structure of costs and expenses to determine the amount for the additional marketing investment that guarantees that such investment will result in the management break-even point. During the pull investment execution, ensures that additional pull expenses are related to the business case, and validates on a quarterly basis that the financial results obtained are equal to or better than expected, otherwise, requests an analysis of

the causes of the result deviation and evaluates if it will be possible to redress them during the following month, if so, the investment will continue, otherwise it must be stopped.

**Business Unit President:** Approves the business case; monitors the financial results and puts the investment execution an end in case there are deviations that cannot be neutralized.

**Global Marketing and Financial Planning Departments:** Reviews business cases and, where appropriate, authorizes the investment, as well as follows up on the results.

## 5. General guidelines

It is policy of Grupo Bimbo that all associates, responsible for the marketing function, who invest on advertising material and commercial expenses, comply with the following:

- SGI must be incremental to business and drive topline sales in the following:
  - Build/launch stronger global brands.
  - Launch Crown Jewels in new markets and/or support growth of newly established Crown Jewels.
  - Drive T1, T2 and T3 innovation and establish new categories and brands.
  - Enable further out T2 and T3 innovations.
- A business case must be authorized by the Global Marketing and the Global Financial Planning Departments to justify the need to invest the marginal Management Profit that would be generated in a theoretical scenario that considers an additional pull investment vs. a base scenario without such investment, by the product or mix of products in a period no longer than a year.
- Ensure a breakeven point of marginal EBIT, when comparing the SGI scenario vs. the base scenario, during a 12-month period for Crown Jewel and T1SGI investments; and a proposed period aligned to in business case for further out T2 and T3 innovations.
- Determine the available resources in local currency, multiplying the marginal sales (SGI scenario vs. base scenario) by the percentage of marginal management profit in 12-month period.
- Additional investment in SGI project, post-rolling 12-month period, will be presented and evaluated during month 9, and then approved during month 12, considering that only one (1) SGI project can be authorized by year, by Business Unit
- It is mandatory to breakdown a list of pull investment actions on advertising material and/or commercial expenses, stating the good/services that will be acquired to achieve the goals of the commercial launch. Actions must be established with the priority shown in Annex I.
- Monitor the real financial results of the business case during the period of the investment. The local marketing team will be accountable for the quarterly progress to the Steering Committee and documenting the learning outcomes.
- Any additional SGI, to the authorized budget pull, will be recorded below Management Profit on the Profit & Loss Statement (P&L), so investments can be monitored and not impact performance bonuses. "Other Expenses (Income)" is the specific subline on the P&L statement where this will be recorded.
- The Global Marketing and Global Finance departments must schedule and co-moderated quarterly meetings with the Steering Committee of Grupo Bimbo, to present new business cases, check in on status of approved SGI projects, and to document learning outcomes.

## Authorization

For SGI authorization, the following steps should be taken:

- Business Unit Marketing team must prepare and present a business case, previously approved by the Global Finance Planning and Global Marketing departments, to Business Unit President, Chief Financial Officer and, if necessary, to Chief Executive Officer for discussion and approval.
- If SGI is approved by the aforementioned members, then:
  - Business Unit can move forward with executing plan for the SGI investment.

- Budget will be allocated to end of the budget realization and Business Unit will not receive an infusion of cash.
- The Business Unit Marketing team will be expected to provide updates in the SGI forum at the 9-month and 12-month periods.
- At the 12-month period, future SGI investment or rolling program into annual planning for Business Unit will be discussed.
- Only one (1) SGI project can be authorized by year, by Business Unit.

## 6. Appendix

- **FGB-MK-08 Appendix I**

## 7. Responsibility / Ownership

The Global Marketing Department is the assigned owner of this policy and is primarily responsible for its contents, updating, monitoring of its compliance and submission for approval before the Steering Committee and CEO.

## 8. Updates

The changes implemented in between versions are described below:

Revision / History of the Revision				
Version	Date Revision	Updated By:	Approved By:	Main Changes
1	Nov 2020	Rebeca Etter Ramon Perez Sicard	Diego Gaxiola Alberto Levy	N/A