

1. Purpose

Establish general guidelines on accounting treatment for accurate valuation, presentation and disclosure of inventories, in accordance with International Accounting Standard No. 2 - Inventories (IAS 2).

2. Scope

This policy applies to associates responsible for inventory accounting records and to those responsible for the financial information of all Grupo Bimbo subsidiaries.

3. Definitions

Inventory acquisition costs: Includes all costs derived from the purchase and transformation of inputs for production, including the costs that have been incurred for transportation and preparation for operational use. Such costs include the purchase price, import duties or other taxes that are not later recoverable, transportation, handling and other costs attributable to inventory acquisition.

Inventory transformation costs: Includes costs directly related to the production process, such as direct labor, indirect fixed production costs (e.g. depreciation, preventive maintenance costs for production lines, production centers, among others) , and indirect variable production costs (e.g. industrial spare parts, corrective maintenance, gas, electricity, and indirect labor).

Inventories: According to the International Accounting Standard, inventories are assets: a) held for sale in the ordinary course of business; b) in process of production for such sale; or c) in the form of materials or supplies that will be consumed in the production process or rendering of services.

Average cost method: Valuation technique that consists of calculating the cost of each product unit, which is determined from the weighted average, between the cost of the item purchased at the beginning of the period and the cost of the same item purchased or produced during the term. This cost is updated each time a purchase is made.

Net realizable value: It is the estimated sale price of the inventories, less the estimated costs to complete its production and those necessary to carry out its sale.

4. Responsibilities

Controllers and accounting officers: Comply with the provisions of this policy and monitor its compliance in all responsibility areas.

Global Controllership Department: Keep this policy updated and ensure that Grupo Bimbo's subsidiaries comply with the content and accounting treatment established in this policy.

5. General guidelines

Those responsible for the inventories accounting records should consider the following:

Valuation

Inventories should be measured at the lower cost or net realizable value. This valuation should be made to comply with the following criteria:

- *Raw materials, containers and wrapping* at acquisition cost, using the average cost method.
- *Finished products and orders in process:* at the cost of raw materials, plus transformation costs.
- *Inventories in transit:* are recognized as such when the entity has full rights and responsibility for the inventory, even when it is not physically located at its facilities.

- *Raw materials, packaging, wrapping and finished product that cannot be used in the production process:* should be recognized in the statement of income as part of the cost of sales, either as an inventory reserve or as a direct write-off.

Inventories Cost

- For tariffs and taxes, only those that are not recoverable, in accordance with the country's tax regime, shall be included.
- Sales and discounts should be deducted in determining the acquisition cost. The accounting treatment of discounts granted by suppliers for compliance with the volume of purchases at a time other than the acquisition of the inventory must be reviewed and authorized by the Regulatory Framework Management of the Global Controllershship Department.
- When negotiations are made that result in discounts or rebates after a certain purchase volume, local controllers must notify the Regulatory Framework Management of the Global Controllershship Department to define their accounting treatment.
- The storage costs, transfer and handling of raw materials will be part of the cost of the inventory, when these are necessary to ensure their volume and availability (e.g. temporary raw materials).
- The weighted average cost method should be used to determine the cost of inventories. When the inventory module of the ERP has a different inventory valuation method configured, the accounting manager should, at least every quarter, calculate the inventory stock at average cost and recognize the difference in the accounting when it exceeds 10% of the total value of the inventory.
- Countries with hyperinflationary economies should restate inventories in accordance with International Accounting Standard No. 29 - Financial Reporting in Hyperinflationary Economies.

Net realizable value

- When the net realizable value of finished product inventories is lower than their average cost, a valuation reserve must be recorded for this difference, ensuring that the calculation is in accordance with the guidelines established by the Global Controllershship Department.
- On a quarterly basis, the net realizable value should be estimated to verify the correct valuation of inventories, which should consider de following:
 - Evaluate each finished goods inventory item, unless it is better to group items whose production and selling costs are similar.
 - The estimate of net realizable value should be made based on information available at the time of valuation.
 - When the circumstances that gave rise to the recording of a valuation allowance cease to exist, the related estimate should be reversed.

Presentation

Inventories are presented as current assets in the financial situation statements.

Disclosure

Regarding the inventories, financial statements must disclose the following:

- Book value by inventory type
- The valuation method used for each type of inventory
- The book value for each type of inventory
- The value of inventories recognized as cost of sales during the period
- The value of inventories that have been pledged as collateral

6. Responsibililty / Ownership

	Global Inventory Accounting Treatment Policy Global Controllershship Department	FGB-CR-13
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The Global Controllershship Department is the assigned owner of this policy and primarily responsible for its contents, updating, monitoring of its compliance and submission for approval before the Global Internal Control and Risk Management Department, Steering Committee and Top Management.

7. Updates

The changes implemented in between versions are described below.

Revision/ history revision				
Version	Revision date	Updated by	Approved by	Main Changes
1				

Publication date: Oct, 2021	Replaces: N/A	Page: 3 of 3
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