

1. Purpose

Establishing the general guidelines for the granting, recognition, and management of advance payments within any of the subsidiary companies of Grupo Bimbo.

2. Scope

This policy is applicable to the personal within the Functional Areas of Global and Local Procurement, Legal, Insurance, Treasury, and other relevant departments involved in the management of advance payments, including their authorization, accounting, and payment processes across all Grupo Bimbo subsidiaries. It also encompasses associates in the Controllership departments responsible for recording such transactions including the appropriate financial reporting disclosures of any subsidiary entities of Grupo Bimbo.

The scope of this policy does not encompass deferred prepayments, transportation, life and/or fire insurance, benefits and bonuses, prepaid rents, federal and local taxes, property taxes, handheld device maintenance, or loan amortization letters.

3. Definitions

Advance payments: These represent the disbursements made in advance of receiving goods or services, solely for the internal use of the company, with no intention of resale. These payments entail the right to receive the agreed-upon goods or services based as per the negotiated terms (e.g., advertising prepayments, upfront raw material purchases, machinery, and equipment acquisitions).

Performance bond: A specific type of guarantee aimed at ensuring the fulfillment of an obligation (debt).

4. Responsibilities

Global Controllership's Office: Maintaining an up-to-date version of this policy and ensuring that all operations adhere to this policy. Additionally, they are responsible to provide guidance to local controllership departments regarding the proper accounting treatment of advance payments with specific conditions.

Requesting Department: Responsible to obtain the related invoice of the advance payment. It tracks the receipt of the acquired related goods or services

Accounts Payable (AP): Managing the advance payment process based on the supporting invoice.

Local Controllers: To comply with the guidelines outlined in this policy.

Global Procurement: To comply with the guidelines set in this policy and ensure adherence across all responsible areas.

Local Legal Department: Preparing and reviewing the contracts that support the advance payments.

Global Insurance Department: Determining the appropriate type of bond or financial instrument applicable in the related country to secure the fulfillment of negotiated terms when granting advance payments.

5. General Guidelines

To ensure that the advances granted to suppliers are legally acceptable, auditable, and also ensure the accountability of the areas involved in this process, it is mandatory to comply with the following requirements:

Supplier Evaluation

- All applicable laws and regulations must be addressed and accomplished.
- The local Procurement department must conduct and keep an assessment of the supplier receiving the advance payment. This assessment results:
 - Must be performed by external personnel
 - Should describe the supplier's financial solvency during the advance payment period plus 12-month period longer.
 - Furthermore, the evaluation should confirm that the Grupo Bimbo subsidiary that grant the advance payment will not become the supplier's primary customer.
 - The supplier adheres to good practices of business integrity.

Risk Assessments

For any advance payment amounting to \$USD\$500,000 or exceeding, the Global Procurement Department must conduct formal risk assessments in addition to the above one mentioned. This risk assessments should:

- Enable the identification, mitigation, elimination, or assumption of risks associated with the advance payment.
- Furthermore, the assessments should consider risk levels as outlined in the **FGB-PR-01 Global Procurement Policy**

Risk Level	Results
Low	Minimal or negligible impact on the business, approved to proceed.
Medium	Lower allowable risk level. Necessary the implementation of mitigation actions.
High	Generally deemed unacceptable, requires substantiating decisions taken to reduce or eliminate risk.
Extreme	Intolerable. Needs suspension.

Approval

The individuals responsible for obtaining advance payment approvals shall:

- *Manage and document the advance by using the global Microsoft Flow/Power Automate tool*
- Ensure compliance with the following authorization levels:

Responsible	Up to USD (*)
Business Unit General Manager	50,000 to 500,000
Deputy General Manager	500,001 to 1,000,000
Global Director of Procurement	1,000,001 to 2,000,000
Global Director of Transformation	2,000,001 to 3,000,000
Chief Financial Officer	3,000,001 to 5,000,000
Chief Executive Officer	5,000,001 to 30,000,000
Finance Committee	> 30,000,000

(*) Or the equivalent in local currency

Additional requirements

- If the required advance payment exceeds \$1,000,000.00 USD or its equivalent in local currency, prior to disbursing process, the Global Insurance Office must request the supplier to provide a performance bond or, if applicable, a legally and economically valid instrument in favor to the Grupo Bimbo subsidiary involved in the transaction.
- Local controllers must:
 - Ensure that advance payments are recorded in the accounts exclusively created for this purpose.
 - Avoid using manual accounting entries.
 - Look for guidance from the Global Controllership Office in case of any uncertainty regarding the accounting treatment of advance payments.
- Advance payments applicants must:
 - Obtain at least one of the following legally, taxable, and economically valid documents that support the authorization:
 - An invoice specifying the advance payment amount, which must be submitted to the accounts payable department.
 - A contract substantiating the corresponding negotiation, previously reviewed and approved by the Local Legal Department. The contract must be provided to the Global Procurement Office and Global Controllership Office.
 - Monitor the supplier's compliance with delivering the goods or providing the services paid for in advance, as settled in the negotiation.
 - Promptly notify the Global Controllership Office via email of any potential indicators of non-compliance as soon as they become aware of them.

6. Responsibility / Ownership

Global Controllership Department is the owner of this policy and takes the primary responsibility for its content, updating, compliance monitoring, as well as its submission for approval to the Global Internal Control and Risk Management Office, Management Committee, and General Management.

7. Updates

The changes implemented in between versions are described below.

Revision/ Revision History				
Version	Revision date	Update by:	Approved by:	Mayor Changes
1	May, 2023	Obdulia Pérez Hernández	Eutimio Quevedo Rivera	
2	September, 2023	Obdulia Pérez Hernández	Eutimio Quevedo Rivera	The table related to advance payment approvals was updated.