

1. Purpose

Establish a criteria and guidelines for the identification, valuation and recognition of fixed assets in the financial statements in accordance with International Accounting Standard 16 – “Property, Plant and Equipment.”

2. Scope

This policy applies to all those responsible for the acquisition, administration, safeguarding and final disposition of the fixed assets in all subsidiaries of Grupo Bimbo.

3. Definitions

Capitalization: It is the recognition of one or more items as fixed asset in the Balance Sheet, rather than an expense in the Income Statement.

Carrying value: It is the net value of a fixed asset reflected in accounting. In other words, the cost value less any accumulated depreciation and impairment losses, if any.

Depreciation: It is a method to recognize the wear and loss of value suffered by a fixed asset over its useful life as from the start of its activity.

Fair value: Represents the price that would be received to sell an asset.

Fixed assets: Represent items of property, plant and equipment that have a physical substance and are expected to be used for more than one year. They are held for: a) use in the production or supply of goods and services; and b) rent to other entities under operating lease, and c) administrative purposes.

Recoverable value: That’s the higher amount between the asset’s value in use and the fair value.

Residual value: It is the estimated value that can be obtained from the sale of a fixed asset at the end of its useful life.

Useful life: Represents the period that the fixed asset will be economically feasible to be used in the company’s business. The related functional Global Department is responsible to estimate the asset’s category.

Value in use: Corresponds to the present value of the future cash flows expected to be derived from a fixed asset.

4. General guidelines

Any fixed asset represents an investment, and due to its significance within the assets of the company, it must adhere to the following rules:

Classification

- The recognition of fixed assets should be in the fixed assets module and broken down into individual components so they can be identified and managed separately whilst representing a complete asset as shown in appendix I located at the end of this policy.
- As of January 2021, the investment in metal, wood and plastic display racks will be capitalized as a fixed asset, with the following considerations:

- The minimum unit cost for capitalization must be USD 15. The capitalization of display racks with a lower cost than the indicated must be authorized by the Global Comptrollership Department, who will evaluate the particularities of the case.
- Installation and related moving expenses will not be capitalized.
- Each Business Unit will be responsible for implementing the procedures for the physical control of display racks, either manually or through the different commercial or management systems.
- Depreciation of the display racks must begin in the month following the month of purchase, regardless of whether they have not yet been placed at the point of sale.
- Computer equipment (includes the initial software when buying the hardware) and new software of specialized type or any ERP ("Enterprise Resource Planning") that is used for implementation in new companies or those acquired by Grupo Bimbo (includes version updates), will be capitalized as intangible assets as long as they meet the criteria established by the Global Comptrollership Department.

Cost Model

Property, Plant and Equipment are measured at cost, net of accumulated depreciation and impairment losses.

Revaluation Model

Grupo Bimbo does not allow the revaluation model unless the hyperinflationary conditions of the country where the company is located require its use. In this case, the Global Controllershship Department will approve the recognition of related effects under IAS 16, as well as IAS 29 "Financial Information in Hyperinflationary Economies"

Capitalized items

- Purchase price.
- Costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by Management. This treatment is also applicable to assets created internally, except the labor and other operational costs, which are not capitalizable items.
- Cost for expansion, major maintenance cost or improvements only if they enhance the capacity and extend the useful life of the asset.

Non-capitalized items

- Repairs and recurring maintenance costs to preserve the expected use of the asset in its current operating conditions, are expensed and classified as operating results in the period they are incurred.
- The capitalization of the exchange fluctuation generated by liabilities related to purchases of fixed assets in foreign currency, is not allowed

Depreciation

- Lands are not depreciated.
- Depreciation starts when the fixed asset is available to be used, and it is determined using the straight-line method to distribute its cost down to its residual value during the estimated useful life, which means the period on which the company will use the asset. The estimated useful lives, which should be applied for acquisition of "new" fixed assets are shown in the Appendix 1 of this policy.
- For acquisitions of assets between affiliated companies, the useful life assigned by the purchaser will be the remaining useful life as per seller's records unless the corresponding Functional Responsible Department determines a different life. If that is the case, the assigned useful life should be supported on a technical study.

- The estimated useful life must be assigned to all significant and identifiable parts (components) of buildings and manufacturing equipment. Such items should be depreciated separately (by components).
- The remaining useful lives will be reviewed at the year-end. If the expectations of use differ from the estimates previously made by the functional responsible areas, the accounting effects on the depreciation will be accounted prospectively. When the change corresponds to an increase of useful lives, must be authorized by the Functional Global Management, which is responsible for the asset category before its financial application.
- Leasehold improvements to buildings and premises in which the entity is the lessee will be ~~depreciated from the capitalization date~~ to the shorter of the useful life of the assets or a term equivalent to the lease period.
- The useful life assigned to the rebuilt fixed assets will be determined by the Functional Area responsible for the assets.

Business combination

Acquisitions from a business combination are valued at their fair value and depreciated as per their estimated useful lives according to technical studies made by third parties.

Impairment

- When the carrying amount of fixed asset is greater than its recoverable amount, an impairment loss should be recognized by the difference between such amounts, in accordance with the IAS 36 "Impairment of Assets".
- In addition, when a fixed asset becomes obsolete or unusable, it must also recognize an impairment loss, which results from the difference between the carrying amount and its fair value. The impairment loss should be recognized in the income statement as a part of the operating expenses.
- The above impairment loss can be subsequently reversed if the recoverable value of the asset is higher than the carrying value. The amount to be reversed will be the difference between the impairment loss and the amount of depreciation that would have been recognized if the impairment had not been applied.

Disposals

- An item of property, plant and equipment is derecognized when sold or when no future economic benefits arising from the continued use of such asset is expected. The loss (or gain) arising from the sale of the asset results from the difference between the sale proceeds and the carrying amount of the asset. The effect is recognized as company's operational expenses.
- The carrying amount of the replaced asset is derecognized, and the effect is treated as operational expense when occurred.

Physical inventory

- For internal control purposes, it is mandatory that Functional Managements or Departments responsible for the assets perform a physical inventory at least once a year.
- Inventory results should be reported to Controllership, which will reflect the corresponding impacts on the financial information.

Information of fixed assets for local regulations

Each entity is responsible for managing information properly for any local regulation.

5. Responsibility / Ownership

The Global Controllership 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 Global Internal Control and Risk Management Department, the Steering Committee, and CEO.

6. Annexes



Appendix I

7. Updates

The changes implemented in between versions are described below:

Revision / History of the revision				
Version	Revision Date	Updated by:	Approved By:	Main Changes
1				
2	March 28th, 2019	Paz Díaz Vera	Guillermo Sanchez	Appendix 1 Additions: the ecology category classification of hybrid non-utility cars, cash deposit systems with a useful life of 7 years. Change: coin counter useful life from 10 to 7 years.
3	July 16th, 2019	Paz Díaz Vera	José Carlos Cruz	Appendix 1 Change: "Water Treat Plant" Additions: Acquisitions of Tablets and its explanation.
4	May 6th, 2020	Paz Díaz Vera	Victor Villagrán García	The definiton of higher maintenance costs and useful life of rebuilt assets was included.
5	June 26th, 2020	Paz Díaz Vera	Victor Villagrán García	Classification "Small vehicles class 1 and 2 " and description "V1, V2 and VK3" " were added in the Appendix I.
6	September 14th, 2021	Anyanjey Tavares de Sousa	Eutimio Quevedo Rivera	Display racks Capitalization. Changes to Appendix I.