1. Purpose

Establish the general guidelines that apply to Grupo Bimbo's associates regarding transfer pricing on transactions between Grupo Bimbo related parties.

2. Scope

This policy applies to all Grupo Bimbo associates, involved in any intercompany related party transactions.

3. Definitions

***Markup*:** The percentage of profit (net cost plus margin) added to the cost and expenses of goods or services to determine the intercompany sales price.

Operating Profit Margin: The financial ratio determined by dividing operating income profit by net sales.

Producer: On sales of manufactured inventories, the related party (producer) primarily assumes costs, assets and risks associated with the manufacturing of finished product, which is sold to another related party (purchaser). The purchaser is responsible for certain activities and functions, including advertising, distribution, marketing, use of trademark(s) and assumption of significant risks and assets.

Producer costs and operating expenses: Includes all costs based on the use of the production line (assuming the production line is operating in two shifts) however excludes all royalty expenses for the use of brands and corporate fees. The costs to be included as the basis for the calculation of the "Producer costs and expenses" are:

- Standard Projected Costs:
  - Raw materials (ingredients)
  - Packaging (containers and wrappings)
  - Energy (fuel, electricity, gas)
  - Direct labor (line payroll)
  - Indirect production (indirect labor, health codes, maintenance, depreciation, parts and machine room)
  - Logistics costs (producer shipping when delivered to purchaser site)
  - Pallets and packing
  - Corrugated
- Operating expenses: Includes purchasing, accounting, billing and reporting costs related to the production and sale of goods to related parties

Limited Risk Distributor: Entity, which acquires the finished product from a related party (Party A) and resells this product to independent third parties assuming limited functions, non-material assets and risks; while Party A undertakes most of the activities and functions, such as the importation, production, marketing, pricing strategy and use of trademark, assuming material risks.

Corporate Services (corporate fees and regional services): Services that are considered high value to Grupo Bimbo and assist in important decision-making. These services are usually provided by administrative and/or strategic departments, which set directives to: i) achieve the goals of the Group or business unit; ii) execute market strategies (e.g., price, product, advertising); iii) product positioning; iv) senior management decision-making (e.g., divisions, departments, financial and marketing departments); v) technical support, consulting, supply sources, among others.

Routine Administrative Services: They are referred to non-high value added and are not considered to be associated with the principal activity of the Group's business (e.g., manufacturing and sales of goods);

however, they are support activities (e.g., Shared Service Centers – back office management or administrative support, integration services, implementations, warehouse and logistic services, among other services). However, they could be the principal activity of the entity that provides the service.

Operating expenses for corporate and routine administrative services: Refer to administrative expenses and operating expenses according to Financial Information Standards (i.e. IFRS, Mexican GAAP, US GAAP or any other accounting standards), which must be strictly related to the provision of the services and do not include the expense of royalties for the use of brands, taxes or expenses not related with the service provided (e.g., interests, extraordinary expenses, exchange rate profit/losses, among others).

Reimbursement of expenses: Includes recovering exceptional disbursements to third parties that are expenses of the related parties of Grupo Bimbo (e.g., payment for consulting services with third parties, travel expenses for meetings, business integrations and implementations of systems, processes, local and international methods, shipping for goods, relocation expenses, among others).

4. Responsibilities

Directors, executives and supervisors at all Grupo Bimbo Companies who are engaged in intercompany transactions: Implement, monitor and ensure compliance of this policy in all areas under their supervision.

Controllers, accounting and finance areas associates and/or tax managers at each Grupo Bimbo subsidiaries: Implement, monitor and ensure compliance of this policy in all areas under their areas of responsibility, in addition to maintaining all intercompany agreements and, if necessary, engage the Global Legal Department for the preparation and any modifications that may be appropriate.

Global Legal Department: Advise, modify and safeguard the intercompany agreements, as appropriate.

Global Tax Department: Maintain the current transfer pricing policy for intercompany transactions established between related companies within Grupo Bimbo. In addition, define the parameters for transfer pricing.

Financial Planning Global Department: Monitor and verify at least once a year that the intercompany prices used in transactions between Grupo Bimbo and subsidiaries, are in compliance with this Policy.

5. General guidelines

Any discrepancy or conflict between these directives and any local legislation, any amendment or exception must be analyzed and approved by the Global Tax Department prior to implementation.
The table in Annex I summarizes the prices, rates, margins and markups by transactions established by this policy and detailed below.

Operations involving tangible goods

a) Sale-Purchase of finished products
- Producer: The markup for the sale of manufactured inventory will be **5%** on the producer costs and operating expenses, providing for a variability of +/- 1.00 percentage point (1.00%).
  In cases where certain expenses are incurred with a third party, where the producer does not perform value-added functions (e.g., customs, external freight, among others), the expenses incurred will be transferred to the purchaser without markup.
- Low risk distributor: The operating profit margin on the consideration for this activity will be **3%** on third party net sales, accepting a variability of +/- 0.60 percentage points (0.60%), to determine the "acquisition" distribution price. Meaning:

Intercompany Price to the low risk distributor = [Third party net sales x (1-Operating profit margin)] – cost and operating expenses of the low risk distributor

b) Sale-purchase of semi-finished product**.** The markup on the sale price of semi-finished good (i.e. when there is a manufacturing process), will be **5%** on producer costs and expenses, providing for a variability of +/- 1.00 percentage point (1.00%).
c) Sale-purchase of other inputs. The sale price of other inputs, which undergo no change or transformation, will be the costs incurred with no markup added. This category includes: raw materials, parts, uniforms, office supplies, containers, wrappings, among others.
d) Commodities. The intercompany transaction will be set at the price on the international or domestic commodities markets and may consider the trading conditions on these markets (e.g., volumes, terms).
e) Sale-purchase of fixed asset. The price for the sale of fixed assets will be determined based on independent valuations. In the event the cost for the independent service to prepare the valuation exceeds the value of the good, the sale price will be set as the average of at least four market quotes for similar assets and based on technical supporting documentation prepared by the specialized areas (e.g., engineering or production) that would provide endorsement for the price, taking into consideration that the price must be at least equal to the outstanding tax or book balance for the fixed assets, whichever is higher

Frequency of payment: The payments for operations involving tangible goods shall be made within 30 calendar days of the billing date.

Operations involving intangible goods and services

a) Royalties. The percentage for this transaction (e.g., brands, trademarks, designs, patents) will be **4%** on the net sales to third parties. This percentage can be adjusted (above or below) with prior Global Tax Department approval, considering them type of product and market conditions of the Grupo Bimbo subsidiary, and as long as it complies with the appropriate transfer pricing rules.
b) Corporate and routine administrative services
   - The markup on corporate services will be **6%** on the operating expenses of the service provider providing for a variability of +/- 1.00 percentage point (1.00%).
   - The markup on the consideration for routine administrative services will be **5%** on the total operating expenses of the service provider providing for a variability of +/- 1.00 percentage point (1.00%).
   - For both types of services, when there are cases in which certain expenses are incurred with a third party and the service provider does not perform value-added functions (e.g., customs, external audits, tax advice, among others), the expenses will be transferred without markup.
c) Property leasing
   - The consideration for leasing transactions will be based on the following, among other items: i) capitalization cost, ii) residual value, iii) market interest rate.
   - Before entering into a leasing transaction, the owner of the property will consult with the Finance Planning Global Department to coordinate with the Global Tax Department and the independent third party responsible for the transfer pricing, to determine the monthly payment is within the arm's length range.
   - The parties will ensure the monthly payment is incorporated into a properly executed lease agreement and should be keep a copy of it.

d) IT (charge back) expense reimbursement
- These reimbursements cover disbursements made by a Group Entity to third parties relating to other related parties of Grupo Bimbo. These disbursements must be identified for each Company, which receives the benefit from the service and are invoiced at cost (no markup added).
- The invoice will itemize all identified expenses disbursed that month to the related party that receives the benefit, together with copy of the invoices paid to third parties.

e) Reimbursement of expenses (exceptional)
- These reimbursements cover disbursements made by a Group Entity to third parties relating to other related parties of the Grupo Bimbo. These disbursements must be identified for each Company, which receives the benefit from the service and are invoiced at cost (no markup added).
- The invoice will itemize all identified expenses disbursed that month to the related party that receives the benefit, together with copy of the invoices paid to third parties.
- These reimbursement operations will be by exception and require the authorization of the Financial Planning Global Department.

Frequency of payment: The prices for operations involving intangibles and services will be determined monthly and payments must be made within 10 calendar days of the billing date.

Specific Operations

a) Financing Operations. The consideration for financing operations will be based on the following, among others: i) principal, ii) currency, iii) term, iv) guaranties and v) debtor solvency.
b) Sale-purchase of intercompany shares. The consideration for share purchase transactions will be based on the following, among others, the most appropriate valuation methodology.
c) Operations not mentioned in the transfer pricing policy: Before related parties enter into any intercompany transaction not covered by this policy, the Global Tax and Financial Planning Departments must be consulted to determine the proper transfer pricing.
d) Considerations
- If related parties enter into financing transaction they are required to consult with the Global Treasury Department and with the Finance Planning Global in case of a sale-purchase of intercompany shares in order to coordinate with the Global Tax Department and transfer pricing consultants to determine the proper terms that will comply with the appropriate transfer pricing rules.
- All parties will ensure the financing rate and the share price are included in the respective contracts, which will also specify the frequency, form of payment and exchange rate, according to the terms of the transaction and keep a copy of it.

Other provisions

a) Control points
- In case where the controllers or other accounting and finance associates at each Grupo Bimbo subsidiaries identify intercompany prices that do not comply with this policy, any variance will be incorporated into the calculation for the next quarter (e.g., intercompany price list for manufactured products) to ensure that at year end, compliance is met with the margins, markups or rates established. The counterparty is obliged to accept the variance incorporated when it is found that compliance has not been met.
- Credit or debit notes to meet margins, markups or rates, may only be issued on the approval of the Global Tax Department, the Financial Planning Global Department and the Global Controllership Department.

b) Forms of payment and exchange rate
- Transactions within the same country: The price will be set and billed in local currency.

- Transaction between different countries: The price will be set in the local currency of the related party that receives the revenue and will be expressed in U.S. dollars at the exchange rate applicable. Billing will be in U.S. dollars, therefore the accounts payable and receivable will be recorded in this currency.

c) Past-due interest: Past-due interest will be applied to late payments, to be determined by the Global Treasury Department together with the Global Tax Department to comply with the arm's length principle.

d) Regulatory references. This policy was developed based on Transfer pricing guidelines for multinational enterprises and tax administrations, approved by The Organization for Economic Co-operation and Development Council ("OECD Transfer Pricing Guidelines"). 2017 version and Base Erosion and Profit Shifting ("BEPS") Actions 8-10, published by the OECD.

6. Responsibility / Ownership

The Global Tax 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.

7. Updates

The changes implemented among versions are described below.

Revision / Revision log				
Version	**Revision date**	**Updated by**	**Approved by**	**Main Changes**
1				

Annex I

Intercompany transaction	*Margin/ Markup/Rate*	Indicator	Calendar Days payment	Part-due interest	Operating currency	
					Cross-Border	Domestic
Tangible goods						
Producer (Sale-purchase of finished product)	5%	Profitability percentage (margin) on the producer cost and operating expenses	30	Intercompany/ Interfactory Rate	USD	Local
Low risk distributor (Sale-purchase of finished product)	3%	Operating Profit on the low risk distributor third party net sales	30			
Semi-Finished products	5%	Profitability percentage (margin) on the producer cost and operating expenses	30			
Other inputs	N/A	Recovery of costs incurred	30			
Commodities	N/A	Price on the international or domestic commodities markets	30			
Fixed Asset	By transaction	Independent valuation	30			
Intangible and services						
Royalties	4%	Percentage over independent net sales	10	Intercompany/ Interfactory Rate	USD	Local
Corporate services	6%	Profitability percentage (margin) on operating expenses	10			
Routine administrative services	5%	Profitability percentage (margin) on operating expenses	10			
Property leasing	By transaction	Operating profit over operating assets	10			
IT Charge back expense reimbursement	N/A	Recovery of expenses incurred initially with third parties	10			
Reimbursement of expenses (exceptional)	N/A	Recovery of expenses incurred initially with third parties	10			
Specific Operations						
Financing operations	By transaction	Interest rate over the Principal	By transaction	Intercompany/ Interfactory Rate	By transaction	Local
Sale-purchase of intercompany shares	Share price	Company valuation	By transaction			