

## 1. Purpose

To establish the general guidelines for the accounting recognition and disclosure of provisions, contingent assets, and liabilities in the financial statements according to the International Accounting Standard 37: Provisions, Contingent Liabilities and Contingent Assets (IAS 37).

## 2. Scope

This policy applies to the associates of the Legal, People, Tax and any other department that participates in the elaboration of legal cases reports or any other matter that could recognize a provision or disclose a contingency, as well as the associates from the Controllership areas, who are responsible for the determination and recognition of the accounting effects of the different liabilities and legal rights, as well as the disclosures that could proceed in any of Grupo Bimbo entities.

## 3. Definitions

**Contingent asset:** It's a possible benefit, emerged as a result of past events, where existence must be confirmed only for its occurrence or by the non-occurrence of one or more uncertain events in the future, that are not entirely under the control of the entity, normally these are related to legal processes in which the company is sued.

**Contingent liability:** It's a possible current liability that emerged from past events that have not been recognized in accounting because the outflow of economic resources is not required, normally these are related to legal processes in which the company is sued.

**Current liability:** Arises when the probability of outflow of financial resources is higher than the probability of no outflow of resources.

**Legal liability:** Is one that derives from a contract, legislation, trials, and other legal causes.

**Probability of loss:** According to this policy, it's the probability that the sued company could lose a lawsuit or legal process and consider the following percentages for its measurement:

- High – higher than 50%
- Medium – 50%
- Low – lower than 50%

**Provision:** It is a liability with a degree of uncertainty about its value or its date of settlement of economic resources, except for the following:

- Commercial creditors: Constitute accounts payable goods or services that are subject to billing or a payment agreement, in which the value and payment date are known.
- Other liabilities or accumulated estimates: Are the accounts payable by supply or reception of goods or services that have not been paid, billed or agreed with the providers and, although sometimes it is necessary to estimate the value or the expiration of these liabilities, the uncertainty is less than the case of the provisions.

## 4. Responsibilities

**Global Controllership Department:** Maintain this policy updated and monitor that the operations comply with the content and the accounting treatment.

**Global Legal Department:** Obtain and provide to the controllers, the updated legal processes reports ("reports") that the subsidiaries of GB generate and must send them no later than the 25th of the last month of each quarter.

**Controllers:** Comply with this policy and monitor its compliance under their responsibility areas. Review the legal processes reports, provided by the Legal area, for its evaluation of possibilities of input or output of resources.

## 5. General guidelines

### Provisions and contingent liabilities

- The area responsible that manage legal cases of each operation must prepare and deliver to the controllers, as a minimum and no later than the 25th of the last month of each quarter, a report of the legal cases, carried internally or externally, in which the company is plaintiff or defendant, with the following information:
  - Classification between plaintiff and defendant
  - Internal number of the litigation
  - Subject
  - Possibility of the output of resources, that is, loss probability (high, medium, or low)
  - Possibility of input of resources, that is, gain probability (high, medium, or low)
  - Detail of the matter in dispute
  - Initial reclaimed amount
  - Reclaimed amount according to the immediate previous report
  - Updated reclaimed amount ("\*)
  - Probability modifications since the last update
  - Jurisdiction
  - Expected resolution time

(\*) It must consider the real value of the expected output of resources based on the experience and previous trials and, like the loss probabilities, must be updated each time that a change in the conditions is made that led to initial estimates.

- The controllers of each company of Grupo Bimbo must:
  - Make, as minimum quarterly and based on the prepared summary by the responsible of each operation, the evaluation of output resources probability as a result of litigations, trials, or legal processes in which the company is sued.
  - Record the litigations provision according to the following:

Loss probability	Accountable value of the provision
<b>High</b>	100% of the updated reclaimed amount.
<b>Medium</b>	The provision is not recognized, only disclosed, in the individual and consolidated financial statements, the updated reclaimed amount.
<b>Low</b>	The provision is not recognized nor disclosed in the financial statements.

- Record the provisions, according to the litigations matter, in the accounting accounts enabled for that purpose. When the provisioned legal cases are subject to updates by inflation, interests, or fines, it must include these accessories in the account value of these provisions.
- Use each provision just to face disbursements for which originally was recognized, that is, they could not assign provisions, that stop representing an output of resources, to new litigation, in these cases the provision must be reserved and constitute a new one.
- Send, no later than 5th of the closing month of each quarter, to the Global Controllership Department and Global Legal Department, the integration of countable balance of the provision for legal cases.

### Contingent assets

These assets are not subject to recognition in the financial statements due to the uncertainty of its realization, thus:

- They can only be disclosed in the notes. The amount to disclose must be the best-calculated estimation based on the analysis of the available evidence and the administration judgment.
- They must be continuously evaluated, so that, when the input of benefits is highly probable, proceed to the income and asset recognition in the financial statements of the period in which the change occurred.

#### **Disclosure in financial statements**

- Provisions, by each category, must disclose:
  - Value in books at the beginning and end of each annual period.
  - Increments for new provisions or for updating the value at risk.
  - Payments applied to the provision.
  - Amounts reversed in the period.
- Contingent assets and liabilities: Brief description of the assets and liabilities matter and, when possible, an estimate of the amount to be received or at risk, respectively.
- For the provisions and contingent liabilities that, individually, represent an amount at risk greater than USD 500,000, disclose additionally a brief description of the matter at risk, as well as the probability of output of resources.

#### **6. Responsibility / Ownership**

The Global Controllershship 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 in between versions are described below:

Revision / History of the revision				
Version	Revision Date	Updated by:	Approved by:	Main Changes
1				