



## 1. Purpose

To establish the general guidelines for the selection of Grupo Bimbo's inorganic growth projects, via mergers and/or acquisitions, that will allow the Group to achieve its vision.

## 2. Scope

This policy applies to the Vice Presidents responsible for the Business Units and Companies of Grupo Bimbo who participate in decisions about growth opportunities, via mergers and/or acquisitions.

## 3. Definitions

**Inorganic growth:** Growth strategy that refers to the merger and/or acquisition of businesses (companies, assets, brands, joint ventures, etc.) to integrate them into the Grupo Bimbo business model.

## 4. Responsibilities

**Global Mergers and Acquisitions Department:** To analyze, evaluate and coordinate the project, and the efforts of the teams involved, to carry out a merger and/or acquisition.

**Business Unit Vice President:** Responsible for the project. To define the rationale of the acquisition, as well as to support the Global Mergers and Acquisitions Department in the coordination of the process.

**Finance and Planning Committee:** To approve the acquisition or disposal projects that represent a value less than or equal to 3% of Grupo Bimbo's consolidated assets.

**Board of Directors:** To review, authorize or reject the acquisition or disposal projects that represent a value more than 3% of Grupo Bimbo's consolidated assets.

**Audit and Corporate Practices Committee:** To issue its opinion to the Board of Directors on acquisitions or disposals that represent a value equal to or greater than 5% of Grupo Bimbo's consolidated assets.

**Board Meeting:** To review, authorize or reject the acquisition or disposal projects that represent a value equal to or more than 20% of Grupo Bimbo's consolidated assets.

## 5. General Guidelines

Grupo Bimbo's inorganic growth strategy will be based on the acquisition projects that comply with at least one of the following four aspects:

### a. Strategic Value

- **Strengthen the current business:** The acquisition project must generate synergies with the current businesses and/or strengthen the competitive position of Grupo Bimbo.
- **Entry into new geographies:** The acquisition project must leverage the commercial and operational "know how" in Grupo Bimbo's core categories (bread, biscuits, and snacks), and present a potential growth opportunity to allow Grupo Bimbo have a market relevance in the future.
- **Competitive dynamic of the marketplace:** The marketplace dynamic must be considered, in the event that of Grupo Bimbo or a competitor acquires a new business.
- **Distribution networks and channels:** It must consider where Grupo Bimbo can extend the acquired company's geographical scope and strengthen Grupo Bimbo's internal "know how".
- **Products:** The products to be acquired must complement and strengthen the current portfolio and be leveraged by and compatible with Grupo Bimbo's distribution network.

- The entry into complementary categories will apply where the presence of Grupo Bimbo is relevant. These new categories must add value to the current brands and have the potential to be embedded into the Group.

## b. Generation of economic value

- The acquisition must be focused on brands or high value-added products that strengthen Grupo Bimbo or its Business Units.
- The acquisition projects must generate synergies between companies (1+1=3). They should generate greater value, strength, and profitability together, than each company can individually.
- The acquisition must be relevant in the markets and categories where Grupo Bimbo participates, generating growth as a result of its incorporation and allowing it to reach the #1 or #2 position in the market.

## c. Capacity to embed the new business into Grupo Bimbo

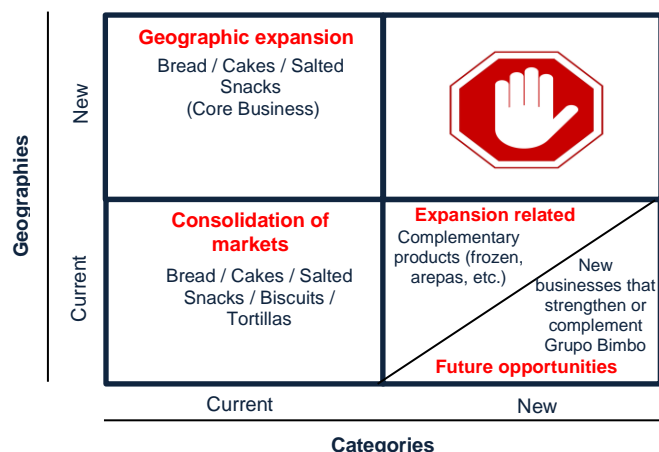
The acquisition rationale must consider, at the Grupo Bimbo and Business Unit level, the following about a potential acquisition: financial impact, leverage constraints, capacity and complexity to integrate (cultural, commercial, operational, administrative), capacity to realize synergies, integration costs and the capturing of synergies (one-time costs "OTC"), as well as the identified risks and the mitigation plans.

## d. Future/innovation opportunities

It refers to potential mergers or acquisitions with companies that have products and/or new technologies. It will allow the Group the chance to apply its organizational strengths to a related category, generating synergies in the current businesses. It would attempt to create new revenues for the company and prepare it for the changing market.

This strategy aims to expand Grupo Bimbo's portfolio, thinking about the future, considering food trends, distribution networks or services in the current channels.

The particular situation of each project and Business Unit will be different, therefore, the applicable strategies are shown in the following diagram.



Based on the above guidelines, the following steps must be performed:

- The project must be assessed and prepared, in coordination with the Global Mergers and Acquisitions Department, and comply with the guidelines of this policy.



- The Business Unit responsible for the merger or acquisition must prepare a business case with the following:
  - Strategic rationale
  - Benefits, synergies, and implementation & integration costs (OTC)
  - Financial projections
  - Valuation
  - Risks identified
- The responsible VP of the Business Unit must present the business case to the CEO of Grupo Bimbo, to the Finance and Planning Committee, and, where appropriate, to the Board of Directors for approval.
- The purchase, negotiation/acquisition process will be coordinated by the Global Mergers and Acquisitions Department, with the support of the Business Unit's responsible team and other functional departments, such as Legal, Tax, HR, and Operations.
- Once the business case has been approved, and based on the negotiation's progress, the responsible Business Unit must prepare the integration and value capture plans, according to the guidelines established by the Global Transformation Department.
- To follow up on the integration and value capture plan, the responsible Business Unit VP, must present progress to the CEO of Grupo Bimbo during Board meetings, and at least once a year, to the Finance and Planning Committee.

## **6. Responsibility / Ownership**

The Global Mergers and Acquisitions 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 Internal Control and Risk Assessment Department, the Steering Committee and CEO.

## **7. Updates**

The changes made between versions are described.

Revision / Review History				
Version	Review date	Update by:	Approved by:	Main changes
2	Nov, 2018	Jorge Vilaplana	Luis Sampson	Update of the template authorized by the GICD