

## 1. Purpose

To confirm to management and staff, to actual and potential suppliers and contractors, to customers, to governmental and other regulators and to stakeholders in the wider community, the principles on which Grupo Bimbo procures and contracts.

This policy statement is a public document, it may be quoted in annual reports, operating & financial reviews, stakeholder information and is freely available to potential suppliers. It binds all actors involved.

## 2. Scope

This policy applies to and binds all of Grupo Bimbo associates in any situation where they are involved in a procurement process, whether as requestors or developers of specifications, buyers, supply management, strategic sourcing, or negotiators, or those who validate or authorize payments.

## 3. Definitions

**Commercial terms or Statement of Work (SOW):** This document clearly defines the requirements for goods and services being contracted such as pricing structure, delivery requirements, specifications/statement of work, supply requirements, etc. Excludes legal terms and conditions such as limitation of liability, notices, warranty, indemnification, etc. Purchase order terms and conditions will govern the individual purchase and be used as a way of managing risk.

**Master agreement:** Is a document inclusive of commercial and legal clauses agreed to between two counterparties that apply to all the transactions entered between the parties. Each time a transaction (purchase order, blanket PO, release, etc.) is entered, the terms of the master agreement do not need to be negotiated and apply automatically. Master agreements gives the most protection.

**Petty cash:** Is a relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses.

**Preferred Supplier:** A Preferred Supplier is a company that has been selected to provide raw materials, goods, and services to Grupo Bimbo. Such supplier(s) have undergone a rigorous sourcing process where preferential pricing and terms have been negotiated. They have also agreed to Grupo Bimbo's global and/or regional terms and conditions and can meet Grupo Bimbo's food safety requirements (raw materials and packaging).

**Price agreement:** Is an agreement between a buyer and seller regarding the price of goods or services. Unlike a quote that may expire or be changed at any time, a price agreement is usually good for a specified period. This type of agreement focuses solely on price and not any other requirement. Purchase order terms and conditions will govern the individual purchase and be used as a way of managing risk.

**Procurement:** Includes all procurement activities, including leasing and hiring, and may, where appropriate, include other activities accompanying the life cycle of goods (or service contracts) and the end-of-life disposal of goods which have been procured (whether they remain in our ownership).

**Purchase order:** Is a commercial document issued by a buyer to a seller indicating types, quantities, and agreed to prices for goods or services. Typically, there are general terms and conditions associated with each purchase order as generic way of managing risk.

## 4. Responsibilities

**VP Global Procurement:** Document and update this policy.

**Global Category Leaders:** Define category strategies for their respective categories.

**Areas of Corporate Social Responsibility:** Define the need for policies that are relevant to the supply chain, such as: , environmental, agricultural, animal welfare, diversity, among others.

**Regional procurement teams:** Create detailed procedures relevant to their respective regions, yet such documents must comply with this policy.

## 5. General guidelines

To ensure that our procurement and contracting activities are legal, accountable, and auditable, ethically, environmentally, and socially responsible, economically effective and set the ability to exploit appropriate technological, commercial, and organizational developments as they arise, it is Grupo Bimbo's policy to comply with the following guidelines:

### Legality

Procurement and contracting activity will fully respect and comply with:

- All applicable laws and regulations.
- The relevant laws, regulations and so on of other geographical regions in which organizations operate, to which we supply, or from which we source.
- International laws, treaties and agreements to which Grupo Bimbo is party to.
- The Grupo Bimbo Supplier Grievance Process must be followed to investigate potential supplier breach to the **FGB-EPR-03 Grupo Bimbo Supplier Code of Conduct**.

### Compliance

To ensure support and cooperation from our suppliers, those who procure must:

- Work only with suppliers who guarantee the highest food quality and safety standards, as well as economic development, community welfare, environmental protection, compliance alignment, and biodiversity.
- Always treat every supplier in accordance with our golden rule: respect, fairness, trust, and care; it includes not only respect for people representing external business partners, but also providing the necessary information on bidding results, so these processes are transparent and fair.
- Guarantee honest and fair negotiations, free of discrimination and/or abuse or predatory treatment.
- Ensure a thoroughly review to all suppliers' proposals to evaluate price, added-value, quality, and the service they offer to provide fair competition during the evaluation process and build long-lasting honest and fair business relationships.
- Protect the suppliers' rights and the confidential information they provide to our company.
- Involve our external business partners, seeking their growth and giving them support and information to improve the materials and services we need from them.
- Establish clear agreements relating to payment terms and stable, simple, and transparent processes, which do not lend themselves to misinterpretation or malpractice.
- Refrain from establishing any commercial relationships with suppliers that participate in illegal practices such as acts of corruption, money laundering, human rights violations, lack of tax or labor compliance, environmental or social laws, including social security and tax payments or child labor in compliance with the laws of the country.
- Request our suppliers not to grant our associates any gifts or retributions, in compliance with our **GGB-004 Global Integrity Policy**, and the **FGB-EPR-03 Grupo Bimbo Supplier Code of Conduct**.
- Let our suppliers know about the Speak-Up line available in their location, so that they may express their comments, suggestions, and complaints within a framework of confidentiality and free of retaliation, before, during and after the supplier-customer relationship.

### Accountability and auditability

Those who procure must:

- Purchase goods and services from approved sources of supply, utilizing approved procurement tools for all sourcing, purchases, and external commitments above the level of 'petty cash'.
- Where available, use Preferred Suppliers for the purchase of raw materials, goods, and services.
- Record, identify and, as appropriate, provide justification for:
  - The originator of the requirement.
  - The route by which the requisition was approved.
  - The methods adopted to procure/source the requirement, with all relevant documentation (for example requests for quotation, tender documents, negotiation plans, and so on) and the reasons for decisions made.
  - The source of supply selected.
  - Evidence of receipt of goods and/or services.
  - The route by which payment was authorized, and when, to whom and in what sum any payment(s) is(are) made.
  - The requestor, the buyer/negotiator/contractor, the receiver, and the approver of payment, must be different persons.

The above is the minimum requirement; there may be many procurements for which much more detailed accountability is required.

While each region may have their own approval limits, the approval authority schedule below establishes the maximum approval levels of authority required for procurement of goods and services on behalf of Grupo Bimbo. Each organization will define titles and positions fit within each of the approval levels. Each functional area is responsible for approving their own purchases based on their respective budgets using the table below:

Role	Document type (USD)			
	Requisitions	Purchase order	Indirect blanket purchase order	Direct spend blanket releases
<b>Supervisor</b>	\$10,000	\$5,000	\$25,000	\$10,000,000
<b>Department Managers</b>	\$100,000	\$50,000	\$100,000	\$50,000,000
<b>Plant Manager</b>	\$200,000	\$100,000	\$250,000	\$100,000,000
<b>Director</b>	\$750,000	\$500,000	\$1,500,000	\$150,000,000
<b>Vice President</b>	\$1,000,000	\$1,000,000	\$3,500,000	\$300,000,000
<b>Executive VP/ BU General Manager</b>	\$4,000,000	\$2,000,000	\$5,000,000	\$450,000,000
<b>Regional / Organization General Manager</b>	\$5,000,000	\$4,000,000	\$7,500,000	\$500,000,000
<b>Deputy General Manager</b>	\$8,000,000	\$6,000,000	\$10,000,000	\$550,000,000
<b>President / C-Level Official</b>	\$10,000,000	\$8,000,000	\$12,500,000	\$600,000,000
<b>Board</b>	>\$10,000,000	>\$8,000,000	>\$12,500,000	>\$600,000,000

### Economic effectiveness

Every associate involved in a procurement process must procure such goods and services in the most economically effective manner. All those involved in procurement must comply with the following:

- The desired outcome is that of greatest value gained at lowest total cost.
- Total cost will as appropriate, consider the full anticipated life-cycle costs of the goods or services, including such factors as maintenance, servicing, reliability costs, and costs of ultimate disposal where this organization may be responsible for them.

- Value will be assigned to such factors as sustainability, environmental and social benefits and of improving the competitiveness of the supplier base on which we depend.
- In addition to the total cost of acquisition or ownership, it is policy to reduce the administrative cost of acquiring and owning goods and services. Selection of the most appropriate procedure to obtain an approximation to best value without incurring excessive administrative cost (or without unduly diverting limited resources from other activities and priorities).

### Exploitation of developments

Those who procure will create a competitive environment or bidding process within the supply base.

### Risk management

The expenditure of resources outside the organization, and the dependence on an external supply chain, exposes the organization to a wide variety of risks. A significant function for the procurement structure of this organization is to identify, minimize, and otherwise manage the likely impact of such risks (to the organization itself and to other stakeholders).

For any significant expenditure, long-term commitment, or identifiable 'pinch-point' (that is where even a small supply problem could have larger ramifications for the well-being of the organization) formal risk assessments will be made, as appropriate, addressing:

- Supply risks. Those resulting from the non-performance or poor performance of a supplier or contractor. Supply risks may also be the result of tightness in the market.
- Food safety risks. Risks resulting from supplier's non-compliance to Grupo Bimbo's food safety requirements or inconsistent approach to supplier and direct materials qualification process.
- Demand risks. Arising from requestors ordering too much, too little, or the wrong goods or services, relative to the actual need.
- Process risks. The risk that the way goods are used, or services supplied may not be optimal for the circumstances - even if they comply with the formal requirements of the tender or contract.
- Control risks: Risks arising from deficiencies in internal processes and procedures - including, but not confined to, procedures mandated in this document (supplier qualification process).
- Environmental risks. Those which impact derives from unpredictable hazards.
- Social risks. Risks arising from issues related to Corporate Social Responsibility such as human rights and so on.

As a way of managing the risks, the associate responsible for making the commitment to the supplier must insure the proper contracting tool is used using the risk levels below:

#### Source: *Smartsheet.com*

- **Low (L):** Little to no effect on business – Okay to proceed. E.g., goods and services that are readily available in the market.
- **Medium (M):** ALARP (As Low As Reasonably Practical) – Take mitigation efforts. E.g., most packaging suppliers where inventory can be built and kept by supplier, but we may need to qualify alternate sources to have as back up.
- **High (H):** Generally unacceptable – Seek support. E.g., a given ingredient where deliveries may be delayed causing a probable supply shortage. We may need to slow down production or change production schedules to mitigate the supply risk.
- **Extreme (E):** Intolerable – Will place event/progress on hold or shut down production. E.g., single or sole source supplier, supplier located in high-risk geopolitical areas, etc.

### Contract matrix

Associates responsible for making the commitment to the supplier must negotiate considering:

- A master agreement, commercial terms, price agreement and/or purchase order based on the following contract matrix:

Contract Type	Annual Spend	Supply Risks	Food Safety Risks	Demand Risks	Process Risks	Control Risks	Environment Risks	Social Risks
Master Agreement	The lowest of \$1MM or 3% of addressable spend	H & E	H & E	H & E	H & E	H & E	H & E	H & E
Commercial Terms (SOW)	The lowest of \$1MM or 3% of addressable spend	M	M	M	M	M	M	M
Purchase Order	\$1 – 100K	L	L	L	L	L	L	L
Price Agreement	\$101K – 999K	L	L	L	L	L	L	L

To interpret the above chart, associate must evaluate the annual spend first, then determine the risks associated with the spend to be contracted. Examples:

- Purchase chairs with spend of \$58,000 USD, the first threshold indicates that a purchase order is sufficient to manage risk. The second threshold is the different risks. If all risks are low, then a purchase order is sufficient.
- Purchase an ingredient where annual spend is \$975,000 USD, first threshold indicates that a price agreement would be sufficient, however if at least one of the risks is high (H) for that ingredient, then a master agreement is required.
- Purchase orders are issued even when other agreement types (master, price, etc.) are negotiated, but for purpose of this policy, when evaluating the contract matrix above, the term purchase order must be interpreted as the minimum requirement, in other words, a purchase order will be sufficient as a stand-alone document to manage risk.
- For Capital Expenditures (CAPEX), the following thresholds will apply:
  - Purchase orders are sufficient when commitment amount is  $\leq$  \$100,000 USD
  - Master agreements must be negotiated for commitments greater than \$100,000, USD

## Performance targets

Where performance targets, incentives, bonus schemes and so on apply to individuals or groups in the procurement process, conflicts may from time to time become apparent between the achievement of those targets and the requirements of this policy. At all times the Global Integrity Policy and this policy should be accorded precedence and where such conflicts appear, they should be reported appropriately.

## 6. Responsibilities / Ownership

The Global Procurement Department is the appointed owner of the current policy and the main entity responsible for its content, 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				
2	May 13 2022	Luz Aragon	David Hernández	Preferred supplier definition was added.
3	Dec 7 2022	Luz Aragon	David Hernández	Inclusion of compliance to the grievance process
4	Aug 2, 2022	Mario De la Cruz	Anthony Sabulski	Addition of Compliance section to the Policy.