

# Annual Audit Committee Report

## To: Board of Directors

### Grupo Kuo, S.A.B. de C.V.:

In compliance with provisions set forth in articles 42 and 43 of the Stock Market Law together with the Audit Committee Regulations, I hereby inform you about the activities we performed during the period ending as of December 31st, 2020. Throughout the progress of our work we considered the recommendations established in the Principles and Best Practices Code of the Corporate Governance structure. We held meetings at least every quarter and based on a working program we accomplished the activities described as follows:

#### RISK ASSESSMENT

We regularly evaluate the effectiveness of the Risk Management System established for detection, calculation, registration, assessment and risk control at KUO, as well as the implementation of follow-up procedures in order to assure the effective performance of tasks. Thus, we have concluded that such system is appropriate.

We were able to review together with the Management team and External and Internal Auditors potential risks factors that might impact KUO's operations and assets. It was determined as a result that such critical factors have been correctly identified, assessed and handled.

#### CYBERSECURITY

Considering the high risk that unauthorized access to the Group systems represent and the continuity of operations in the IT area, we focused specifically on the topic. We turned to external support in order to obtain a reasonable security, confirm that the proper implementation of systems' access procedures and controls are correctly set, along with a business continuity protocol within the data processes areas.

#### COVID 19 IMPACT AND ACTIONS

During the Covid-19 pandemic contingency specific actions were taken in order to protect employees' health and business continuity. Home office was implemented and sanitary recommendations were spread. The existing cybersecurity events were reviewed, handled and restrained without any operations impact to the Group.

#### INTERNAL CONTROL

We made sure that the Management, according to its responsibilities and taking into account the Company's risk assessment report, established the required processes for compliance purposes together with an appropriate internal control mapping. Additionally, we followed up on comments and remarks developed by the external and internal auditors.

#### EXTERNAL AUDIT

We recommended to the Board of Directors to hire the external auditors of KUO S.A.B. de C.V. for the 2020' fiscal period. For such purpose, we verified their independence and compliance with all provisions set forth in Law and general regulations established by the National Banking and Stock Market Commission in regards to Issuing Entities acting as contracting party of audit services for basic financial statements, which was effective as of August 1st 2018. Their scope of work, perspective and coordination with internal audit were analyzed accordingly.

We complied with our Regulation, which was reviewed and approved by the Board of Directors in 2018. In regards to the provisions set forth in Law and general regulations established by the National Banking and Stock Market Commission in regards to Issuing Entities acting as contracting party of audit services for basic financial statements. We verified its compliance by the external auditors as well as the assigned Committee responsibilities.

We kept constant and direct communication with external auditors in order to be aware of their work progress as well as remarks and comments on our annual financial statements. We timely acknowledge their conclusions and reports, then followed up on recommendations stated in the audit outcome.

The external auditor's fees for their services were approved for payment, making sure not to interfere with their independence with the Company.

Taking into account Management's points of view we initiated an assessment of the external auditors' performance concerning year 2020.

#### INTERNAL AUDIT

In order to maintain its independence and objectivity, Internal Audit area is currently reporting to the Audit Committee. The activities we carry out are described as follows:

1. In a timely manner, we approved activities and annual budget for the area. Internal Audit itself took part in the process of identifying risks, implementing controls and testing them. As a consequence, we also approved the annual budget and area structure.
2. We periodically received reports on the authorized working plan progress, possible deviations and reasons behind them.
3. A follow-up on their comments, remarks and suggestions was carried out.
4. We made sure to implement an annual training program.

### FINANCIAL REPORTS, ACCOUNTING POLICIES AND REPORTS TO THIRD PARTIES

We reviewed together with the people in charge of the Company's financial statements preparation process for quarterly and annual periods. We then delivered our recommendation to the Board of Directors in order to obtain their approval to be published. As part of this process we considered opinions and observations by the external auditors, also we verified that the criteria, accounting policies and presentation used by the Management regarding financial statements preparation are enough, appropriate and consistent in comparison with the previous period. Therefore, as per our review the information presented by Management reflects reasonably the financial situation, operations outcome and cash-flows at KUO as of December 31st, 2020.

We also reviewed the quarterly and annual reports prepared by Management to be presented to shareholders, authorities and public in general, making sure they were based on International Financial Reporting Standards, and using the same accounting criteria for the annual reporting preparation. Once reviewed we were satisfied as there is certainly a comprehensive process that provides a reasonable security regarding its content. Consequently, we recommended the Board of Directors to authorize its publication.

Our revision also included other reports on any additional financial information requested by Regulatory Authorities in México.

We reviewed and recommended to the Board of Director its approval.

### NORMATIVITY COMPLIANCE, LEGAL ASPECTS AND CONTINGENCIES

We confirmed the existence and reliability of controls created by KUO in order to comply with the subjected legal provisions, making sure they were properly revealed in the financial reports.

We periodically reviewed existing legal proceedings and fiscal, legal and labor contingencies in KUO. We closely monitored the efficacy of the established procedure to identify them and follow up, as well as their proper revelation and record.

### CODE OF CONDUCT

With the support of the Internal Audit, we validated employee's compliance with the existing Code of Conduct in KUO, we verified that proper processes were implemented for its updates recording and accurate promotion to the personnel, as well as the application of corresponding sanctions in case of detected infractions.

All complaints received through the Complaints System, created for this purpose, were verified so that they were correctly solved.

### ADMINISTRATION ASPECTS

We held meetings between the Committee and Management to keep being informed about the Company's administration processes, tasks and activities, relevant an unusual events too. We also had meetings with external and internal auditors to check on their work development, possible limitations they could have faced, and to facilitate any private communication with the Committee they might request.

The Committee verified the compliance with the agreements adopted in the Shareholders' Meeting held by the Company, based on guidelines determined in such meeting.

Whenever we considered it appropriate, we turned to professional freelance experts for support and independent opinion. We didn't have any acknowledgment of possible significant breaches regarding operations policies, internal control systems, or accounting record standards.

We held executive meetings with Committee members exclusively in order to establish agreements and recommendations to the Management.

Our review also included other reports and any additional financial information requested by Regulatory Authorities in Mexico.

The President of the Audit Committee periodically reported to the Board of Directors, at least quarterly, all activities performed.

All work documentation and backup were registered in the proceedings and minutes from every meeting we held. They were reviewed and timely approved by the Committee members.

February 16th, 2021.

Yours Sincerely

**José Manuel Canal Hernando**  
President of the Audit Committee