

Letter of the Corporate Practices Committee

Mexico City, February 16th, 2021.

**To: Board of Directors
GRUPO KUO, S.A.B. de C.V.**

In regards to the provisions stated in section I of article 43 of the Stock Market Law together with the by-laws of GRUPO KUO, S.A.B. de C.V. ("KUO" or the "Company"), and in representation of the Committee of Corporate Practices, I hereby present to you the most important activities we performed in order to provide an opinion on aspects within our scope of work throughout the period ending as of December 31st, 2020.

1. The Committee resolved to recommend the Board of Directors to grant approval of the following matters:

- a. Compensation Policies for 2020, as well as full payment to General Director along with a compensation to KUO's President of the Board of Directors, according to terms provided by the General Director Deputy who is in charge of Human Capital department
- b. Report of the updated Compensation Policies, which are consistent with the ones previously approved by the Board of Directors. Additionally, the approval of such policies for 2021 was recommended

2. The Corporate Practices Committee knew, in a periodically manner, the hedging operations performed by the Company in order to provide certainty to the operation and non-speculative purposes.

3. The Committee was informed, among others, about the following matters:

- a. Progress and conclusion of the investments in process within the Automotive sector in order to develop a new generation of high-tech transmissions.
- b. Results and conclusion on the disinvestment project of JV Herdez del Fuerte regarding its tuna fish business.
- c. Operations and Financial status of the Synthetic Rubber businesses allocated in China.
- d. Status of steps taken with Port Authorities in regards to the current situation of the Maritime Terminal which operates one of the Synthetic Rubber's business located in Altamira, with the purpose of giving continuity to the execution of the agreements reached.
- e. The international situation regarding the African swine fever which is impacting the pork sector, also learn about the mitigation measures being implemented by the Company.
- f. Due to Federal Government actions and reform initiatives to extinguish illegal Outsourcing practices, work protocols were implemented in order to monitor and face, in any case, labor authority's inspections. In addition, we informed about the reviews of Employees Collective Agreements that were carried out within each BU (business units): Transmissions, Synthetic Rubber and Pork Sector.
- g. Report on status and relevant points of the Pension Law initiative issued by Federal Government, applicable as of 2023.

- h. Actions and measures implemented by the Company in every Business due to the COVID 19 Pandemic, case statistics and authority's protocols and inspections status over each business units.
 - i. Adopted agreements from the Stockholders Annual Ordinary General Assembly and Stockholders Ordinary General Assembly of the Company, held on April 30th and June 30th, 2020 respectively.
 - j. The Annual Report together with fiscal papers of Y-2019 were presented to the National Banking & Stock Market Commission, as well as to the Mexican Stock Market and market in general. Such documents including transfer-pricing studies that concluded that every related-party operations during fiscal Y-2019 complied with market prices.
 - k. The waiver granted by Banks which the Company has current credit contracts with, aimed to modify the total leverage ratio from 3.50 a 4.00 applicable for the fourth quarter of 2019, as well as for the first and second quarter of 2020. Likewise, we provided information about the waiver extension granted to modify (ii) the total leverage ratio from 4.00 to 5.00 and (ii) 0.7 for the capitalization index, both applicable for second, third and fourth quarter of 2020.
 - l. Status of Company's Committed Credit Lines.
 - m. Operations carried out through the repurchase fund, according to the amount approved by the Stockholders Annual Ordinary General Assembly held on April 30th, 2020.
 - n. Signing of credit line with Inter-American Development Bank (IADB) for US50 Million dollars, which replaced previous Suppliers Discount Lines. In addition, new suppliers were registered (basically from sharecropping segment).
 - o. The sinister that occurred last May in the Sahé Process Plant of Pork sector, its estimated losses, recovery plan and short term capabilities, also the plant reconstruction and the process with the Insurance Company.
 - p. Sustainability Report of DESC Group, focused in Education, Environment and Community, three fundamental and specific pillars to create value and contribute to Sustainable Development Objectives 2030.
 - q. Actions taken due the new rules regarding products labeling (NOM 051) for JV Herdez del Fuerte and the Pork Business.
- 4. The Committee did not have observations regarding Relevant Managing Directors' performance.**
- 5. The Committee did not receive dispensation requests from the Members of the Board, Relevant Managing Directors or any person with authority in order to gain leverage on business opportunities related to KUO or any other Company under its control neither on which a significant influence exist.**
- 6. The Committee reviewed all related party operations performed by the Company, making sure they were under market conditions.**

I hereby state that the above was registered in the minutes of each session as well as in the reports prepared during the year for the Board of Directors meetings.

The opinions of KUO's Relevant Managing Directors were considered on the preparation of this report and they were consistent with its content.

Yours Sincerely,

Mr. Valentín Diez Morodo
President of Company Practices Committee