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Quality Annex

I. Supplier evaluation and approval program

The evaluation of the performance regarding the Quality and Safety of Suppliers in Alsea, is made up of five categories which are:

I. Quality and Safety Management System Audits (ICA).
II. Consumables quality upon receipt in our distribution centers (QR).
III. Complaints of the consumables performance in restaurants (Q).
IV. Concessions on receipt (C)
V. Monitoring Plan (MP)

II. Global Quality Index (GQI)

From the five previous categories, the Global Supplier Quality Index is calculated monthly as follows:

GQI= 0.3 ICA + 0.7 (100 – D)

Performance tabulator (D) is obtained considering the following criteria:

From 1 to 4 deviations per month upon receipt of consumables, complaints, concessions on receipt and deviations to the monitoring plan; all of them of quality, each one is penalized with 5 points.

From 5 to 7 deviations per month upon receipt of consumables, complaints, concessions on receipt and deviations to the monitoring plan; all of them of quality, each one is penalized with 8 points.

Deviations ≥ to 8 per month upon receipt of consumables, complaints, concessions on receipt and deviations to the monitoring plan; all of them of quality, are penalized subtracting 70 points.

Any safety deviation per month is penalized by subtracting 70 points. Based on the percentage achieved in the GQI, suppliers are classified in the categories described below, of which it should be noted that the criterion will be changed annually:

Green Supplier = GQI ≥ 85%
- The business relationship continues.
- Approved suppliers for future developments with any Alsea brand.
- Audit frequency according to Table 1.

Yellow supplier = GQI 71% to 84%

- The business relationship continues.
- Audit frequency according to Table 1.
- Participation in other projects or developments subject to the completion of the Corrective Action Plan(s).

Orange supplier = GQI 56% to 70%

- High risk of the business relationship suspension. Their permanence is contingent on the completion of the Action Plan(s) to improve their overall rating.
- Audit frequency according to Table 1.

Red supplier = GQI ≤ 55%

- Commercial relationship termination.
- It must complete an action plan to be reactivated.

Subsequently, the GQI together with other performance indicators of the supplier in other areas than quality (KPIs), will shape the complete performance of the supplier.

III. Audits of the Quality and Safety Management System (ICA)

Our goal is to encourage all our suppliers to become certified in a scheme recognized by the Global Food Safety Initiative (GFSI), which is an industry initiative worldwide, aimed at ensuring food safety throughout the supply chain. Therefore, the Global Markets Checklist will be used as an audit tool, which allows gradually to lead suppliers toward the certification of some GFSI recognized scheme.

a. <u>New suppliers:</u>

i. To be considered an approved supplier for any Alsea brand, it is essential to obtain an approval rating in the audit (See Table 1) and to deliver an action plan to close the opportunities detected in the audit within the time frame indicated at the time of the report submission.

ii. Subsequently, they will be subject to evaluations at the frequency defined in Table 1

b. Current suppliers (currently registered in the system):

i. If the company has current certification of good standing of any of the systems recognized by GFSI and with scope for the production line where the product is made subject to the commercial agreement with Alsea, the audit process will be carried out once every three years, unless any deviation or safety complaint or successive and repeated (more than 3) quality deviations events are detected.

ii. For suppliers that do not have a certification in a GFSI recognized scheme, the frequency of the audit will be based on the rating of the last audit, the number of red lines detected (critical non-conformities) in the most recent audit and follow-up Action Plans arising from complaints and/or previous audits (Table 1).

NOTE.- Certifications recognized by GFSI in Mexico: PrimusGFS Standard (v2.1 – December 2011), IFS PACsecure Version 1, Global Aquaculture Alliance Seafood BAP Seafood Processing Standard, GLOBAL G.A.P. Integrated Farm Assurance Scheme version 5, Produce Safety Standard version 4 and Harmonized Produce Safety Standard, FSSC 22000 - October 2011 Issue, SQF CODE 8 EDITION LEVEL 2, IFS Food Standard Version 6, BRC GLOBAL STANDARD FOR FOOD SAFETY ISSUE 7, IFS Logistics Version 2.1, BRC/IoP Global Standard for Packaging and Packaging Materials Issue 5, BRC Global Standard for Storage and Distribution V3.

TABLE 1

Rating	Approved with certificate GFSI	Alsea Approved	Conditionally Approved	Not approved	Under development
Audit Rating	Approved	≥ 80	79-60	≤ 59	≤ 59
# of Red Lines *	0	Maximum 1	Maximum 2	≥ 3	≥ 3 closed and with a development plan
Open Action Plans	Maximum 1	1-2	2-3	≥ 3	≥3
Audit Frequency	Every 3 years	Annual	Semiannual	Not Applicable	Variable
Updating frequency of GFSI certification	According to the validity of the Certificate	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Frequencies established based on rating or Open Action Plans.

* **Red Line:** critical non-conformities that affect safety or regulatory compliance. It can generate a major health or safety problem that requires to immediately to stop production; they place the operation at risk.

It is important to mention that the criteria described in Table 1 may be changed annually.
Each non-conformity detected in the audit will subtract points, starting from a base of 100 points, considering the following criterion:

Type of non-conformity	Subtracted points
Criticism (Red Line)	15
Mayor	4
Minor	2

**It is updated annually.

In the event that the Supplier does not approve the audit, it may be subject to suspension of orders upon prior notification from the Purchasing area. In case the supplier commits to improve, it will enter a development scheme that will be managed through audits and visits of variable frequency, according to the established development plan.

The supplier must request in writing from Alsea's Supplier Approval and Development department the date of the next audit at least 30 days before the expiration of its approval term.

The supplier must communicate to the Supplier Approval and Development department, the change of operations to another location or some major modification in the plant structure (extension of lines or cold chambers, etc.), changes in its process, formulation or additives, etc., to schedule a new audit and update the validity of the approval.

The audit process will be carried out by qualified auditors belonging to pre-approved audit firms by Alsea who will apply the above criteria. The authorized audit firms will be notified by the person responsible for coordinating the audits, who will apply the criteria mentioned above and all those stipulated in the Vendor Agreement and the rest of the Annexes (including the Sustainability).

The cost per a current audit is within the range of $10.000 + VAT/day auditor, the duration of the audit is from one to two days depending on the type of process and the number of lines to be audited. Travel expenses will be charged to providers located outside the metropolitan area (CDMX). This information will be confirmed by the ALSEA manager who coordinates the audit plan.

The audit fee will be applied directly as a discount reflected in payments made to the supplier 7 days before the date of its audit.

IV. Quality on receipt (QR)

Suppliers' compliance is periodically rated with respect to the compliance percentage of the delivery conditions requirements during the reception of supplies at Alsea's warehouses. Among the requirements that are checked are:

- Complete and correct documentation
- Transport Conditions
- Physical conditions of the product
- Operator conditions (identification, dress code and conduct in Alsea facilities, etc.)
- Cold chain compliance guarantee: For refrigerated and frozen products is an indispensable requirement for each delivery, to present written evidence of compliance of the cold chain from the supplier’s warehouse to Alsea's warehouse.
- Annual analysis with an accredited laboratory, of all the parameters contained in the specification of all the products supplied to Alsea, in addition, an analysis certificate must be provided for each batch of product delivered.

The above requirements are detailed in the distribution and logistics annex.

V. Product Complaints (IQ)

Presented after delivery to Alsea warehouses, which have an impact on safety, compliance with national regulations and/or a quality impact that affects the functionality of the product or affects the image of the brand. Such complaints may arise from a customer (consumer) complaint, a deviation in the monitoring program results, traceability exercises, etc.

- Customer complaints: complaints detected and reported by staff of our restaurants or by the end consumer.
- Hidden damage: deviation attributable to the supplier that was not detected upon product receipt, for example damaged product inside the secondary packaging boxes.
- Deviation in the Alsea monitoring program: the products purchased by Alsea are subjected to random control programs and in case of deviations in the physicochemical parameters analysis, microbiological or product functionality, suppliers are immediately notified, understanding that each supplier is responsible for the quality control of their finished product.

If any critical deviation described in the above cases is detected, a corrective plan of action will be formally requested from the Provider, which will be obliged to submit within a maximum period of 72 hours in writing, including the investigation carried out to determine the root cause, the actions implemented to contain the risk, correct the deviation and avoid recurrence, as well as the way in which the effectiveness of these actions will be verified and the corresponding evidence submitted. In the case of safety complaints, a Corrective Action Plan must be submitted within a maximum period of 48 hours.

Said plan will be followed up until its closure. In the event that the plan does not indicate effectiveness in preventing the recurrence of the non-conformity, the validity of the supplier's approval shall be restricted until it is verified that the risk conditions that generated the deviation were solved.

VI. Regulatory Requirements

a. General Conditions.

The supplier must ensure at all times that its products comply with all the national and international regulatory guidelines necessary for their import, distribution and use within Mexican territory, including ingredients used, packaging/labeling and manufacturing process.

b. Labeling.

Products produced by suppliers shall comply with the minimum labeling requirements requested by the national authorities, taking into account the nature and use of the products.

Compliance with Mexican laws, regulations and official standards that apply to your product depending on its characteristics must be guaranteed, in order to ensure that they are in line with what is requested by the authorities, considering its use/application.

The supplier must submit to Alsea the official supporting documentation necessary to ensure the safety and verification of its products (UVA labeling validation, Profeco [Federal Consumer Protection Agency] commercial information analysis, etc.), this is in order for Alsea to be able to present these documents to the authorities in case of any inspection or visit of the same in the establishments, distribution centers and manufacturing plants.

c. Documentation.

The supplier will provide Alsea with all the necessary documentation to support the proclamations/statements to which its product mentions, mainly all those that emphasize the functionality, benefits and/or particular characteristics of the product and that are used to enhance the image of the product before the consumer, including a letter of guarantee.

All statements must be fully verified, with official certification and using Alsea approved, accredited or authorized laboratories, if necessary.

d. Regulatory matters contact.

You must immediately communicate Quality Assurance to report any employee changes in the Quality Department key functions.

Any non-compliance of the guidelines described in this document will result in a rejection. The notification shall be by e-mail with a copy to the provider indicating the reason. The supplier must coordinate with planning the new delivery date, considering that previously rejected product batches will not be received again in any of the Alsea units.

If after receipt, the product presents any deviation, it will be rejected, and the supplier must pick up the product promptly and make the corresponding physical change.

In case of removal or destruction of the product derived from any quality or safety incident, the supplier will pay the expenses derived from said event and will be responsible for the removal of the product and generating the corresponding Credit Note.

VII. Contacts

The following contacts will be responsible for resolving doubts about the issues described above**.**

In case of any critical quality or safety issue, it must be communicated 24/7 to the contact described below.

Name	Telephone	e-mail
América Rosa Isela Rivera Sosa	044 55 4384 9556	america.rivera@alsea.com.mx
Nancy Guadalupe Osorio Piña	045 72 2357 8685	nancy-guadalupe.osorio@alsea.com.mx
Ramiro Terán López	044 55 2067 9353	ramiro.teran@alsea.com.mx