



DRAWING NEW ROADS

Integrated Annual Report
2018



Defining new meanings

For 25 years, in Quálitas we have traced our own path, adapting to a changing environment with innovation and talent to solve the challenges of today and tomorrow, providing security and confidence to all our stakeholders, while generating economic, social and environmental value.

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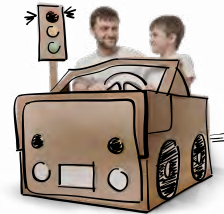
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Letter from the Chairman

GRI 102-14, 102-15

Dear Shareholders,
2018 was a year of considerable currency instability due to events during the year, such as the re-negotiation of the free trade agreement with the United States and Canada, as well as the federal elections in Mexico. The exchange rate increase affected us due to a decrease in new car sales. On the other side we were benefited in the investment portfolio by the interest rates hikes.



2.0%

written premiums



29.9%

market share in Mexico

28.5%

ROE

In 2018, the **written premiums increased 2%** reaching \$34,495 million pesos. Although the trend is positive, the lower increase compared to other years was due to the 7% drop in the sale of new vehicles in Mexico; the mix of our portfolio has been changing by reducing the participation of the special business that is generated by the financial institutions and we have significantly increased the segment of the individual and fleet policies, which has helped us to increase the number of insured vehicles, ending the year with **3.8 million insured cars**.

The **earned premiums** had a very healthy increase of **11%**, which allowed us to have sufficient resources to face our risks and expenses. Operating result increased 123% and, by adding the financial result of our investments, we reach a **net profit of \$2,428 million**; 18% higher than 2017 and an excellent **ROE of 28.5%**.

In Mexico we continue to be **market leaders** and, on the other hand, insurance operations in the rest of the countries where we operate are still being successfully developed; however, we

want to improve our support to these operations so that in the future they also improve their contribution to the results of the holding.

The results of our non-insurance subsidiaries were positive and aware of their potential, we will work during the year to strengthen their structure and management.

In a context of increasing risk for the security of information, we deepened its protection. We obtained the **PCI (Payment Card Industry)** certification for our security for transfers through our website, after perfecting our processes and standardizing security procedures. We seek that technology contributes to the efficiency of processes and strengthens the attention to the policyholder, thanks to the potential of mobile connectivity and artificial intelligence, among other aspects.

Our workforce continues to grow and we already **exceeded 5,000 employees**, whose well-being and professional development we support every day. We

provide them with an extensive training program through Quálitas University, with options also for agents, suppliers and employees of the service offices. We also generate employment opportunities, supporting the incorporation through a talent incubator or seedbed.

We promote living the values of Quálitas together, setting an example in aspects such as equal opportunities, with more than half of the managerial positions held by women.

92.5%
combined ratio

5,028
employees

To facilitate the attention of breaches of the Code of Ethics and Conduct, we have *Q Transparencia* (Q Transparency) whistleblowing platform.

Committed to road safety, we continue to develop alliances to spread the importance of responsible driving behavior and the importance of respectfully sharing the road. We bring young people testimonies and messages to become agents of change. On the other hand, in Mexico City we implemented a Road Safety Management System for our claims adjusters, which includes training for the attention of claims under a culture of prevention.

We are guided by criteria of sustainability, in a close dialogue with our stakeholders. We are committed to the **10 Principles of the United Nations Global Compact** and we work to maximize our contribution to the **Sustainable Development Goals**. For the second year in a row, we are part of the **Dow Jones Sustainability MILA Pacific Alliance Index**, which encourages us to continue to mature in the management of environmental, social and corporate governance issues.

When you read these words, we will be completing **the first 25 years of**



the company. The result describes a story of success, not only because of the size of the business and profitability, but also because of the lives and assets that we help protect, because **in Quálitas, we insure cars, we take care about people.**

With the same vitality of this moment we approach the future, we hope to continue to grow thanks to the effort and commitment of all of us who are part of this great company.

Best Regards,

A handwritten signature in black ink, appearing to read 'J. Brockman L.', written on a light-colored background.

Joaquín Brockman L.
Chairman of the Board of Directors

our achievements

Dra • wing

~~Alt. of Old English dragan. Give motion to by the act of pulling,~~

(action.) **Leave a trace over time.**

More than two decades ago we began to create our story, today we are proud to take a look at the past and see what we have accomplished.



12 years

as market leaders in Mexico

Outstanding figures

GRI 102-7

Infrastructure



418

service offices and ODQs

190

service offices

228

Quálitas Development Offices (ODQs)



5,028

employees



1,234

claims officers



13,709

agents

Performance



\$34,495

million in written premiums



\$31,810

million in earned premiums



29.9%

market share in Mexico



3,877,470

insured vehicles



1,508,801

assisted claims



\$2,428

million of net profit



92.5%

combined ratio



28.5%

ROE



\$28.9

billion Invested Assets, float

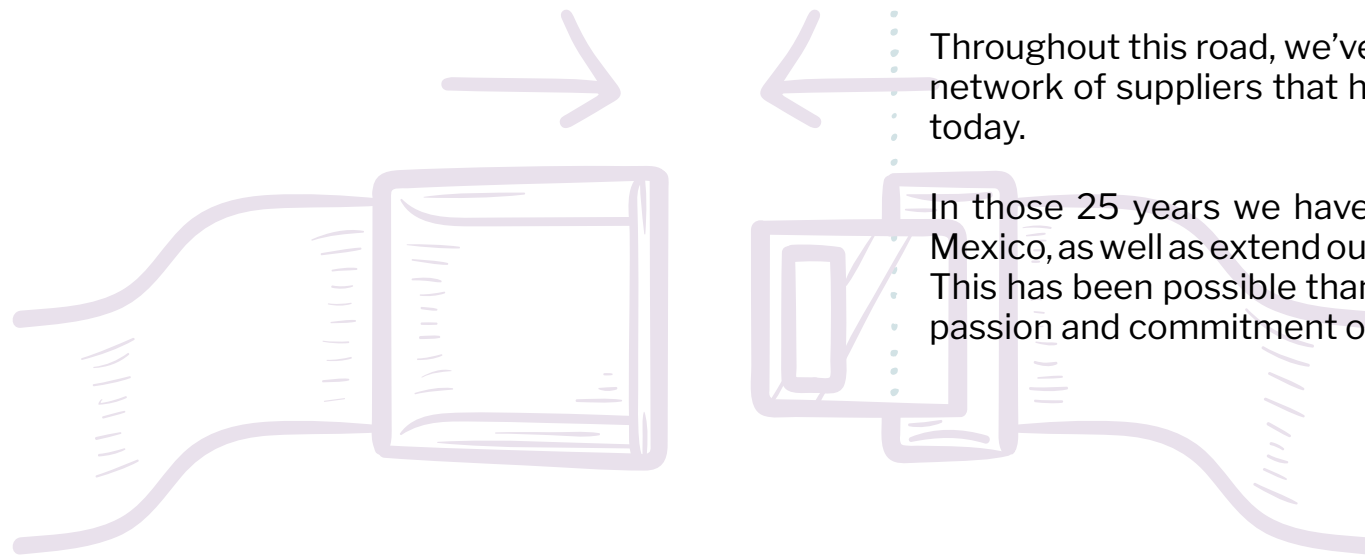
Road to the 25 years

GRI 102-2, 102-4

TWENTY-FIVE YEARS AGO WE BELIEVED AND CREATED A BUSINESS MODEL BASED ON QUALITY SERVICE AND THE AVAILABILITY OF INSURANCE THROUGH A NETWORK OF RELIABLE AGENTS TO PROTECT THE ASSETS AND THE PHYSICAL INTEGRITY OF OUR POLICYHOLDERS.

Throughout this road, we've relied on the talent of our employees and a network of suppliers that have allowed us to grow and be what we are today.

In those 25 years we have managed to consolidate our leadership in Mexico, as well as extend our operations to the USA and Central America. This has been possible thanks to the trust of our policyholders and the passion and commitment of all of us who work supplying this service.



QUÁLITAS IS SYNONYM OF TRUST IN AUTOMOTIVE INSURANCE

Let's take a look at our story and the milestones that have paved this road which we want to continue travelling alongside all of you.

Road to the 25 years

| → 1994

1996

1998

2000

2002 →

First office
115 agents
38 employees
4.7 million pesos of written premium

Operation was extended outside the metropolitan area:
10 service offices

Launch of fleet segment

72 offices
2,190 agents
205 employees
+725 million pesos of written premium
150,999 insured units

91 offices
5,500 agents
3.4% market share in Mexico
+2 billion pesos of written premium
392,405 insured units

Road to the 25 years

2005

Listing in the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*)

2007

19.4% market share in Mexico

We reach the first position in Mexico

Strategic alliance with automotive financing companies

+8.5 billion pesos of written premium

1,356,108 insured units

2008

Beginning of operations in El Salvador (Q ES)

2010

Beginning of operations in Costa Rica (Q CR)

2011

+2 thousand employees

Almost 8 thousand agents

Opening of first ODQ (Quálitas Development Office)

WE BUILD LONG TERM RELATIONSHIPS THAT DELIVER VALUE TO ALL OF OUR STAKEHOLDERS. TOGETHER WE SEEK THE BEST SERVICE AND PROMOTE INSURANCE CULTURE AND ROAD SAFETY, WHICH CONTRIBUTES TO THE COEXISTENCE OF CITIZENS.

Road to the 25 years

→ 2012

Constitution of Quálitas Controladora (QC)

2014

Beginning of operations in USA (QIC)

2016

31.5% market share in Mexico
+52% growth written premium
+12 thousand agents Adoption of Solvency II in Mexico

2018 ←

+5 thousand employees
+400 offices (Service Offices and ODQs)
Nearly 14 thousand agents
Strengthening of corporate governance

Victoria Bravo - agent - since 1994.

“Something that attracted me when I began working with Quálitas was its specialty and since then, I have been a team player because I believe in what we do together. It is a company you can trust, where communication is feasible, and that is priceless. Trust and communication are key in this trajectory”

Agencia EXSE - agents - since 2002.

“Since we began operations with Quálitas we've seen that it has met all the requirements to offer our prospects and policyholders the best coverage, as well as awareness regarding the liabilities and the risks of a transportation service company. We consider it to be the best company in terms of service and professional relationship with agents; this close treatment is what sets Quálitas apart, a relationship in which we communicate person to person. Due to all this, plus the fact that it is 100% Mexican, it makes us proud to work together and it is an example to follow as a company.”

Transportes Monroy Shiabon

S.A. de C.V - policyholder - since 2009.



Insuring our fleet with a company that provides trust and security is basic, and we've found that in Quálitas. It is not only an insurance company, but our business partner, since it is very interested in adapting to our needs, becoming aware of the liabilities and the risks of a transportation company and reducing the claims levels."

Patricia Gaytán - employee - since 1997.



When I joined Quálitas, there were times of uncertainty, but what motivated me to not jump out of this ship was my trust in Don Joaquín, when one has the opportunity to work with him, he transmits security and trust. For me, the Quálitas brand stands for success, growth, a lot of love, tranquility and, honestly, a lot of happiness. Joining was the start of a path that made me go forward to achieve many things."

Anaid Alvarez - employee - since 2016.



Since I started to work at Quálitas, I have been witness of their close relationship with employees and that there are professional development possibilities. I feel fulfilled with the knowledge and experience that I have acquired here, thanks to Quálitas University. I am proud to be part of Quálitas because it is a prestigious company and the number 1 automobile insurer of the country.”

Auto Ruedas Navarro-Castillo S.A. DE C.V.

- supplier - since 2001.



We feel we have grown together with Quálitas, from our previous company to our current corporation, having been one of the first companies to which they channeled claims. Quálitas has been our best business partner this whole time; it accounts for 60% of the repairs we make. I would widely recommend other workshops or suppliers to have Quálitas as an ally. I like working with Quálitas and it is the best decision I could have made.”

Our contribution to global challenges - SDGs

GRI 102-12, FS16



THE **2030 AGENDA** FOR SUSTAINABLE DEVELOPMENT IS THE INTERNATIONAL GUIDE FOR WORKING ON THE MAIN CHALLENGES THAT WE FACE AS A SOCIETY AND IT INCLUDES THE **SUSTAINABLE DEVELOPMENT GOALS (SDG)**, PROMOTED BY THE UNITED NATIONS, IN WHOSE DEFINITION THE BUSINESS SECTOR PARTICIPATED; THE SDG PROMOTE A CHANGE IN THE UNDERSTANDING ON HOW COMPANIES CONTRIBUTE TO DEVELOPMENT.

The business sector plays an important role in the achievement of the SDG, especially through the **initiatives related to their business models and operational impacts**. At Quáлитas we have joined this global effort and carried out a first analysis of the SDG and goals to which we contribute, which we present below.



We have identified the **SDG 3** as strategic, aimed at promoting *Good Health and Well-Being* of the population, to which we contribute by promoting road safety, through a prevention culture and responsible conduct.

We also contribute to **SDG 4**, which seeks to encourage *Quality Education* for all. In this case, we promote the professionalization of our employees and key partners¹, through training and delivery of operational tools; our contribution to financial education also stands out.

With the impact of our financial education programs and the economic development around the commercialization of insurance through the ODQs, we support the achievement of the **SDG 8**, on *Decent Work and Economic Growth*, and the **SDG 9**, regarding the

Industry, Innovation and Infrastructure. For innovation, how we promote high standards of operation in our business partners is also key. On the other hand, our efforts on road safety, also contribute to the **SDG 11**, of *Sustainable Cities and Communities*, facilitating the coexistence on the road and the inclusion of the different users.

Our contribution to the SDG is detailed throughout this report². Next, we present an advance for the main SDG.



¹ We understand our key partners to be members of our value chain, those who make the insurance offering and assistance to the policyholder possible: agents, service offices' directors and their teams, and suppliers.

² For reference to the SDG and goals, the analysis on the strategic contribution and the guidelines of the *Business Reporting on the SDG* initiative are considered.

SDG 3 ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

At Quáлитas we contribute to the decrease of traffic accidents and deaths through the promotion of responsible, safe and conscious driving, guided by the “Quáлитas Road Safety Program”, whose objective is to protect the integrity of drivers, cyclists, pedestrians and other users of the public road³. To achieve this, we work together with different associations such as nonprofit organizations, educational institutions and other companies.

In addition, we provide counseling on routes and driving safety to the policyholders in the fleet segment, who are especially exposed due to the time they spend on the road and the dimensions of the vehicles they drive.

During 2018 we began to redesign how to contribute to road safety matters in order to incorporate the different actions and develop new initiatives to contribute in a personalized manner to other road users, beyond



1,445,644 pesos

invested in road safety.⁴



+35 million people

subscribed to the road safety newsletters.



+10 thousand insured fleet businesses,

which represent +940 thousand insured units.

³ More information regarding this in the chapter on Prevention and Road Safety Culture.

⁴ Does not include investment of the fleet segment.

motorists, motorcyclists, and shippers.

SDG 4 ENSURE INCLUSIVE AND QUALITY EDUCATION FOR ALL AND PROMOTE LIFELONG LEARNING

We promote, in a strategic way, the development of our employees, putting Quálitas University at their disposal, which is a platform of knowledge and learning, directed toward employees, agents, service offices' workers and suppliers, with specific contents to reinforce quality service.

We develop talent incubators to offer indispensable knowledge on the subject of insurance for certain positions⁵.

We also train on financial education, as part of the prevention culture, included in our well-being program for employees and in the campaigns we developed alongside the National Commission for the Protection and Defense of Users of Financial Services (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros, CONDUSEF*).



8.0 million

investment the Quálitas University.



310 participants

in the talent incubators.



81,830 hours

of training in Universidad Quálitas.

⁵ For more information go to chapter Employee development.

Organizational Identity

GRI 102-16



AT QUÁLITAS WE AIM TO PROTECT THE ASSETS AND PHYSICAL INTEGRITY OF VEHICLE OWNERS, AS WELL AS THEIR LIABILITY INCURRED IN RELATION TO THIRD PARTIES, THROUGH A BUSINESS MODEL BASED ON QUALITY SERVICE AND COST CONTROL.

We are an ethical, efficient, financially solid company who is committed to our different stakeholders, besides being a regional benchmark in the automotive insurance market. These are the values that guide our actions and are expressed in our Code of Ethics and Conduct.



You can consult our Mission, Vision, and Identity at:

<http://qinversionistas.qualitas.com.mx/portal/about-qualitas/?lang=en>

QUÁLITAS CONTROLADORA

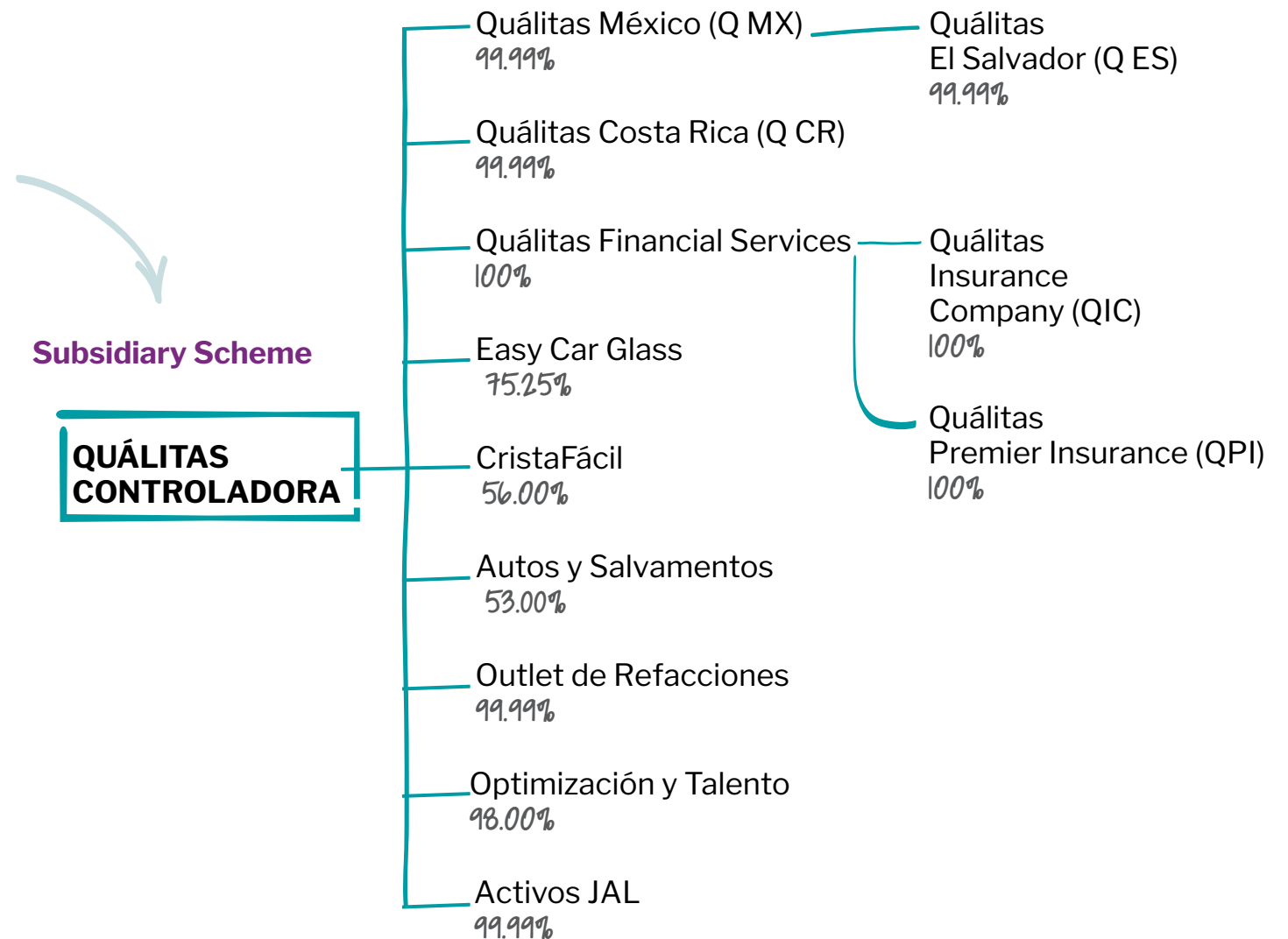
GRI 102-1, 102-2, 102-4, 102-5, 102-6, 102-45

Quálitás Controladora, S.A.B. de C.V. is constituted by different insurance subsidiaries, that offer a comprehensive and specialized service in the automotive field; non-insurers are added to these which are linked to the process of claims assistance which we've established together with strategic partners that are responsible for the operation and are specialists in their field. In this way, we are able to comply with our promise of service to the policyholder through an efficient operation and the creation of tailor-made solutions in order to always live up to their expectations.

In 1994 we started operations in Mexico, where since 2007 we are leaders in the industry; over time we've expanded our operations to El Salvador, Costa Rica and the United States. At the end of 2018, negotiations began to acquire an automobile insurance company in Peru, offering high quality services for the Peruvian market and increasing our international presence.

Quálitás Controladora is listed in the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*) with a floating capital of 42.3%¹. Since March 2018 Q* is considered a high liquidity stock. Due to the efforts we have made, since 2017 we are part of the **Dow Jones Sustainability MILA Pacific Alliance Index**, which recognizes leading companies in sustainability in the region (Mexico, Chile, Colombia and Peru).

¹ Last figure reported to the Institute for Securities Deposit (Instituto para el Depósito de Valores, INDEVAL)





QUÁLITAS MÉXICO

In accordance with the information published in 2015 by the Mexican Association of Insurance Institutions (*Asociación Mexicana de Instituciones de Seguros, AMIS*), only 30% of the number of vehicles in the country have insurance, even though it is now mandatory in the majority of the States in Mexico. Which is why, there is a great effort to be made to extend the insurance culture and as a company, we are working on it.²

We continue to be leaders in the automobile insurance market with a 29.9% market share according to the figures published by AMIS on December 2018. During 2018 the sale of new cars decreased by 7.1%, according to figures from the Mexican Association of Automobile Dealers (*Asociación Mexicana de Distribuidores Automotores, AMDA*), financial institutions, where insurance is sold in alliance with the financial.

Nevertheless, we experienced an increase in the individual and fleet segments, distributed mainly through our network of non-exclusive agents.

² More information in the chapter on Prevention and Road Safety Culture.

Quálitas México (Q MX)

	Δ 18-17	2018	2017	2016
Insured Units	1.4 %	3,793,178	3,739,614	3,415,084
Written premium (MM MXN)	2.1%	32,821	32,141	28,737
Market share (%)	(1.4) pp	29.9	31.3	31.5
Employees	+61	4,860	4,799	4,287
Service offices	+5	178	173	171
ODQs	+8	227	219	197

Quálitas México offers insurance for:



Automobiles and pickups (domestic, foreign and with cross border registration)



Motorcycles



Trucks and Trailers



Emergency Services



Public Service transportation



Passenger Transportation



Heavy equipment



Quálitas México (Q MX) represent close to **95.1%** of Quálitas Controladora's Quálitas Controladora's underwriting.

Service offices and ODQs

FS13

These are the States in which our Service offices and ODQs are located.



CENTRAL MEXICO

State	Service Offices	ODQs
Ciudad de México	19	2
Estado de México	12	20
Guanajuato	8	14
Hidalgo	5	9
Morelos	2	1
Puebla	7	10
Querétaro	3	6
Tlaxcala	2	3

OTHER COUNTRIES

COSTA RICA, EL SALVADOR AND UNITED STATES



CONTENT :

QUÁLITAS INSURANCE COMPANY (QIC)

Our operation is concentrated mainly in Arizona, California and Texas. We began with insurance designed for the Mexican driver with cross border routes, and we have been adding products for resident vehicles in the USA.

Due to the particularities in the regulations in the insurance sector, in 2018 we created, *Qualitas Premier Insurance Services (QPI)* in order to distribute our insurance to different agents, who in turn are responsible for selling it to the policyholder.

During the year we launched our individual car insurance in Texas, for which we foresee significant growth in 2019. We already offer this product in California, where we exceeded this year, the scope of those vehicles with United States license plates that stay overnight in Mexico.

We have coverage that protects truck cargo in the three states where we operate.

Quálitas Insurance Company (QIC)

	Δ 18-17	2018	2017	2016
Insured Units	(1.6%)	15,560	15,816	16,161
Written premium (MM MXN)	2.2%	961	940	835
Employees	+6	57	51	41
Service offices	+2	4	2	2

Quálitas Insurance Company (QIC) offers insurance for:



- Mexican trucks with cross border operations (Texas, Arizona and California).



- Trucks with license plates from Texas, Arizona or California, and mobility within the USA.



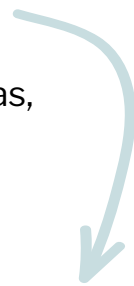
- Third party liability for personal automobiles and pickups that travel on US routes, but have license plates from Mexico.



- Borderless insurance for automobiles and pickups with California license plates; also those that reside in Mexico as well.



- Personal automobiles and pickups with Texas license plates.



QUÁLITAS COSTA RICA

The market is still in development after the opening of previously existing monopoly, a fact that allowed our entry 8 years ago. In this sense, we have been focusing on the development and loyalty of a network of agents, as well as the preparation of a team of claims officers on staff. We have service offices to assist the agents and the policyholder, with our own staff whose training we invest in an outstanding manner. We reached a market share of 7.7%, being the leading private company.






Due to the environment of financial uncertainty that affects the country, with tax adjustment and currency depreciation, the economy shrank and with it, the sale of new automobiles. Despite this context, we had a increase regarding the number of insured vehicles.

Within the insured portfolio in the country, vehicles that come from a collective financing system hold an outstanding weight; we work with 250 of them.

Quálitas Costa Rica (Q CR)

	Δ 18-17	2018	2017	2016
Insured Units	6.8%	52,842	49,441	43,365
Written premium (MM MXN)	(2.0%)	456	465	407
Market share (%)	(0.6) pp	7.7	8.3	7.2
Employees	+4	62	58	48
Service offices	=	4	4	4

Quálitas Costa Rica offers insurance for:

-  Automobile and pickups
-  Motorcycles
-  Trucks
-  Public Service Transportation
-  Heavy equipment



7.7%

of market share.

QUÁLITAS EL SALVADOR



In El Salvador, mandatory automotive insurance does not exist, only 20% of vehicles have insurance. In this sense, promoting insurance culture and being innovative in the strategies for attracting the policyholder is key. We have a market share of 7.3%, differentiating ourselves thanks to the quality in service and the incorporation of technology, together with our business model; our interest specially stands out in the case of public service vehicles or those acquired abroad and nationalized.







During 2018, we strengthened risk management and together with our principles of efficiency and cost control, we managed to decrease the claims rate 11.1 percentage points in regards to 2017, reaching 70.9%.

We have a network of service offices, operated by specialists who trust Quálitas, we also explore the ODQ model, which has produced excellent results in the country.

Quálitas El Salvador (Q ES)

	Δ 18-17	2018	2017	2016
Insured Units	16.2%	15,890	13,671	12,438
Written premium (MM MXN)	10.8%	146	132	117
Market share (%)	(0.2) pp	7.3	7.9	7.9
Employees	(2)	49	51	35
Service offices	=	4	4	4
ODQs	=	1	1	1

Quálitas El Salvador offers insurance for:

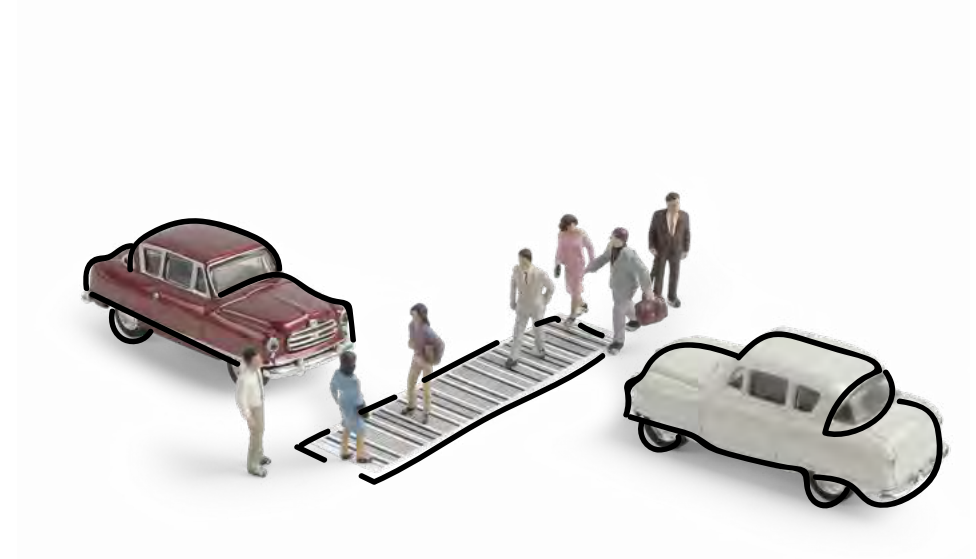
-  Automobile and pickups
-  Motorcycles
-  Cargo Pickups
-  Public Service Transportation
-  Heavy equipment
-  Daily Rents

7.3%
market share.



Corporate Strategy and Business Model

GRI 102-15, FS13



QUÁLITAS IS A SOLID COMPANY THAT HAS BEEN IN THE MARKET FOR ALMOST 25 YEARS MAINTAINING ITS DRIVE OVER TIME. WE OFFER AUTO INSURANCE AND OUR LEVEL OF SPECIALTY IS UNMATCHED IN THE MARKET, WHICH HAS ALLOWED US TO COUNT ON THE TRUST OF MILLIONS OF POLICYHOLDERS.

We are an international, prestigious company who still has the same vitality and values we had on the first day.

BUSINESS MODEL, CORPORATE AND SUSTAINABLE STRATEGY

GRI 103-2, 103-3

Our **business model** is built on **4 basic fundamentals** that guarantee financial success, delivery of value to our stakeholders and our permanence in time.

We are 

Within auto insurance, we work in **three segments**:

- **Individual:** automobiles and motorcycles hired by unit.
- **Fleets:** automobiles and trucks hired on a large number scheme.
- **Financial Institutions:** insurance provided with the automotive financing companies at the time of purchasing a vehicle.

1

Service Excellence



- Close through a network of service offices and agents with personalized attention.
- Dynamic due to the structure of the team and the organization of the processes.
- Agile and efficient through technology.
- Demanding in terms of the quality of our suppliers.

2

Cost Control



- Efficient in the use of resources.
- We maximize investment performance.
- Comprehensive in monitoring operation and expenses indicators.

3

Specialization



- Experienced in the auto insurance sector.
- Flexible in adapting our model to different countries where we operate.
- Innovative regarding the needs of the policyholders.

4

Decentralization



- Diverse in terms of the commercialization channels that we offer to the policyholder.
- Reliable when hand in hand with the agent.
- Fearless when introducing insurance to new areas through the Quálitas Development Offices (ODQ).

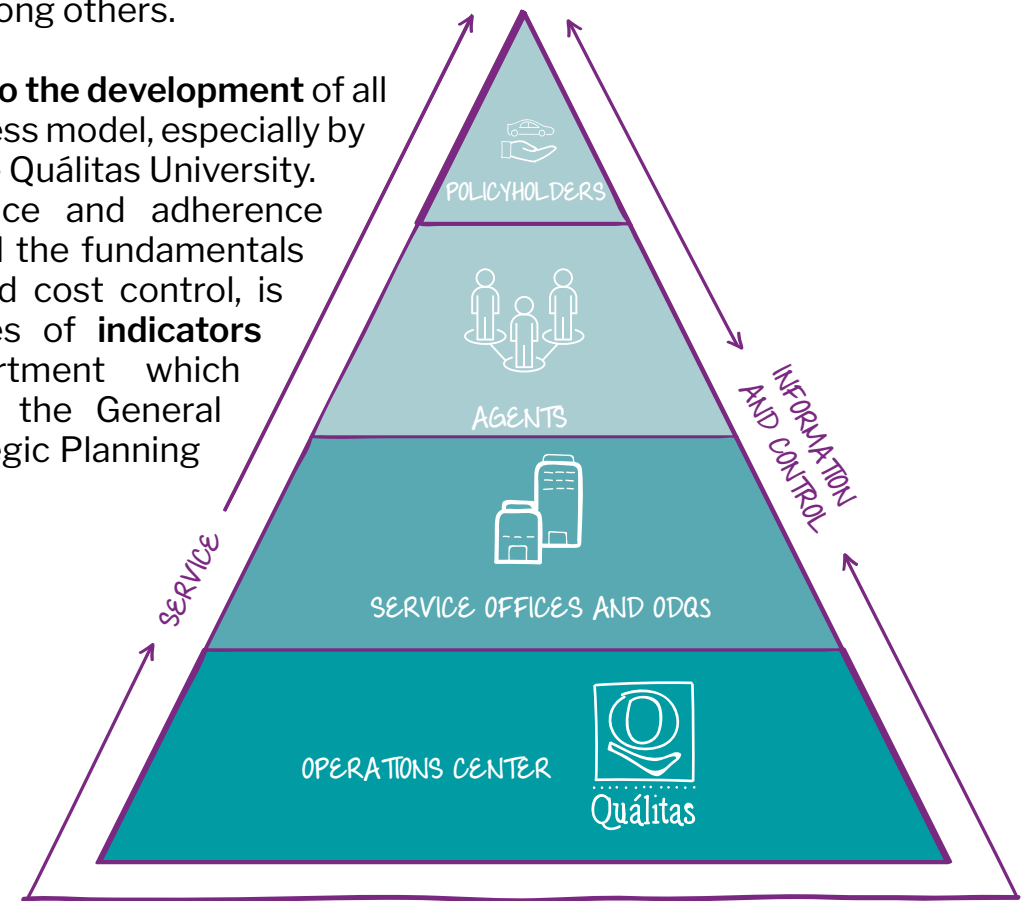
We place an extensive and specialized network of **agents** who sell insurance from the company in the individual and fleet segments at the service of **policyholders**. These agents have **service offices and Quálitas Development Offices (ODQs)** at their disposal, who advise them on products, rates, processes and other elements required for commercialization and assistance to the policyholder. In the case of the financial institutions segment, the commercialization is done directly from Quálitas.

The **service offices** are also available for direct assistance to the policyholder and they operate exclusively for Quálitas products and services. We establish them in partnership with local entrepreneurs specialized in the industry; they also have our own specialized claims assistance teams. On the other hand, the **ODQs** are our strategic offices in those places where infrastructure around auto insurance is still emerging¹. In both cases, they rely on the support of the **Quálitas Operation Center**, which is integrated by different specialized teams, and also available to assist agents.

In case a claim is reported by a policyholder, our claims officer intervenes and puts the repair and medical suppliers at their disposal, who are selected and supervised by Quálitas based on their quality.

Being aware of the needs of our policyholders, agents and suppliers, we innovated and incorporated **technology** in order to be more efficient, as it in the case of an “Ajuste Exprés” (express adjustment), where we remotely assist a claim that complies with specific conditions such as there being no third party involved in the accident or damage to a public road, among others.

We also seek to **contribute to the development** of all who participate in our business model, especially by offering training through the Quálitas University. The company’s performance and adherence with corporate strategy and the fundamentals of excellence in service and cost control, is monitored through a series of **indicators** defined for each department which are monthly evaluated by the General Management and the Strategic Planning area.



¹ More information regarding the ODQs and their impact in the Chapter on Prevention and Road Safety Culture.

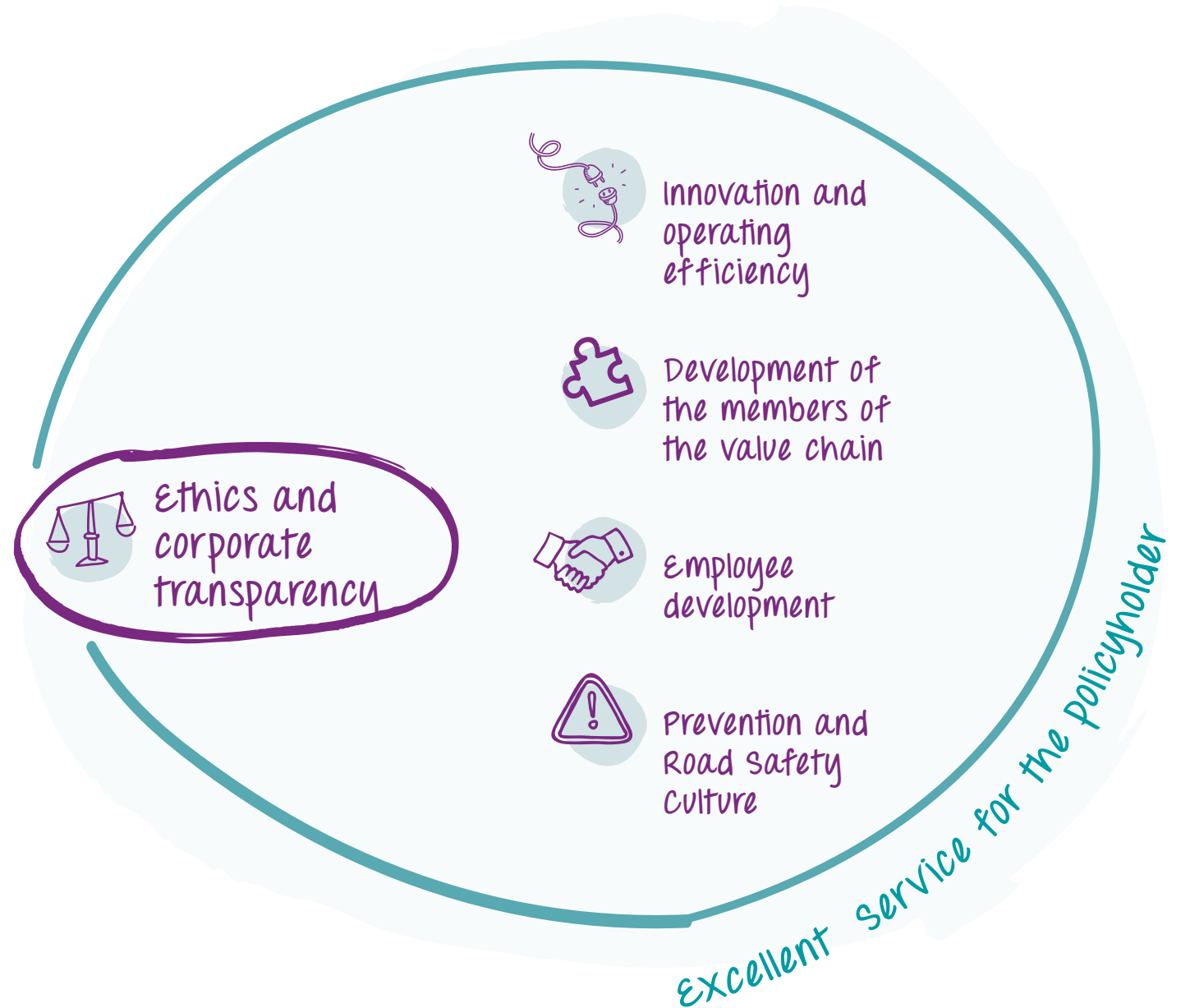
SUSTAINABILITY STRATEGY

GRI 102-19, 102-20, 102-21, 102-22, 102-31

At Quáлитas we have the purpose of **creating value** for all of our stakeholders, as shown by the excellence in service, the development of the value chain, cost control and the contribution to a prevention and road safety culture.

This approach has guided the design and implementation of different initiatives. The maturity we've reached has led us to carry out an analysis at all levels in the organization to define our **Sustainability Strategy**, aligned with the business model and which includes the priorities.

For the design of the Sustainability Strategy, we took into consideration the performance and the topics that resulted from our study of relevant topics as a basis². From there, we established a group of **pillars and lines of work** to organize the efforts. With the support of different areas of the company, we integrated the already existing initiatives and defined new ones, as well as prioritized the work to be done. The initiatives have a plan of action, that include the indicators to monitor the progress.



² More information in the chapter About Our Report.



Ethics and corporate transparency

We seek to enhance the commitment and practice of our values, as well as adherence to the guidelines of conduct and relationship with stakeholders.

We integrated sustainability criteria in the decision making process.

We continued strengthening the corporate government and transparency.



Development of the members of the value chain

We work together with our business allies such as: agents, teams at the service offices and suppliers, to offer excellent services and products to our clients.

We provide training and operational support that allows us a joint performance with high standards of quality.



Innovation and Operational Efficiency

We offer products and services of added value and offer excellent assistance to the policyholder in accordance with our business fundamentals.

We have strict cost control that allow us to be highly competitive in the market.

We incorporate state of the art technological innovations in our operation, seeking to be efficient in the use of resources and in attending to our impacts (i.e. environmental).

We strengthen internal control in order to make processes more efficient and minimize risks.



Employee Development

Our team is key in excellence for the policyholder and in the relationship with agents, service offices and suppliers.

We acknowledge diversity, we form leaders through the development of skills and we promote professional growth.

We encourage internal communication and the well-being of our employees.





Prevention and Road safety culture

We spread the prevention on road safety culture through our experience in auto insurance, we also promote financial education through the different initiatives.

We contribute to improving the coexistence of citizens; which is complemented by social investment in order to tend to other needs that we identify in our environment.

The Sustainability Strategy integrates the actions we have for the different **stakeholders** and the commitments we have been establishing with them³.

Follow-up of the progress made in the strategy corresponds to the **Social Responsibility Committee**, in which representatives of the areas* that have social responsibility initiatives participate.

In addition, we have designated as representatives of the stakeholders those who have a closer relationship with each one.

We therefore have a double system of spokesperson:

- 1) At an area level, to report the team's initiatives.
- 2) At a stakeholder level, to point out the expectations of their representatives.

³ Consult the following section Development of the Value Chain.

* General Management, Human Resources, Corporate communication, Finance management, Commercial Management, Comprehensive risk management, Corporate Legal, Treasury, Relations with Investors, , Claims service, Under Raiting and operational assistance, Claims Operations, National medical manager, Sales customer service manager.

The advances monitored of the strategy are reported on a quarterly basis by the president of the Social Responsibility Committee to the Board of Directors.

**Their safety
is your responsibility**

From the time they are young, teach your children to cross the road at the crosswalks, looking both ways to identify the traffic light's color codes. In addition, to always being accompanied by an adult.

conductavialqualitas.com.mx

ROAD CONDUCT
Quálitas
ZERO ACCIDENTS

Behind the wheels, your life and that of others are at stake

RELATIONSHIP WITH STAKEHOLDERS

GRI 102-21, 102-40, 102-42, 102-43, 102-44

Our organizational culture guides the relationships we have with our different stakeholders which has allowed us to create value for them all.

We identify our stakeholders considering those that could be affected directly or indirectly by our activities, as well as those who are key for the implementation of our corporate strategy and business model.

We place at their disposal different channels and platforms for a open dialogue, involving the areas of the company who are more closely linked by type of activity. In this way, we can know and give answers to the stakeholders' expectations, involve them in the operation and strengthen our relationship.

We bet on growing together, as every commitment we have made with the stakeholders show and which served as the basis for defining the Sustainability Strategy.



POLICYHOLDERS AND CLIENTS

Value Proposal

We protect people and their assets in a comprehensive and personalized manner, we listen and attend the needs of our policyholders.

Commitment

- Personal and asset protection, as well as responsibility in relation to third parties through an efficient service provided at a competitive price.
- Honesty and transparency in our service relationship.
- Open communication to ease the service to our stakeholders.
- Achieve their total satisfaction.

Channel

- Comprehensive Service Survey after claim.
- Customer Relationship Management System (CRM).
- Service Offices.
- Quáлитas Development Offices (ODQs)
- Website
- Q 360° Portal.
- Q *móvil* app.
- Quáлитas Contact Center (Telephone and radio operators in call center).
- Claim officers and lawyers.
- Comprehensive Claims Executive.
- E-mail.
- Q Agencies Portal.
- Business area
- Assistance in meetings and conventions.

Topic

- Information availability on products and services.
- Quality of products and services.
- Personalized assistance.
- Relationships and interaction with suppliers (repair shops, tow trucks, doctors and lawyers).
- Complaint and suggestions follow-up.
- Data protection.



AGENTS

Value Proposal

Together we build a business model that allows us to deliver the experience and service of a specialized company to our policyholders and the closeness and trust of their reference advisor. We work for a long term and efficient relationship. We support their professional development.

Commitment

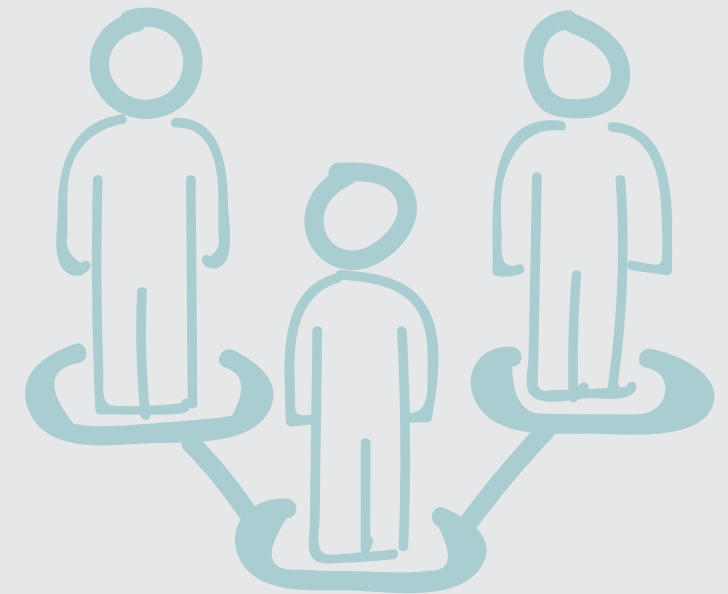
- Efficient, equal, fast and cordial business relationship.
- Support in the events of their professional activity.
- Fast and transparent compliance in the payment of their commissions and bonuses.
- Agile and fast communication in the professional relationship.
- Support in technical training.

Channel

- Service offices.
- Q Agents Portal.
- Service survey for agents.
- Exclusive chat and contact center (01-800 number) for agent assistance.
- Quálitas Contact Center.
- Annual breakfasts and other reunions.
- *Qualicom* dashboard.
- *Notiquálitas* (Qualitas' news).
- Personalized assistance.
- E-mail.

Topic

- Ease and automation of the administrative processes and customer management.
- Claims assistance and relationship with service suppliers.
- Policyholder's experience and satisfaction.
- Continuous training.



EMPLOYEES

Value Proposal

We create employment and professional development opportunities, as well as training. We look for committed people who are part of a team that allows them to give the best of themselves, with constructive leadership and safekeeping of their well-being.

Commitment

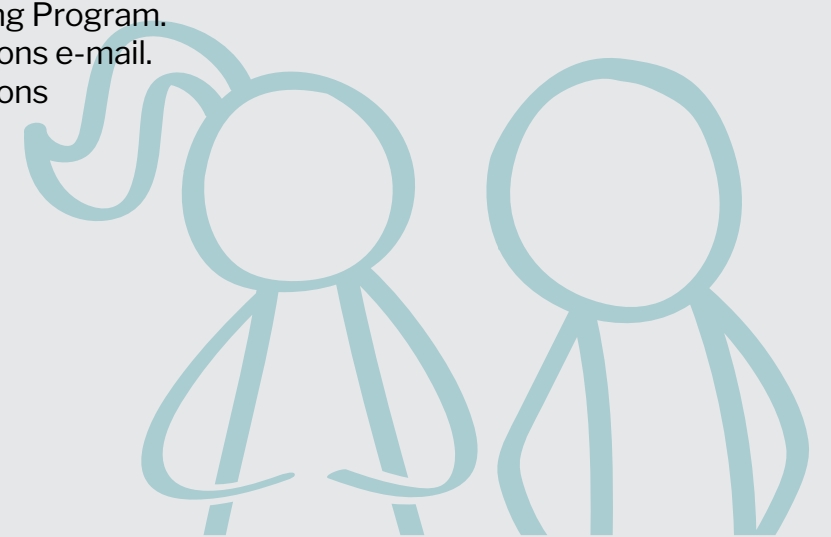
- Competitive and fair wages based on the responsibilities of their position and performance.
- Priority in the promotion to higher positions based on merit.
- Possibility for comprehensive training through skills, technical training and ethical values, to contribute to personal development.
- Promote a state of physical well-being through sports activities and activities related to health, including the employees' family.
- Collaborate with personal savings efforts.
- Avoid any kind of discrimination, with full respect of the person's dignity.
- Achieve permanence and loyalty of our employees.
- Have an open and fluid communication channel between personnel and senior management.

Channel

- Annual work environment survey.
- "Qualinet" Quálitas internal page.
- "Q Transparencia" whistle blowing mailbox.
- Training sessions.
- "Qualiclic" performance evaluation tool.
- Team meetings.
- "Qualicom" dashboard.
- "Valores Boletín" quarterly bulletin.
- "Notiquálitas" (Qualitas' news).
- "Ajusta tus emociones" (Adjust Your Emotions) (phone number) within the Quálitas Well-being Program.
- Internal communications e-mail.
- Internal communications campaigns.

Topic

- Training and career development perspectives.
- Service commitment and excellence to the policyholder.
- Ethics and corporate culture.
- Employee satisfaction.
- Social involvement.
- Well-being.
- Support upon emergencies caused by natural disasters.



SHAREHOLDERS

Value Proposal

We drive investment performance, with the strength of a prudent management and the solidity of a successful business model, adhered to a discipline of cost control. We make the decision making process transparent as well as the company's results.

Commitment

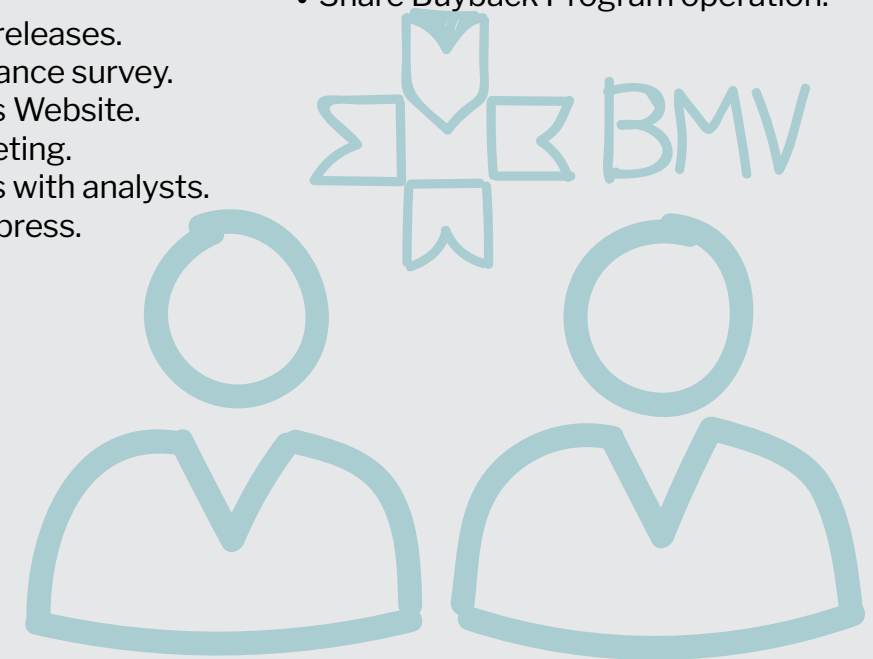
- Reliable and timely information on the development of our company.
- Efficient, consistent, ethical and transparent Management.
- Transparent and honest corporate government practices.
- Achieve complete trust of the stakeholders in the management of the company through a professional management with a long term vision.

Channel

- Annual Mexican Stock Exchange Report and Integrated Annual Report
- Quarterly reports (earnings, industry, and corporate presentations).
- Quarterly earnings results conference calls.
- Investor Relations Department (face-to face meeting, phone and via email meetings).
- Sending of press releases.
- Biannual performance survey.
- Investor Relations Website.
- Shareholders meeting.
- Periodic meetings with analysts.
- Social media and press.

Topic

- Publication of financial and non-financial results to promote the comprehensive understanding of the company.
- Communication and transparency.
- Compliance of regulatory information requirements.
- Promotion and dissemination of the company.
- Share Buyback Program operation.



SUPPLIERS

Value Proposal

We offer relationships based on trust, with conditions that benefit both parts, fair treatment and transparency. We seek quality services, commitment, and efficiency in the operation, combining our principles of excellence in service and cost control.

Commitment

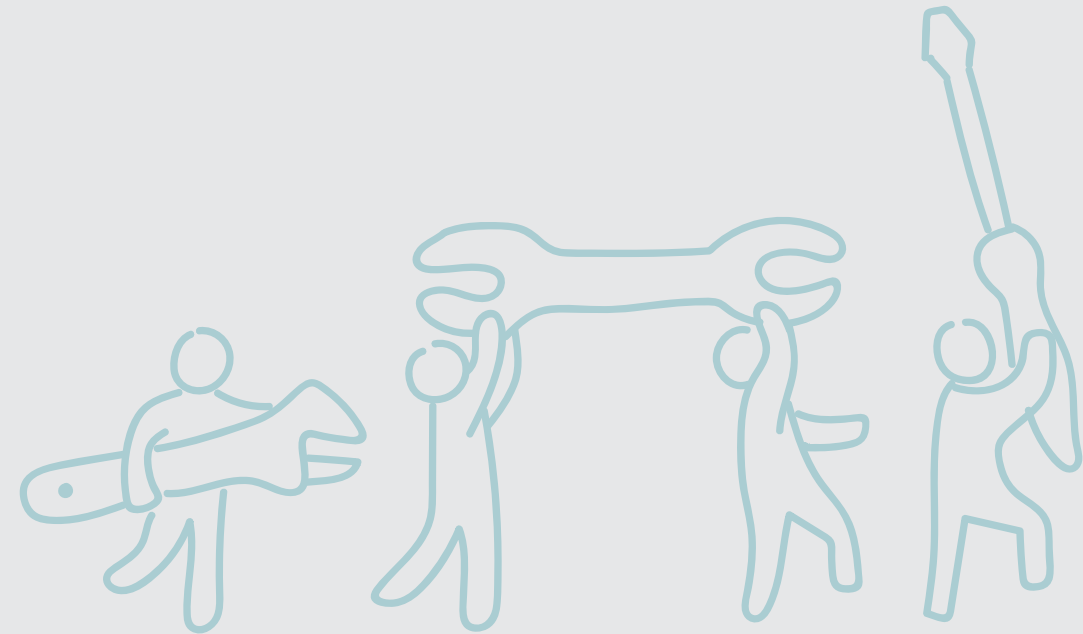
- Selection processes based on tenders which allow free competition in a strictly transparent and honest environment.
- Compliance of the mutually established obligations to build a relationship of trust and loyalty.
- Regular acknowledgments for suppliers, considering the compliance of their obligations, quality and enhancement of services and products.

Channel

- Q Suppliers Portal
- Public bidding (tenders).
- Telephone support line (01-800 number)
- Perception and satisfaction survey

Topic

- Operational efficiency.
- Contractual relationship requirements.
- Quality criteria.
- Economic results.
- Training.
- Effective communication.
- Acknowledgment.
- Feedback through presenting service indicators.



COMMUNITY

Value Proposal

We contribute to the development of communities in our environment, through initiatives that tend to their main needs and where we promote the prevention culture.

Commitment

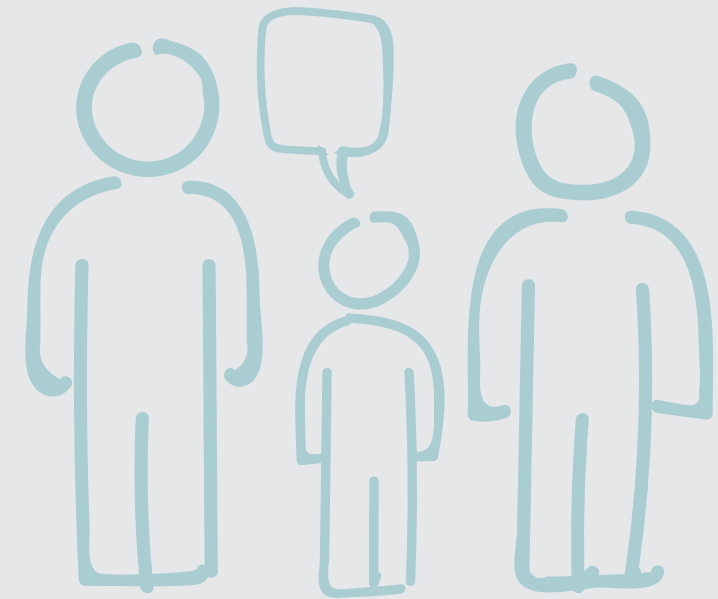
- Support the development of the most vulnerable communities in terms of education, health and conservation of the environment through the support of effective and efficient civil nonprofit organizations.
- Prioritize our collaboration in communities where our offices are located.
- Support duly established associations, which have features of permanence, ethics and efficiency, which will be evaluated through the measurement of the social impact achieved.
- Encourage the participation of our employees and agents to fulfill the objectives of this stakeholder.
- Actively participate in the conservation of the environment, particularly in the areas related to Quáлитas' activities.

Channel

- Corporate volunteering initiatives.
- Meetings, phone calls and e-mail with non -profit organizations (donation recipients).

Topic

- Social investment initiatives.
- Financial education, promotion of insurance and road safety culture.
- Support upon emergency situations caused by natural disasters.



AUTHORITIES AND PEERS

Value Proposal

We comply with applicable laws and thus promote conditions of fair competition, in addition to protecting the rights of the policyholders.

Commitment

- Strict compliance with laws and regulations
- Proactive collaboration practices with authorities and business and professional associations.
- Relationships with peers based upon ethics, respect and transparency.

Channel

- Industry and business associations committees.
- Compliance and institutional relations teams.

Topic

- Legal Compliance.
- Ethics and anti-corruption practices.
- Economic results.
- Financial education and insurance culture.
- Accessibility to insurance products.
- Support and education on road safety.



ALLIANCES AND MEMBERSHIPS

GRI 102-12, 102-13, FS16

At Quálitas we are committed to a safer society, that incorporates the prevention and road safety culture. We are aware that in order to achieve it, it is key to work together with other agents, seeking synergies between our initiatives and the development of joint proposals.

We continue working with the Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros, CONDUSEF (National Commission for the Protection and Defense of Users of Financial Services), publishing messages of financial education and the promotion of insurance for society, with special emphasis on our policyholders.

In addition, at Quálitas we support the UN Global Compact, working in the implementation of the 10 Principles that it promotes, on employment, environmental, human rights and anti-corruption practices. To these, we add our contribution to the Sustainable Development Goals (SDG), that are part of the 2030 Agenda and represent the global map to address society's main challenges⁴.

⁴ More information in the Chapter Marking Tracks.

We have the Quálitas Road Safety campaign, aiming to reach different audiences⁵. It is also part of the Decade of Action for Road Safety, declared by the United Nations in 2011, which calls for the collaboration of governments, companies and non-profit organizations to promote a culture of respect.

In addition, we are involved in the development and improvement of the insurance industry in Mexico, through the exchange of good practices and the joint work of common challenges, as members of the *Asociación Mexicana de Instituciones de Seguros A.C., AMIS* (Mexican Association of Insurance Institutions) and the *Oficina Coordinadora de Riesgos Asegurados S.C., OCRA* (Coordinating Office for Insured Risks).

In the United States, we participate with National Association of Insurance Companies, NAIC; Insurance Accounting & Systems Association, IASA; Pacific Association of Domestic Insurance Companies, PADIC; Insurance Institute for Highway Safety, IIHS.

⁵ More information regarding this in the Chapter on prevention and road safety culture.

In Costa Rica we are part of the Private Insurance Companies Association, while in El Salvador, we contribute as partners in the Chamber of Commerce and Industry of El Salvador.

SOCIAL INVESTMENT

We are part of the communities where we operate; besides contributing our activity of insurance provision, we also lend assistance to the social needs that exist.

Our efforts of social investment are focused on the main problems in the community; specifically, we contribute to the improvement of health, education, as well as sustainable development. We contribute economically through organizations that address those gaps, that are specialists and generate a greater impact.

Benefited Organizations 2018

- Cadena de Ayuda contra la Fibromialgia A.C.
- Casa Hogar Kamami, A.C.
- Casa Santa Clara, A.C.
- Comer y Crecer A.C.
- Comedor Santa Maria, A.C.
- Comunidad de Desarrollo Infantil Copilco A.C.
- Doctor Sonrisas A.C.
- El Buen Samaritano I.A.P.
- Fondo para la Paz, I.A.P.
- Fundación Casa Alianza México, I.A.P.
- Fundación Hermanitas de los Ancianos Desamparados I.A.P.
- Fundación John Landgon Down A.C.
- Fundación Owen I.A.P.
- Fundación Pro-niños de la calle, I.A.P.
- Fundación San Ignacio de Loyola A.C.
- Hogar Gonzalo Cosío Ducoing I.A.P.
- Infogen A.C.
- Instituto de Ayuda Humanitaria A.C.
- Internado Infantil Guadalupeño A.C.
- Kardias A.C.
- Metamorfosis Global A.C.
- Nocaltzin A.C.
- Proeducación I.A.P.
- Reflección con Responsabilidad A.C.
- Renovación, Unión de Fuerzas, Unión de Esfuerzos, A.C.
- Servicio Educación y Desarrollo a la Comunidad I.A.P.
- Unidos Asociación Pro-Trasplante de Médula Ósea Francisco Casares Cortina A.C.



quality

Dra • wing

~~Design or create a plan or project.~~

(mission.) Service excellence for the policyholder.

Supported by technology we have created a strategy that allows us to offer the best service and to satisfy the needs of our current and future policyholders.

+ 1.5 million
assisted claims



Quality service to policyholders

GRI 103-2, 103-3, 416-1, 417-1, FS15



AT QUÁLITAS WE BUILD
LONG TERM RELATIONSHIPS
WITH OUR POLICYHOLDERS,
EXPERIENCING AND
TRANSMITTING THE VALUES
THAT DEFINE US AS A
COMPANY.

We are always committed with offering clear and timely information to agents and policyholders, including the policy conditions and the rights of the parties. At the time of contracting an insurance, the policyholders receive the policy documentation alongside a glossary of terms to facilitate the understanding of the clauses, coverages, restrictions and deductibles.



Our employees follow the Commercialization Policy guidelines for the set of policies that we offer, as well as the operational norms of the Code of Ethics and Conduct.

At Quálitas we make insurance available to everyone through **different channels**. During 2018 we experienced important growth through our network of agents, who have the support of our service offices. We also offer direct contracting options at the service offices, in the ODQs and through our website. Quálitas policies can be contracted at the automotive financing institutions, which will have the same duration as the acquired credit.

In order to establish the **fees**, we take into consideration variables that affect the costs of operation and service, such as the cost of supplies, the exchange rate and the price and quotation rate. From this, we create profit scenarios, in order to continue offering an excellent service to our customers, maintaining low cost rates. Furthermore, we incorporate local factors in each one of the countries where we operate; in Mexico, for example, we consider the area where the vehicle travels as a component to set the rate.

In case of an accident, our assistance personnel both in call center as well as claims officers, are duly trained to ensure the integrity and safety of the people, as



Quálitas makes insurance
accessible for everyone.

well as to answer to the needs in each situation. The policyholders receive information by the claims officers on the process to follow, a Claims Attention Guide which includes information on the indemnification process and a brochure including the rights as policyholder.

Aware that the claims officer intervenes at a key moment in the relationship with our policyholder, we began the design and implementation of a **Road Safety Management System (RSMS)**¹. This way, we seek to reduce the claims officers' the accident frequency and protect the policyholders during assistance on the road. We want the policyholder to feel supported during the repair time of their vehicle and so we offer a substitute car as an additional coverage.

As part of the search for added value for the insured fleets, we facilitate different safety tools such as electronic devices for tracking the units in case of theft, a problem which is specially growing for trucks in Mexico, as well as to prevent accidents². Thanks to the information given by the devices, we are able to present a periodic claims analysis with details of the units, which are compared to similar fleets and other timely information to reduce accidents. Additionally, we offer training on road safety, accident prevention and periodic inspection of the units. We create strategies together to reduce the risk of

collision and theft, what to do in case of a claim and to comply with the transit regulations.

The transparency toward the policyholder is accompanied by reciprocity on their part on the appropriate use of the service. We have a solid structure on **fraud prevention**, in addition to the follow up and electronic analysis of the policies and claims information. We also promote vehicle inspection prior to contracting, as a prevention mechanism.

We continue strengthening our position in the market thanks to our strategy which focuses on **policyholder satisfaction**, which we monitor monthly through the Comprehensive Service Survey. We work on opportunities for improvement that produce results, especially for post claims processes, including the relationship and operation of the workshops.



generalized satisfaction average in 2018, highlighting assistance by the call center and claims officers.

¹ More information in the chapter Prevention and road safety culture.

² More information in the chapter Innovation and operational efficiency.

our allies

Draw • ing

Finding the means to achieve a goal.

(principle.) **Value chain development.**

We have a unique business model that allows us to generate value and strengthen our relations with our stakeholders.

+5,000
suppliers

+13,000
agents



Value chain development



OUR BUSINESS MODEL IS BASED ON **COLLABORATION** WITH THE AGENTS THAT SELL INSURANCE AND MAINTAIN A RELATIONSHIP OF SERVICE AND TRUST WITH THE POLICYHOLDERS.



AGENTS

GRI 103-2, 103-3, 417-1

The relationships the agents have built with the policyholders are a result of transparent marketing and the counsel they offer. At Quálitas, we seek for them to exercise our Code of Ethics and Conduct, aligning with the commitment of service and honesty.

We promote a close relationship which allows us to create long term bonds with the agents; we provide support through the service offices and the Quálitas Contact Center, that manages the phone line at their disposal and the Q Agents portal. In this way, we tend to their inquiries regarding policies and the established conditions, claims and repair status, among other information that may be required.

We contribute to the **development** of our agents through actions directed toward their education and empowerment. Since 2016, the Agents School is available at Quálitas University¹, and we added regional seminars in order to update them on different subjects, in addition to facilitating the relationship between them. On the other hand, we offer training on financial health, in order to raise awareness on the importance of saving and responsible management of income.

¹ More information about Quálitas University in the section, Training and Career Development at Employee Development chapter.



In order to know the perception and satisfaction of the agents, we carried out the **service survey**, which seeks to obtain feedback on the way in which we operate together. During 2018, we worked to improve the attention of the account executives, as well as the issuing and policy management process, resulting in a generalized increase in agent satisfaction. Regularly doing this exercise has helped us in the process of continuous improvement.

With a close relationship based on trust, an efficient operation and specialized attention, the agents are key in the relationship with the policyholder, in the spreading of a prevention and road safety culture and in the design of the future of automotive insurance.

AUTOMOTIVE FINANCING INSTITUTIONS

In the commercialization of insurance, we have the car leasing companies, automotive financing companies and agencies as our **allies**. Together, we build a relationship that delivers value to those who acquire a new owned or leased vehicle.

For an open communication, we placed the Agents Q Portal at their disposal, which facilitates policy management, rate updates, as well as collection and commission payment processes, among others.



SUPPLIERS

GRI 102-9, 102-10, 103-2, 103-3, 204-1

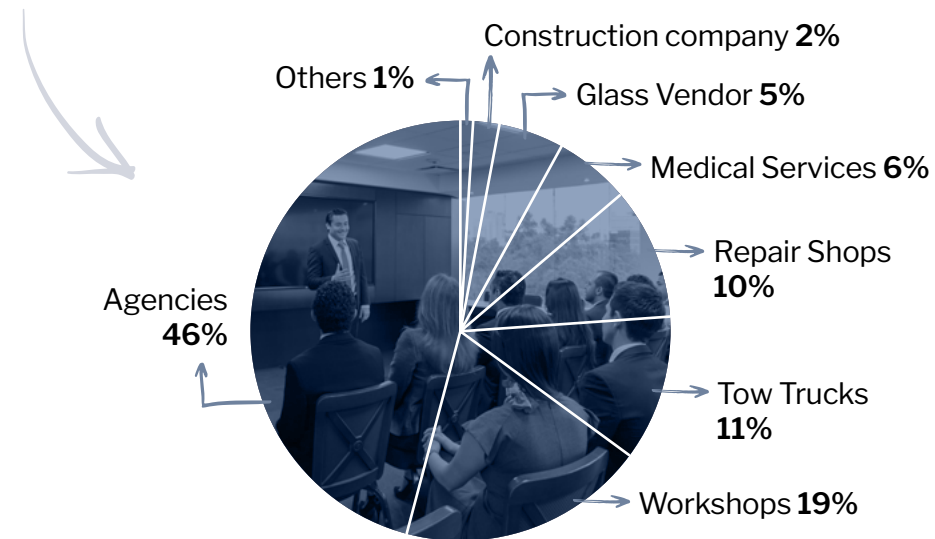
At Quálitas we seek a long term relationship with our suppliers, who are fundamental in our operation, through the provision of services such as tow trucks, repairs, medical and legal attention to the policyholders.

We destined 11.2 billion pesos to 5,137 suppliers, a contribution that grows each year and especially contributes to developing the service industry associated with automotive insurance; 99.9% of it is destined for local suppliers.

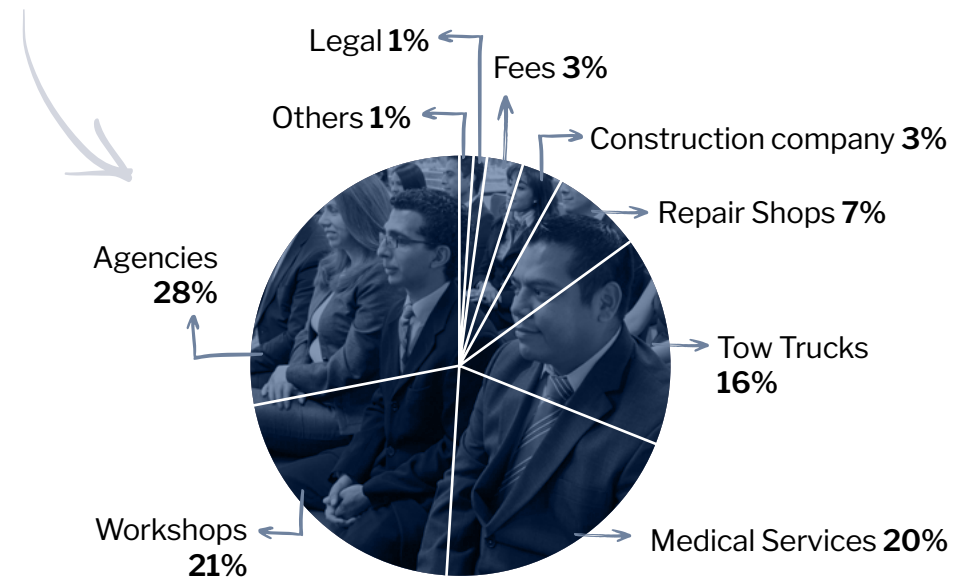
Our commitment with suppliers include the development of bidding processes that guarantee transparency and free competition. At Quálitas we seek for suppliers to perform with high ethical, social, and environmental criteria, including that they are compliant and aligned with our Code of Ethics and Conduct, in addition to compliance with applicable regulations. We have a selection process that evaluates these aspects.

We destined 11.2 billion pesos to 5,137 suppliers

Breakdown of the expense in suppliers per category - 2018



Breakdown of the number of suppliers per category - 2018

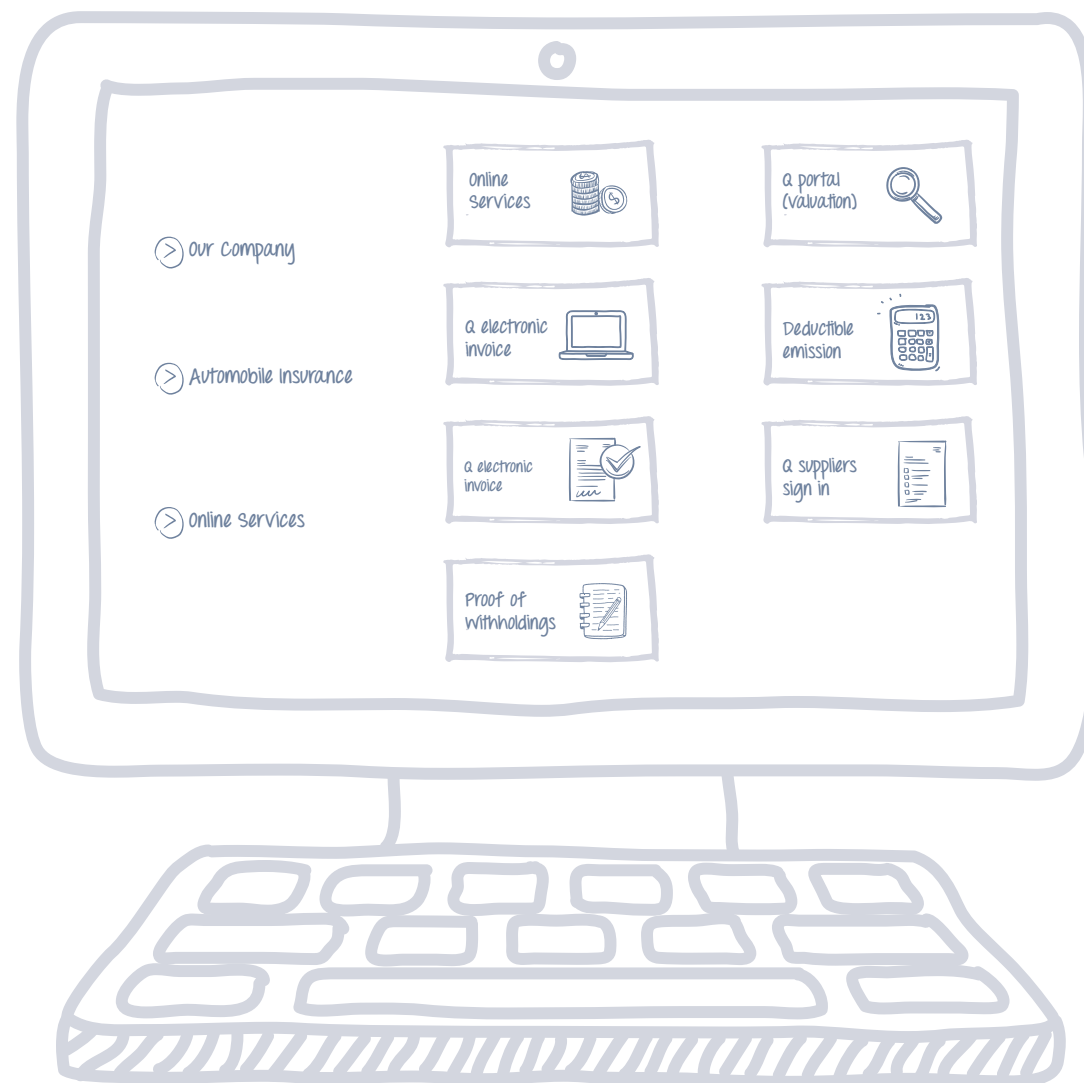


We developed Q Supplier portal, so that suppliers have the pertinent information available and are able to carry out the invoice process through it. In addition, they have the phone line available for counsel and consultations.

The development of our suppliers is key and since 2017 we have placed the Suppliers School at Quálitas University at their disposal. This way, we train on the work tools with the company.

We also have a network of 24 certified workshops, based on compliance with some quality standards in the service established by Quálitas. We continue to promote the strengthening of their operation and efficiency, and we encourage encourage them to use a fast lane, that can help to reduce the repair time².

In order to respond to the concerns of our suppliers and know their opinion, in 2018, we launched the perception survey, where 95.5% of participants showed a general good to excellent satisfaction level.



² More information in the chapter on Innovation and operating efficiency.

our team

Draw • ing

To sketch the features of a person or object.

(want or will.) **Employee development.**

Our path to success wouldn't have been possible without the talent of our people, this is the reason why we boost their development, seeking to improve their life quality.



7,019

participants at Quáлитas University

Employee development



WORKFORCE DESCRIPTION

GRI 102-8, 102-41, 103-2, 103-3, 401-1, 405-1

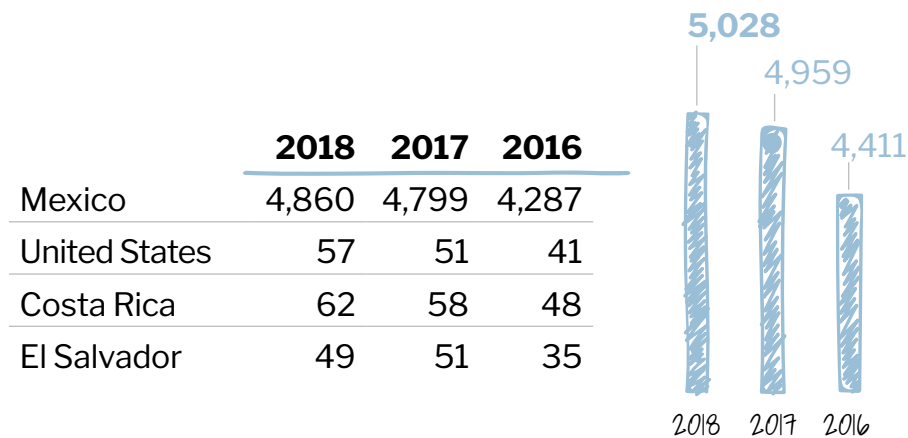
At Quálitas we are convinced that our employees are our most important asset, which is why we encourage the development of their abilities and we deliver optimal work conditions which contribute to their well-being.

At the end of 2018, our **team** is made up by 5,028 employees, 1.4% more than the previous year.

Each one of their performances allows us to maintain a close relationship with agents, suppliers, and policyholders, as well as with the teams in the service offices in the four countries where we operate, Mexico, United States, Costa Rica and El Salvador.

Work demographics - QUÁLITAS CONTROLADORA

Number of Employees



We have a **diverse workforce**, that enriches our organizational culture and the decision making process, by integrating different perspectives that allow us to understand the market and our stakeholders. Specifically, in terms of gender, we stand out for supporting the **professional development of women** in the company. The team is made up by 41% women; among the work categories, it is especially noteworthy that 46% of the management positions are occupied by women. Furthermore, we promote the inclusion of young talent, which already represents 29% of the workforce, mainly as analysts and assistants. Which is why, at Quáalitas we

support training and professional development so that with the experience, they gradually can occupy positions of higher responsibility.

WORK DEMOGRAPHICS BY AGE AND GENDER - QUÁLITAS CONTROLADORA

Country	<30 years old		Between 30 and 50 years old		>50 years old		Total	
	F	M	F	M	F	M	F	M
Mexico	719	689	1,164	2,018	68	202	1,951	2,909
United States	8	5	16	20	0	8	24	33
Costa Rica	31	11	15	4	1	0	47	15
El Salvador	7	9	14	18	1	0	22	27
Total	765	714	1,209	2,060	70	210	2,044	2,984

EMPLOYEES BY PROFESSIONAL CATEGORY, AGE AND GENDER - QUÁLITAS CONTROLADORA

Professional category	<30 years old		Between 30 and 50 years old		>50 years old		Total	
	F	M	F	M	F	M	F	M
Director	0	1	4	1	7	11	11	13
Assistant Director	0	0	13	21	4	10	17	31
Manager	6	5	63	72	2	16	71	93
Coordinator/ Supervisor	31	60	194	335	17	39	242	434
Analyst	488	589	788	1,577	33	124	1,309	2,290
Assistant	240	59	147	54	7	10	394	123
Total	765	714	1,209	2,060	70	210	2,044	2,984

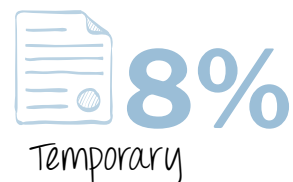
The **Quálitas Mexico** workforce makes up 96.6% of the total, due to the magnitude of our operations in the country and the size of its market. Next, we present the demographics of its workforce in detail.

Summary of work demographics - QUÁLITAS MÉXICO 2018

Age group



Type of contract



92% of our personnel in Mexico have **indefinite employment contracts**; in addition, all the employees work on a full time scheme and are directly have a direct contract with the company. Our workforce is complemented by 203 external company workers for auxiliary services such as cleaning, valet parking and security.

We support communication among all Quálitas' employees guaranteeing compliance with labor rights and obligations and considering the expectations and interests of employees.

It is vital for the company to **attract and keep talent** which helps us strengthen the teams and have high talented professionals. In 2018, 1,034 people joined us in Mexico, through a first temporary contract in three-month trial periods. At the end of the year, 592 of them remained on the workforce with an indefinite contract and 349 still within their trial period¹.

We drive the development of our employees; during the year, 38% of vacancies were filled by internal candidates.

¹The difference is due to those employees that left the company either during their trial period, at the end of it or at the indefinite contract stage.

NEW RECRUITMENTS AND DISCHARGES 2016

Gender	< 30 years old		Between 30 and 50 years old		Over 50 years old		Total
	F	M	F	M	F	M	
Recruitment	346	298	232	343	3	9	1,231
Discharge	165	123	178	263	6	22	757

NEW RECRUITMENTS AND DISCHARGES 2017

Gender	< 30 years old		Between 30 and 50 years old		Over 50 years old		Total
	F	M	F	M	F	M	
Recruitment	446	396	291	390	4	7	1,534
Discharge	238	156	248	329	8	17	996

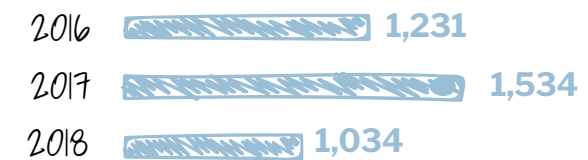
NEW RECRUITMENTS AND DISCHARGES 2018

Gender	< 30 years old		Between 30 and 50 years old		Over 50 years old		Total
	F	M	F	M	F	M	
Recruitment	294	286	200	242	3	9	1,034
Discharge with indefinite contract	126	119	162	231	8	20	666
Discharge with temporary contract ²	82	76	55	66	2	3	284
Total Discharge	208	195	217	297	10	23	950

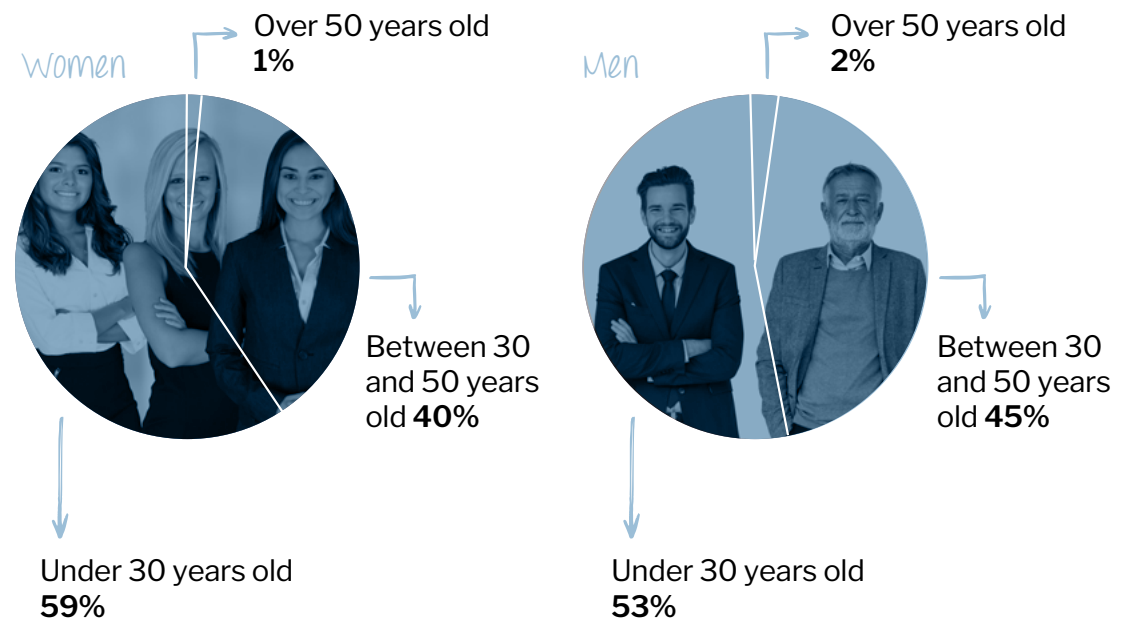
²Refers to the three-month trial contract

Summary of new recruitment - QUÁLITAS MÉXICO

Hires



By gender and age



Our commitment with employee development, through their training, benefit packages, and attention to the work environment, allows us to count on a committed team. Our turnover at Quálitas Mexico in 2018 was 14.8% of employees we already have on the workforce with indefinite contracts, after the trial period³.

TRAINING AND CAREER DEVELOPMENT

GRI 102-35, 102-36, 102-37, 103-2, 103-3, 404-1, 404-2, 404-3, 405-2

At Quálitas we trust in the development of our employee's abilities, through face-to-face and virtual programs to strengthen their knowledge and skills. Our efforts translated into **255,257 hours of employee training** in 2018⁴. As a sign of our interest in the digital transformation, 60% of the hours were imparted virtually, managing to reach more employees.

³ Unlike the previous annual reports, this year we showed the turnover in the group of employees that are already a part of the fixed workforce, with an indefinite contract, thus eliminating the bias that came with the discharge of those employees who did not fulfill the 3-month trial period in a satisfactory manner (with a temporary contract). The turnover was calculated as Discharge of employees with indefinite contract / Active employees as of December 31st for those with indefinite contracts.

⁴ The information on training only applies to Quálitas Mexico, except for the data that makes clear reference to operations in other countries.

TRAINING HOURS PER EMPLOYMENT CATEGORY – QUÁLITAS MÉXICO

EMPLOYMENT CATEGORY	2018			2017			2016		
	Total	Face-to-face	Virtual	Total	Face-to-face	Virtual	Total	Face-to-face	Virtual
Directors	503	202	301	683	356	327	266	252	14
Assistant Directors	3,321	1,715	1,606	2,854	2,193	661	684	651	33
Managers	9,824	1,770	8,054	7,564	4,782	2,782	678	566	112
Coordinators	31,557	4,016	27,541	12,571	5,257	7,314	593	270	323
Analysts	193,383	94,558	98,825	194,194	149,742	44,452	55,542	53,440	2,102
Assistants	16,669	406	16,263	11,907	3,763	8,144	460	107	353
TOTAL	255,257	102,667	152,590	229,773	166,093	63,680	58,223	55,286	2,937

We offer training to all employees in all professional categories, tending to the needs associated with their responsibilities and activities. Throughout the year, each employee received an average of 52 hours of training.

TRAINING HOURS PER EMPLOYEE PER EMPLOYMENT CATEGORY - QUÁLITAS MEXICO

EMPLOYMENT CATEGORY	2018	2017	2016
Directors	30	40	14
Assistant Directors	79	73	18
Managers	64	51	5
Coordinators	49	20	1
Analysts	55	55	19
Assistants	35	25	1

The **Quálitas University** makes up our main training program, which leverages technology to train remotely, with the goal of developing the skills required by our employees. From its beginning, we are progressively expanding its contents and scope. By the end of the year, we had imparted 101 courses, 31 of them were new; we had 5,434 participants⁵.

We extend the development of training contents at the Quálitas University to our allies in the implementation of the business model, who participate in the provision of service to the policyholder: agents, suppliers and employees from service offices.

NUMBER OF PARTICIPANTS IN QUÁLITAS UNIVERSITY IN MEXICO

Group	2018		2017	
	Number of participants ⁶	Number of hours	Number of participants	Number of hours
Quálitas Employees ⁷	5,434	147,950	5,125	68,975
Agents	182	1,906	702	1,542
Service Offices Employees	1,095	25,296	901	11,302
Suppliers	398	599	11	11
TOTAL	7,109	175,751	6,739	81,830

DIMENSIONS OF QUÁLITAS UNIVERSITY – OTHER SUBSIDIARIES

Group	2018		2017	
	Number of participants	Number of hours	Number of participants	Number of hours
United States	4	8	-	-
Costa Rica	62	2,040	56	308
El Salvador	57	516	40	115

⁵ This number is greater than the number of employees since it includes employees who stopped working at the company during 2018.

⁶ An employee who finishes at least one course is considered a participant.

⁷ This number is higher than the number of employees since it includes employees who stopped working at the company during 2018.

The contents of the University cover different topics related to our operation, which we present organized by schools and recipient profile. In 2018 we reinforced the content; reinforcing the prevention of money laundering in the Business School stands out.









Schools at Quálitas University:

- * Quálitas School
- * Commercial School
- * Agents School
- * Claims School
- * International School
- * Technical School
- * Leadership School
- * Suppliers School

We have a **talent incubator**, an initiative to prepare new employees in those profiles that we demand the most. This year, we provided 47,953 hours of training under this scheme, increasing the variety of incubators and the number of developed editions. The rate of participant incorporation into the company after their training through the incubator was 77%. Through this initiative we empower young talent and we incorporate employees who are committed to their responsibilities.



INCUBATORS FOR EMPLOYEES

	Lawyer Incubators	Train lawyers in the competences for addressing claims according to the accusatory criminal system and the service philosophy of Quálitas.	37 participants duration of 115 hours
	Call Center Incubator	Develop excellent phone assistance abilities for the policyholders, resolution and/or internal management of requirements.	50 participants duration of 126 hours
	AVQ8 Incubator⁸	Train the radio operator in competences for the correct and timely assignment of tow trucks in collision or AVQ according to policies and procedures.	21 participants duration of 141 hours
	Claims Officers Incubator	Develop the abilities for claims assistance according to our internal guidelines and applicable regulation, including the service philosophy of Quálitas.	47 participants duration of 382 hours
	Claims Coordinator Incubator	Train in the monitoring of the claims assistance work, the coordination and the attention of the employees involved in the process.	17 participants duration of 206 hours
	ODQs Incubator	Train the ODQ employees to obtain the A2 document, which allows them to sell the company's insurance ⁹ .	63 participants duration of 92 hours
	Customer Service Executives Incubator	Train employees who sell insurance directly to the policyholder, to obtain the A2 document.	57 participants duration of 59 hours
	Valuator Incubator	Train in the competencies that allow them to carry out an appraisal of damages, according to service and cost policies and standards.	16 participants duration of 214 hours
	Heavy Equipment Valuator Incubator		2 participants duration of 210 hours

⁸ *Asistencia Vial Quálitas, AVQ* (Quálitas Roadside Assistance)

⁹ Authorization issued by the *Comisión Nacional de Seguros y Fianzas, CNSF* (National Insurance and Bonding Commission) in Mexico to intermediate in transactions with personal and family risk insurance and damage insurance.

Our interest in promoting the development of capabilities, technical and service excellence, resulted in an investment of \$34.6 million pesos in 2018.

Our employee's activity is evaluated periodically through a process of performance evaluation, whose result is decisive for the proposal to update the remuneration. In 2018, we structured the process through Qualiclic, a technological platform that facilitates its operation; each employee can manage their evaluation.

All of our employees are evaluated, if they have been at the company for more than three months. The process is composed by three phases, which happen throughout the year:

1. Defining the goals to accomplish.
2. Regular feedback on the progress of the achievement.
3. Final evaluation with a grade assignment.

We are proud to share that in less than a year of launching this platform, we reached a participation of 67% of employees.

In the case of the directors, this evaluation is complemented by their balance scorecard which is based on the objectives to be achieved by the area under their charge, on which the annual bonus depends on.

The **remuneration** at Quálitas is established by complying with our Salary Administration Policy, based on three factors:

1. The average of the insurance sector.
2. The analysis of the internal profiles in the company, guaranteeing equality among similar positions.
3. The adjustments associated with the result of the performance evaluation.

We safeguard equity in remuneration between men and women for the same profile of position and seniority. Next, we present the ratio for each professional category.

SALARY RELATIONSHIP WOMEN/MEN 2018 - QUÁLITAS MEXICO¹⁰

Employment Category	Fixed	Fixed + Variable ⁵
Directors	0.88	0.95
Assistant Directors	0.82	0.93
Managers	0.89	0.92
Coordinators	0.91	0.93
Analysts	1.39	0.88
Assitants	0.78	0.74
TOTAL	1.10	0.86

¹⁰ Variable income does not include the amount for Employee Profit Sharing (PTU)

WORK ENVIRONMENT

GRI 401-2, 401-3, 404-2

At Quáalitas we care about the life quality of our employees, by offering a series of benefits complementing their remuneration, including the development of a well-being program with a comprehensive approach on the person¹¹.

The entire workforce has life insurance from the moment they join the company. We also provide all our employees with a medical insurance which they can extend to their immediate family members. In the case of those employees who already have an indefinite contract, we give out preferential discounts for contracting auto insurance policies. Likewise, we seek to facilitate their finance management, by placing at their disposal a savings account, which 73% of the employees made use of during the year; in addition to offering them agreements with investments platforms, to which we add financing facilities for housing and automobile. During the year, we offered different courses on topics on financial education¹².

In 2018, we complemented our study scholarship program for employees with the possibility for their

family members to obtain discounts to study at the University of Valle de México (UVM, Universidad del Valle de México) and the TecMilenio University. At Quáalitas we work for the welfare of families through the collaborator, seeking direct benefits for their environment.

Equal opportunity, equality and respect for the people's dignity are a fundamental for our team management. We are a diverse company, with presence in different countries in the region, that is enriched thanks to the collaboration of the different profiles and ages.



We have a Policy of Respect of the Person and their Diversity, as framework for a respectful work environment.

In 2018, 131 employees went on paternity/maternity leave, 64% being women. The totality of employees who went on leave, returned to their activities within the year in which they requested the leave. We encourage them to reconcile their responsibilities, however, 23% of collaborators who during 2018 would have been at the company for a year after their return, had already left the company.

¹¹ The data presented correspond to the operation in Quáalitas Mexico.

¹² More information regarding financial education in the chapter on Prevention and Road Safety Culture.

Our employee **well-being** is comprehensive, it promotes physical, financial, social, labor and emotional health. Regarding physical health, the medical service stands out for first time consultations and preventive care we offer in our centers with the largest number of employees, as well as awareness days that focus on healthcare. We complement it with the **Ajusta tus Emociones** (Adjust Your Emotions) program, in which, through a third party, our employees can receive legal and psychological among other advice over the phone, and if necessary, they can request a face-to-face session with a specialist.

Our different efforts are shown in the following health and safety indicators.

Health and safety indicators 2018 - QUÁLITAS MEXICO¹³

Number of accidents	215
Number of work illnesses	0
Number of fatalities	0
Accident Rate	4.7%
Work Illness Rate	0%
Absenteeism Rate	1.5%

¹³ Accident Rate = (# of accidents/average employees in the year) x 100
Absenteeism Rate = (Lost hours/ year work hours) average workers) x 100; the rate shown only includes absences due to accidents and work illnesses.

We have **315 volunteer brigade members**, who are part of our workforce who, as their main responsibility, safeguard the integrity of all employees at Quálitás in case of there being a risk in the facilities.

During the year, the brigade members received 974 hours of face-to-face training, that included the following topics: first aid, protection and fire fighting and evacuation and communication.

BODY AND MIND BALANCE

Healthy is not only being physically ok, but it is an emotional, nutritional, psychological and in-body balance.

Our mind and body are interconnected and affect each other, we suggest:

Remember that in your program we can help you in this and many other topics. Call us

ADJUST your emotions 01800 800 9010

Costa Rica: **40000818 / 0800 0521572/ 400 10 353**

El Salvador: **21133717/ 8006094**

Disponible por correo electrónico en: comunicacion@qualitas.com

Our employees exposed to greater risks are the claims officers, due to the time spent behind the wheel and the type of emergencies they serve while being exposed to traffic. Concerned for their safety, we want to extend the best practices in safekeeping and operation to reduce accidents and protect them as well as the policyholders during claims assistance. Which is why, we are working to develop and implement a Road Safety Management System, in accordance with the ISO 39001 Standard¹⁴.

The different subjects we have been pointing out, together with training and career development, determine the company's work environment. From Quálitas we strive to create satisfactory work environments for our employees, who can give their best and feel supported by the strength of a team. We perform a work environment survey once a year, in which 82% of our employees in Mexico and 79% of the rest of the countries participated in; it also extends to our service offices¹⁵. Based on the results, we identify the improvement opportunities and establish a work plan.

¹⁴ More information regarding this in the Chapter on Prevention and Road Safety Culture.

¹⁵ Participation of the group of recipients: Quálitas employees and service offices was 81%, 13 percentage points more than in 2017. The participation expressed in the 2017 report corresponds to the 2016 performance although the results were published this year.



92% of employees are identified with the mission, vision and values of the company according to the Work environment survey.

our challenges

Draw • ing

Think and design something.

(objective.) **Innovation and
operational efficiency.**

Thanks to our clients' and shareholders trust we transmit stability in a year full of challenges and opportunities.



190+228

service offices + ODQ

Innovation and operational efficiency



WE WORK PERMANENTLY TO OFFER A SERVICE THAT **ADDS VALUE** TO OUR POLICYHOLDERS, AGENTS, TEAMS AT THE SERVICE OFFICES AND SUPPLIERS.



INNOVATION

GRI 103-2, 103-3, 416-1

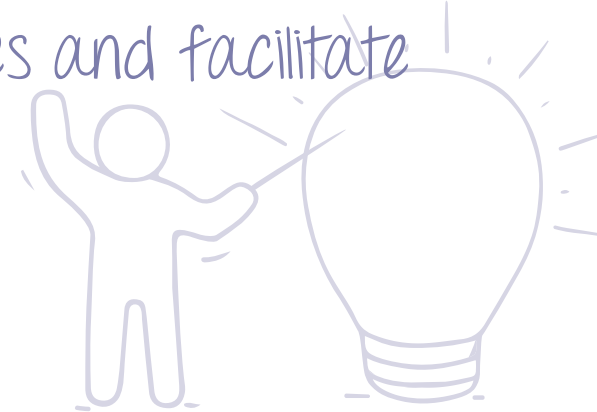
Through our experience in the auto insurance industry, our relationship with the different stakeholders, the closeness with the policyholder and our commitment to continuous improvement, we manage to identify opportunities to continue providing an excellent service. In addition, technology helps us safeguard the safety of people and their assets.

At the company we have driven **innovation** under strategic guidelines marked by Management and enriched by the contribution of the different areas, who are in charge of designing and implementing the ideas and improvements.

During 2018, the claims area carried out an especially significant job, by launching a temporary application, available during the claims process, so that claims officer can provide digital and safe assistance. In 2019 an application will be launched so that clients can be in closer contact with the claims officer during each stage of claims assistance, as well as another application for an express adjustment. Likewise, we are incorporating artificial intelligence solutions, such as chatbots, to assist policyholder's general consults.

In the year, the **express adjustment** was extended to almost all the States in Mexico this service allows remote assistance during claims attention, decreasing the response time, as long as they comply with certain conditions. Solutions such as this one, favor the efficiency of the process and the convenience of the policyholder, besides, it allows for better allocation of claims officers and resources for more severe claims. This scheme also has a positive impact by reducing traffic of claim officers on the roads and decreases CO₂ emissions.

We have specific channels and platforms per recipient, which allows us to streamline the operational processes and facilitate communication.



CHANNELS AND PLATFORMS

Q Móvil App

- Claims report, request for road assistance and emergency
- Consultation and information on the policy and payment receipts
- Tracking the claims officer's location via GPS
- Locating stolen vehicles through Encontrack
- Status of vehicle repair
- Service offices directory

App for claims officers

- Communication between claims officer and call center for first information on the claim
- Receipt of claim information and the policyholder's file

Q Agents Portal

- Quotation without the need of Internet
- Tariff update
- Issuance of polices online
- Report Consultation

Q Suppliers Portal and Q Agencies Portal



Quotation without the need of Internet



Rate update



Profile synchronizing and quotation with Portal Q 360°



Issuance of polices online



Report Consultation



One of our great differentiators consists of incorporating **state of the art technology** in our processes, operations and insured units. The devices we offer to fleets for the prevention of accidents and to facilitate the recovery in case of theft, has allowed us to decrease claims costs, offer competitive prices and create long term relationships.

Encontract

- Tool for the recovery of a vehicle in case of theft
- External team specialized in recovery
- Reduction of deductible in case of theft

Mobileye

- Device for the prevention of accidents
- Warns the driver prior to a possible collision

Guardian

- Alert system for the driver and the monitoring center that allows the timely detection of fatigue and distraction
- Device in testing stage

Octo Telematics

- Telemetry device to evaluate the driving habits and state of the vehicle
- Device in testing stage

MDAS

- Advanced monitoring system and support to the driver to prevent collisions
- Device in testing stage

Out of the total amount of stolen cars insured by Quálitas in 2018, 42% were recovered. Out of the stolen vehicles that had the Encontract device, we recovered 78%; both figures are higher than the total recovery rate of the industry in Mexico which was 38%, according to data from the *Oficina Coordinadora de Riesgos Asegurados, OCRA* (Coordinating Office of Insured Risks).

In order to speed up the repair process of vehicles with minor damage, we have the **express lane in certified repair shops**; in 2018, we extended this alternative to other repair shops, speeding up delivery of cars in one or two days.

We offer coverage that provides the possibility of repairing a damaged vehicle through an automotive agency for units up to 9 years old.

EFFICIENCY IN THE OPERATION AND SERVICE

GRI 102-48, 103-2, 103-3, 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5

Technology has allowed us to improve processes for more **agility and efficiency**.

We seek to optimize the commercialization of our products and services from approaching the client to the post-claim followup. We have the Comprehensive Service Survey, so that the policyholder who was involved in a claim can assess the attention and service at Quálitas. This survey has allowed us to improve the assistance time and quality of service.

From **our work with suppliers**, opportunities for improvement in assistance and service times have arisen, as in the case of the network of certified repair shops. Innovation in the processes of valuation of our staff and the coordination with the repair shops, have significantly reduced repair times. In addition, we are encouraging that repair shops have an **express lane** to assist claims with minor damages and to deliver the repaired vehicle in 2 days. We have 24 certified repair shops throughout Mexico and 42% of them have an express lane service.

Regarding our consumption of **energy**, we developed initiatives in order to be more efficient and reduce

associated Greenhouse Gas emissions (GHG). This way, we seek to be responsible regarding climate change, by encouraging an operation that respects the environment.

Electricity Consumption - Quálitas Controladora (kWh)¹

	2018	2017	
Electricity	Mexico	6,448,185	6,583,297
	United States	13,073	11,134 ²
	Costa Rica	113,119	103,012
	El Salvador	147,534	140,981
	TOTAL	6,721,911	6,838,424

In the year, we consumed 6,721,911 kWh of electricity in the offices of all the countries, 1.7% less than in 2017³; this implies an energy intensity of 0.19 Wh per weight of written premiums at the Quálitas Controladora level.

In the case of Mexico, the total energy consumption was 216,874 GJ, including electricity and fuel; 89% corresponds to fuel for *Qualicoches* (Quálitas' vehicles to assist claims) and other utilities Quálitas manages.

¹For the comparison with fuel consumption, 1 kWh=0.0036 GJ

² There is a restatement of electricity consumption in the U.S. in 2017 in respect to what was indicated in the Integrated Annual Report 2017, due to an adjustment in the calculation methodology.

³The consumption of the offices, including ODQs is considered within the calculation of electricity consumption of Quálitas.



We continue to work in order to be more efficient in our consumption, through substituting lighting for LED. For the work of our claims officers, the *Qualicoches*, require the use of fossil fuels.

Fuel Consumption – Quáalitas Mexico (GJ)⁴

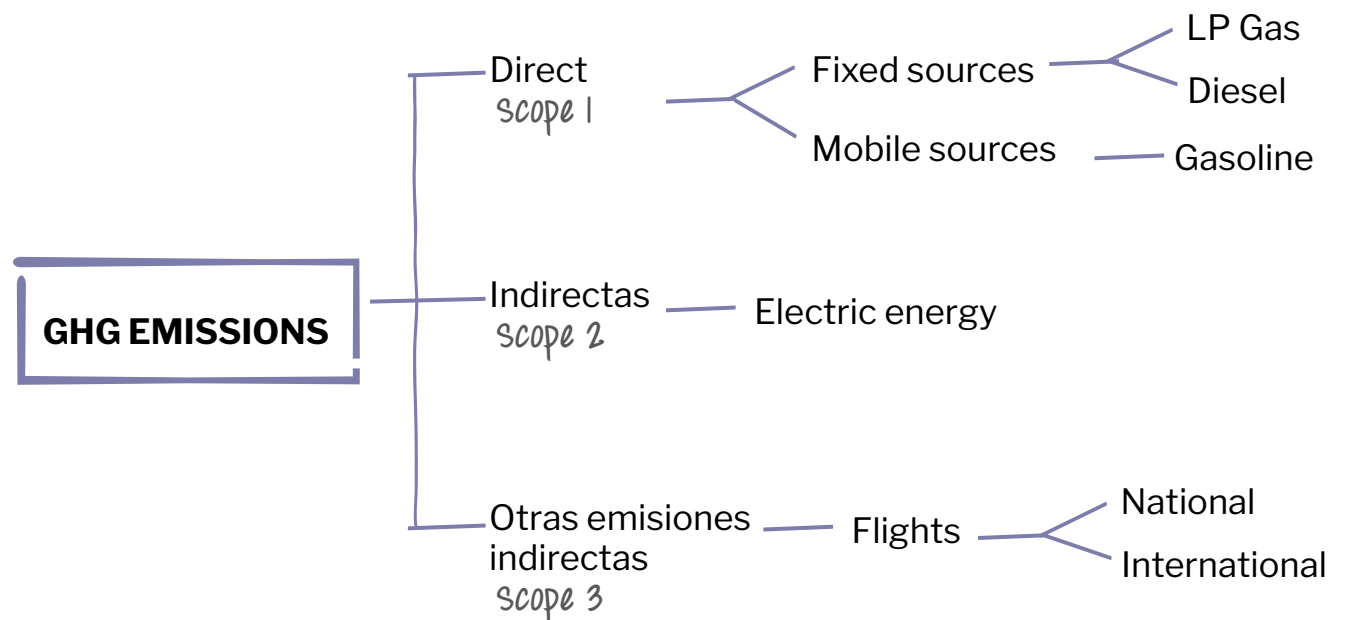
Fuel	2018	2017
L.P. Gas	229.68	269.97
Diesel	1,352.63	NA
Gasoline	192,078.64	196,626.86
TOTAL	193,660.95	196,896.83

In addition, we calculated our **Greenhouse Gas emissions (GHG)** inventory, based on the ISO 14064-1 Standard and the methodology established by the *Registro Nacional de Emisiones, RENE* (Mexican authority for the National Emissions Registry).

We included in the inventory the emissions from our operations in Mexico. On the one hand, we considered the emissions of LP Gas and diesel consumption at the work centers, as well as those due to gasoline from the

⁴It includes LP Gas from the dining halls at the San Jerónimo and San Ángel facilities; diesel from the auxiliary equipment at the Ajusco, San Jerónimo, San Ángel, Cuajimalpa, Maguey, Polanco, Guadalajara and Monterrey facilities (in 2017 only Monterrey was considered); gasoline consumption from the *Qualicoches* and other utilities managed by Quáalitas; and emissions at the wastewater treatment plants at the San Jerónimo and Maguey facilities.

Qualicoches and other utilities in charge of the company, and the associated treatment plants (Scope 1). In addition, the indirect emissions due to generation of electricity required by Quáalitas were included (Scope 2) and this last scope we also extend to our operations in the rest of the countries where we operate. Finally, we included the emissions associated with the fuel for business trips both in Mexico and abroad (Scope 3).



GHG Emissions - Quálitas Controladora (tCO₂e)

Subsidiary	Type of Emission	2018	2017 ⁵
Mexico	<u>Scope 1</u> Direct due to fuel combustion	14,518.04	14,302.15
	<u>Scope 2</u> Indirect due to the generation of the electricity consumed	3,398.19	3,831.48
	<u>Scope 3</u> Other indirect ones	456.09	692.19
U.S., Costa Rica, El Salvador	<u>Scope 2</u> Indirect due to the generation of the electricity consumed	114.91	24.59

Our GHG emissions in 2018 for Mexico were 18,372 tCO₂e, 2.4% less than the previous year; it implies 0.56 gCO₂e per each weight of written premiums in the country.

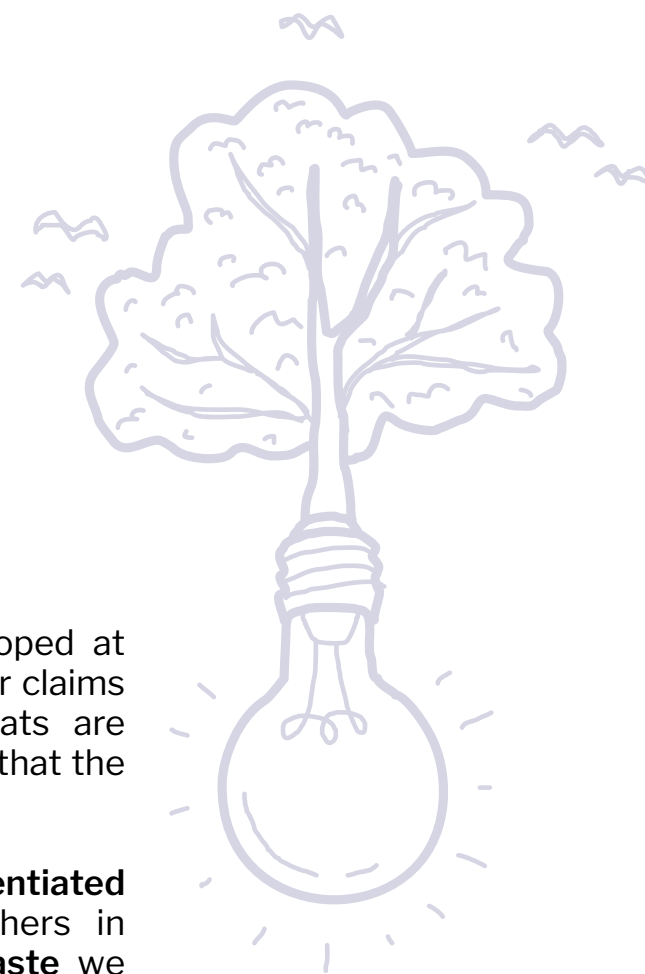
In order to reduce emissions, we also invest in energy efficient initiatives, we added solar panels for the supply of renewable energy in some of our facilities in Mexico. In 2019 our program to incorporate **hybrid vehicles** to the *Qualicoches* fleet will begin, by integrating at least 100 units in the year and will progressively advance until the renovation of the vehicular fleet is complete.

⁵There is restatement of the emissions outside Mexico for 2017 in respect to what was indicated in the previous integrated report, due to a calculation adjustment of the consumption of electricity in the U.S. offices.

Other environmental initiatives that we developed at Quálitas focus on **reducing the use of paper**. For claims documentation management, electronic formats are used which the policyholder fills out on a tablet that the claims officer carries.

Regarding waste, we carried out a **differentiated collection** of paper, aluminum, PET, and others in our facilities, for recycling. The **electronic waste** we generated as a result of our activity is managed so that it is recycled by a third party, the same goes for the associated consumables such as toner cartridges.

Incorporated hybrid vehicles to the *Qualicoches* fleet.



Recycled Material (Kg) – Quálitas Mexico⁶

	2018	2017	2016
Paper and carton	4,095	1,599	2,599
PET	185	187	206
Aluminum	37	41	21
Others	480	237	489

Regarding **water** consumption, we promote responsible use among all of our employees. In the year, our offices in Mexico consumed 12.3 million liters of water. On the other hand, we have water treatment plants at two of our facilities in Mexico, at the San Jerónimo and Maguey offices.

We encourage the environmental sensibility of our employees and their families, by inviting them to participate as volunteers in reforestation activities, strengthening ties among the participants. In 2018 we carried out reforestation days in Mexico City, Guadalajara and Monterrey, with 1,439 participants and 11,450 trees that were planted. In addition, the initiative was extended to the agents and their families like in previous years.

⁶ Ajusco, San Ángel and San Jerónimo Offices.



our culture

Draw • ing

To make a plan and take action.

(initiative.) **Prevention and road safety culture.**

Our goal is to contribute to generate awareness of the importance of driving with care and caution.



Prevention and road safety culture

AT QUÁLITAS WE WORK TO
EXTEND THE PREVENTION
CULTURE IN THE PLACES
WHERE WE OPERATE.
MEXICO IS AMONG THE
COUNTRIES WITH LEAST
INSURANCE CONTRACTING AT
AN INTERNATIONAL LEVEL,
ACCORDING TO STUDIES FROM
THE OECD¹.

¹OECD Insurance Statistics 2017
https://read.oecd-ilibrary.org/finance-and-investment/oecd-insurance-statistics-2017_ins_stats-2017-en#page1





FINANCIAL AND INSURANCE CULTURE

GRI 103-2, 103-3, 401-2, FS13, FS16

In relation to automotive insurance, the authority advances in establishing the mandatory insurance for vehicles that travel on federal roads, according to statistics published in the Instituto Nacional de Estadística y Geografía, INEGI (National Institute of Statistics and Geography); only a third of the total vehicles have some sort of insurance. It is important to highlight that, in practically all of the States in Mexico, vehicle owners are required to have civil liability insurance that covers damage that may be caused to third parties and/or their property. We seek to go further not only by making our insurance portfolio available for the population, but by generating awareness on the importance and value of insurance.

We know that collaborating and team work are fundamental in meeting this challenge, which is why we joined forces with the teams of the 190 **service offices and agents**, to be close to those who may require insurance. In addition, at Quáalitas we reach places with less penetration of automotive insurance, through the 228 Quáalitas Development Offices (ODQs).

With the **ODQs** model we drive the development of an insurance culture in communities with less penetration, thanks to the trust that Quáalitas' experience generates and the proximity of our employees in the locality. Through our business model we contribute to the socio-economic development of the environment.



Would you drive blindfolded?

Using your cell phone while driving distracts your attention and may be the cause of unfortunate road accidents. For your safety and that of others, keep your phone out of your reach when you drive.

conductavialqualitas.com.mx





BOLETÍN

ELECTRÓNICO Año 3 No. 34 Julio 2018

Evita los puntos ciegos al conducir

Uno de los principales riesgos al conducir un vehículo en la ciudad son los llamados "puntos ciegos", de los cuales, los motociclistas y ciclistas suelen ser los más afectados.

Debido a su tamaño estrecho, las bicicletas y motocicletas pueden entrar en su totalidad dentro de la zona ciega de los conductores de autos. Este problema se presenta sobre todo cuando cambiamos de carril o necesitamos dar vuelta, y si bien en ambos casos es necesario utilizar los espejos retrovisor y laterales, existe un área en la que no tenemos visión, lo cual puede provocar un lamentable accidente.

Para evitar incidentes de este tipo, te sugerimos llevar a cabo el siguiente procedimiento:

- **Acomoda los espejos** de tal modo que puedan verse ligeramente los costados de tu auto.
- **Mira dos veces** al espejo retrovisor y laterales, antes de efectuar una maniobra, ya sea cambiar de carril o dar una vuelta.
- **Debesas de poder ver a una motociclista o bicicleta** por uno de los espejos laterales, en caso de que dejes de verse por el espejo retrovisor.
- **Ocupa la visión periférica**, es decir, mira permanentemente al frente, hacia las espejas y da un vistazo por encima del hombro izquierdo y el hombro derecho.
- **Mantén la distancia de seguridad** con el auto de enfrente y, en carreteras o vías rápidas, también con los que tengas lateralmente, así evitas los puntos ciegos de otros conductores.
- **Ten especial cuidado con los vehículos más grandes**, tales como microbuses, camiones y remolques, ya que éstos tienen una mayor cantidad de puntos ciegos; por lo mismo, procura mantener siempre una distancia entre ellos.

Como puedes observar en las ilustraciones, es fácil perder de vista los vehículos de dos ruedas o ser invisible para otros conductores. ¡Sigue este sencillo procedimiento y evita los puntos ciegos!

MÉTODO HOLANDÉS PARA ABRIR LA PUERTA

Con el uso cada vez más numeroso de vehículos de dos ruedas, es necesario el cambio de algunos hábitos, como la forma en que abrimos la puerta de nuestro auto, de modo que evitemos golpear a un ciclista o motociclista que pase cerca de nuestro coche.

En Holanda, uno de los países donde más bicicletas circulan en el mundo, inventaron un método infalible para evitar este tipo de accidentes, se le conoce como "método o giro holandés" y se lleva a cabo a través de un procedimiento muy sencillo, el cual consiste usar la mano contraria a la del lado de la puerta que se pretende abrir, es decir, usar la mano derecha para abrir la puerta izquierda será más que suficiente para girar un poco tu cuerpo. Esta posición te permitirá ampliar el ángulo de la vista periférica para percartarte si hay un vehículo circulando muy cerca, y de esta forma evitar un accidente.

El 2 de julio reinició la verificación vehicular

A partir del 2 de julio, y después de un semestre de descanso, reinició la verificación vehicular en la Ciudad de México; puedes llevarla a cabo a través de alguno de los 57 verificentros ubicados en la gran urbe.

Toma en cuenta que a partir de ahora la verificación de tu vehículo se realizará exclusivamente con cita previa, por lo que si acudes a algún Centro de Verificación sin este requisito no te podrán atender.

El sitio en el que puedes solicitar tu cita es: <http://verificentros.sistema.cdmx.gob.mx>

El calendario de verificación para el segundo semestre de 2018 no cambia con respecto al del año pasado.

Ten en cuenta que el holograma que se le designará a tu vehículo se obtiene exclusivamente con la prueba de detección de gases, en su caso, la nueva verificación incluye una prueba técnico-mecánica, con la cual tendrás un reporte detallado de las condiciones de tu coche.

¡Verifica tu auto oportunamente y evita multas y contratiempos!

qualitas.com.mx
CENTRO DE CONTACTO QUALITAS
01 800 800 2021

Associated with the prevention culture, we promote **financial education** between our stakeholders, including the importance of saving and the income responsible management. Thus, we followed up on the collaboration with the Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros, CONDUSEF (National Commission for the Protection and Defense of Users of Financial Services), through a campaign that reached more than 375 thousand agents and suppliers. We offer a course on financial education for our agents at the Quálitas University.

We have a health and well-being program for our employees that includes topics on financial education, which is complemented by benefits such as the savings account.

ROAD SAFETY

Due to our operation and the services we offer, we are aware of the risks behind the wheel. We have the **Quálitas Road Safety program**, consisting on a website with information on the subject and the monthly delivery of informative e-mails to our network of agents, employees, and the subscribed public, reaching an audience of 131,933 users. To this, we add the broadcasting of contents through the social network profiles of the service offices. We want to strengthen our impact by collaborating with civil society organizations, educational centers and other companies.

+131,000 users Qualitas Road Safety webpage

In 2018, we established an alliance with the foundation México Unido Libre de Lesiones Infantiles, MUNLI (Mexico United for Children free of Injuries), to broadcast messages on road safety in the press, which added to the content we published directly from Quáalitas, it reached an estimated 2 million people.

We collaborated on the preparation of the driving manuals for the university public together with the *Consejo Nacional Ciudadano de Cultura Vial A. C.*, CNCCV (National Citizen Counsel for Road Safety) and 6,000 informative copies were distributed.

Together with the Roadshow initiative of the International Road Safety Academy (IRSA) and in collaboration with the *Alianza Nacional para la Seguridad Vial*, ANASEVI (National Alliance for Road Safety), we raised awareness in 3,280 young people through the testimonies of traffic accident victims. Also, together with ANASEVI, we participated in the Mobility and Road Safety Week in the State of Mexico, and presented the way in which technology can help prevent accidents.

We followed up on the alliance with Cinepolis and Cinemapark for the presentation of a video on driving and responsible alcohol consumption, presented in 5 States throughout Mexico with a reach of 979 young people and adults. Newsletters were distributed with an estimated reach of 13 million people.

Shipping drivers are specially exposed to accidents due to the amount of time they spend on the road, which is why as part of the service we offer to fleets, we give training on road safety and we developed initiatives to

reduce accidents, providing them with telematic devices that register driving conducts².

During this year, we worked on the development of a **Road Safety Management System (RSMS)** which includes guidelines to be followed by our claims officers during road assistance to the policyholders, meeting the requirements of ISO 39001. In this way, we seek to strengthen the safety of our policyholders during their roadside assistance, reduce the claims rate of the claims officer's fleet, and be an example of road safety.

As part of the RSMS we established our Road Safety Policy, which establishes the commitment to raise awareness among our employees, making vehicles in optimal conditions available to the claims officers and facilitate their maintenance, in addition to complying with the law. The development of the system is comprehensive and has the participation of different areas of the company.

The RSMS started as a pilot program in Mexico City and all the claims officers were given the training on road safety that certifies them. We also made available to them a network of internal communication so they could share their experiences and strengthen the adoption of best practices. We also work with call center staff who participate in the assistance of claims, who were trained on the new protocols of action, so that they too are certified. In a second phase, we will extend the scope of the system to our claims officers in other regions.

² More information in the chapter on Quality service to policyholders.

Economic Performance



THANKS TO OUR SOLID BUSINESS MODEL, WE MAINTAINED GROWTH IN A COMPLEX ECONOMIC CONTEXT. THREE YEARS INTO OPERATING UNDER SOLVENCY II REGULATION, WE CONTINUE TO HAVE GOOD FINANCIAL STRENGTH AND OPTIMIZING OUR RESERVE CALCULATION.

Our business model based on cost control, an excellent service to the policyholder and solid operational performance based on processes, has allowed us to be a successful company.

Key financial highlights GRI 102-7, 103-2, 103-3

INCOME STATEMENT	2018	2017	Δ 18 - 17	2016
Written premium ¹	34,495	33,820	2.0%	30,190
Retained Premium	34,183	33,604	1.7%	30,086
Earned Premium	31,810	28,668	11.0%	23,825
Acquisition Cost	7,464	7,851	(4.9%)	7,257
Claims Cost	21,048	19,184	9.7%	14,710
Technical Result	3,298	1,633	101.9%	1,858
Operating Expenses	1,568	855	83.4%	751
Operating Result	1,734	778	122.8%	1,107
Comprehensive Financial Result	1,717	1,829	(6.1%)	826
Taxes	1,023	544	88.1%	633
Net Result	2,428	2,064	17.7%	1,301
BALANCE SHEET				
Investments	29,514	26,735	10.4%	21,575
Total Assets	56,642	51,059	10.9%	41,233
Technical Reserves	36,173	32,843	10.1%	26,922
Total Liabilities	47,537	43,108	10.3%	35,156
Stockholders' Equity	9,104	7,951	14.5%	6,077
COST INDICATORS				
Acquisition Ratio	21.8%	23.4%	(153)	24.1%
Claims Ratio	66.2%	66.9%	(75)	61.7%
Operating Ratio	4.5%	2.5%	202	2.5%
Combined Ratio	92.5%	92.8%	(26)	88.3%
PROFITABILITY INDICATORS				
Return on Investments	4.6%	6.5%	(186)	3.2%
ROE 12m	28.5%	29.5%	(96)	23.5%

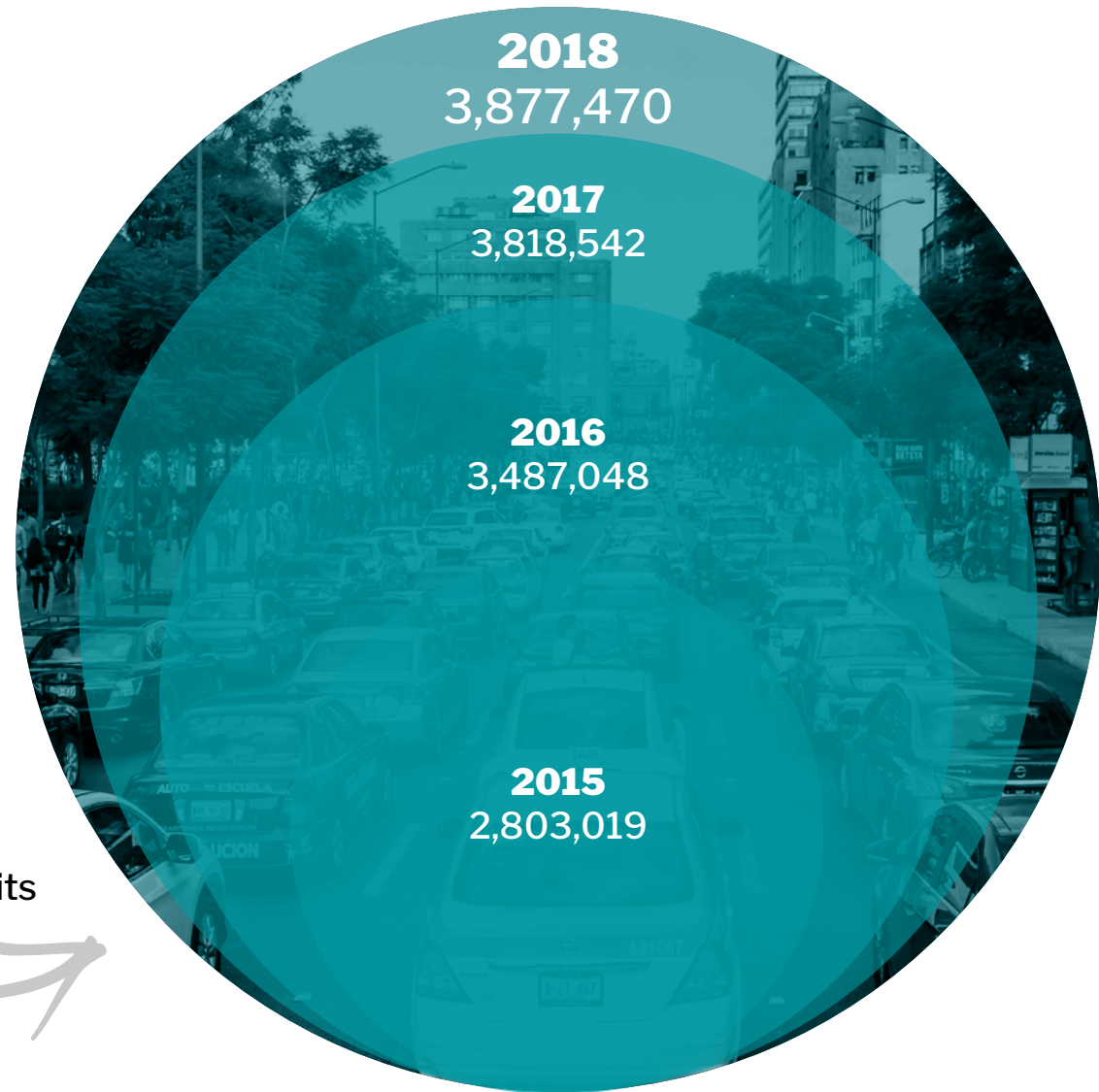
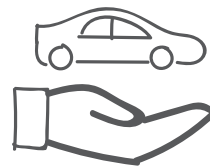
FIGURES IN MILLIONS OF MEXICAN PESOS (MXN)

¹ The total written premium of Quálitas Controladora includes those of auto insurance subsidiaries and the sales of the other non-insurance subsidiaries related to the insurance processes or claims assistance.

The **written premium** showed an annual growth of 2%, compared to the previous year. The Mexican market had a deceleration in the sale of new cars, which affected the growth of sales through the financial institutions segment. As a result, the company focused its efforts to promote growth through the traditional channels offered by agents. During the year, we followed a strategy of cost adjustment on the premiums with the purpose of improving profitability.

The insured units increased 1.5%, reaching 3,877,470 vehicles

Diagram with the number of insured units



Quálitas Mexico, our main subsidiary, grew 2.1% in written premiums; in 2018 it had 29.9% market share based on written premiums according to AMIS as of December 2018.

GROWTH OF THE WRITTEN PREMIUM IN MILLIONS OF PESOS (MXN) OF THE INSURANCE SUBSIDIARIES

Subsidiary	2018	2017	Δ 18 - 17	2016
Q MX	32,821	32,141	2.1%	28,737
Q ES	146	132	10.8%	117
Q CR	456	465	(2.0%)	407
QIC	961	940	2.2%	835

WRITTEN PREMIUMS BY SEGMENTS ^{FS6}

We have a business strategy that includes insurance offers in different segments, attending the needs of each one of them.

WRITTEN PREMIUMS (MILLIONS OF PESOS)

Written Premium ¹	2018	2017	Δ 18 - 17	2016
Individual	9,057	7,450	21.6%	4,861
Fleets	10,662	9,294	14.7%	8,034
Financing Institutions	12,994	14,733	(11.8%)	15,273
Subsidiaries outside of Mexico	1,563	1,537	1.7%	1,352
Others ²	218	806	(73.0%)	670
Total	34,495	33,820	2.0%	30,190

¹ The figures of 2017 and 2016 vary from the figures previously reported due to accounts reclassifications.

² Includes road segments and other non-insurance subsidiaries.

The decline in written premiums in association with the financial institutions in Mexico is observed, linked to the 7.1% decrease in the sale of new vehicles in the country. Nevertheless, the performance in the individual and fleet segments was excellent, with a double digit growth.

Insured units	2018	2017	Δ units	Δ 18 - 17 %
Mexico	3,793,178	3,739,614	53,564	1.4%
El Salvador	15,890	13,671	2,219	16.2%
Costa Rica	52,842	49,441	3,401	6.9%
United States	15,560	15,816	(256)	(1.6%)
Insured Units	3,877,470	3,818,542	58,928	1.5%

In Mexico, the market share for written premiums is 47.7% for trucks; 21.7% for cars and 17.5% for tourists

COSTS AND BUSINESS RESULTS

The **acquisition cost**, which includes the commissions we give our intermediaries, decreased by 4.9% compared to the previous one, the main reason is the decrease in the commercialization of insurance in partnership with the auto financing companies that imply larger commissions.

On the other hand, the **claims cost** increased 9.7% compared to 2017. That is due to a series of factors:

- Increase in repair costs, both in spare parts and labor.
- Increase in inflation, as reflected in the evolution of the National Consumer Price Index (INPC for its acronym in Spanish).
- Volatility in the exchange rate, in a renegotiation context of international economic agreements.
- Increase of 3% in the theft of vehicles in Mexico, according to OCRA data.
- Adverse meteorological conditions, which cause accidents.

\$1,734 million pesos
operating income

5.5%
operating margin

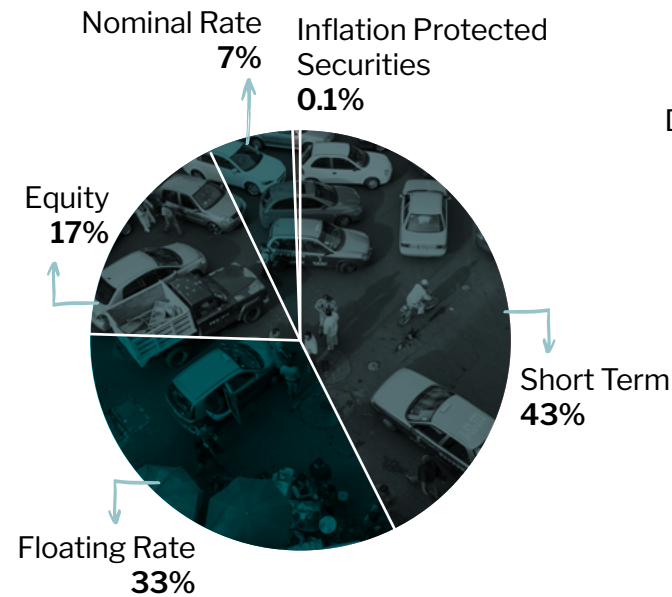
FINANCIAL RESULT

GRI 412-3

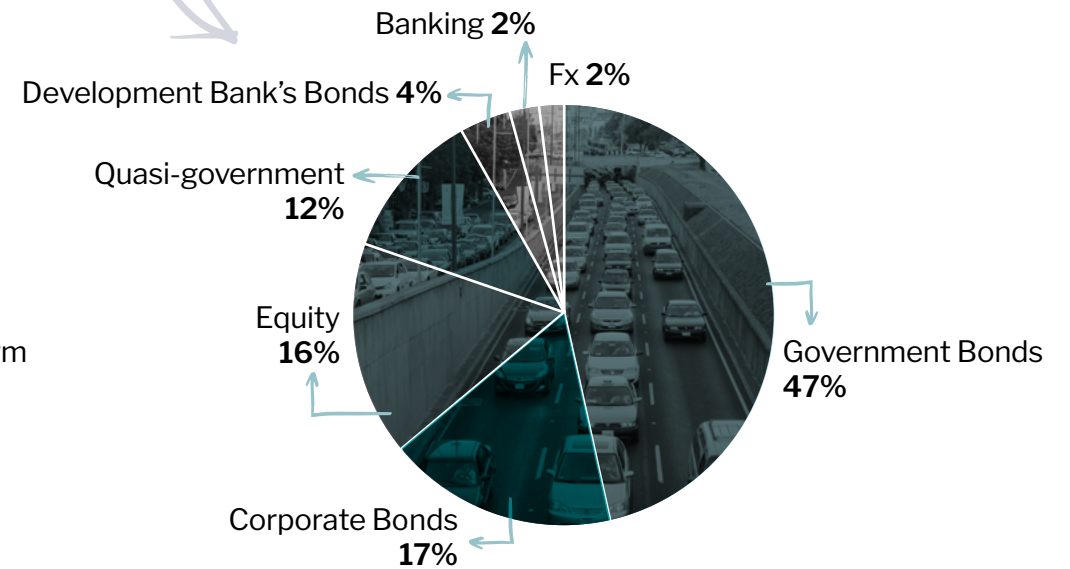
Our investment strategy adheres to the regimen established by the regulation for the sector and it also considers the criteria established by our Investments Committee. We are analyzing the option of incorporating environmental, social and corporate government (ESG) criteria at the time of investment. We currently have instruments within our portfolio that consider these factors.

At Quálicas, the investment portfolio is distributed as follows:

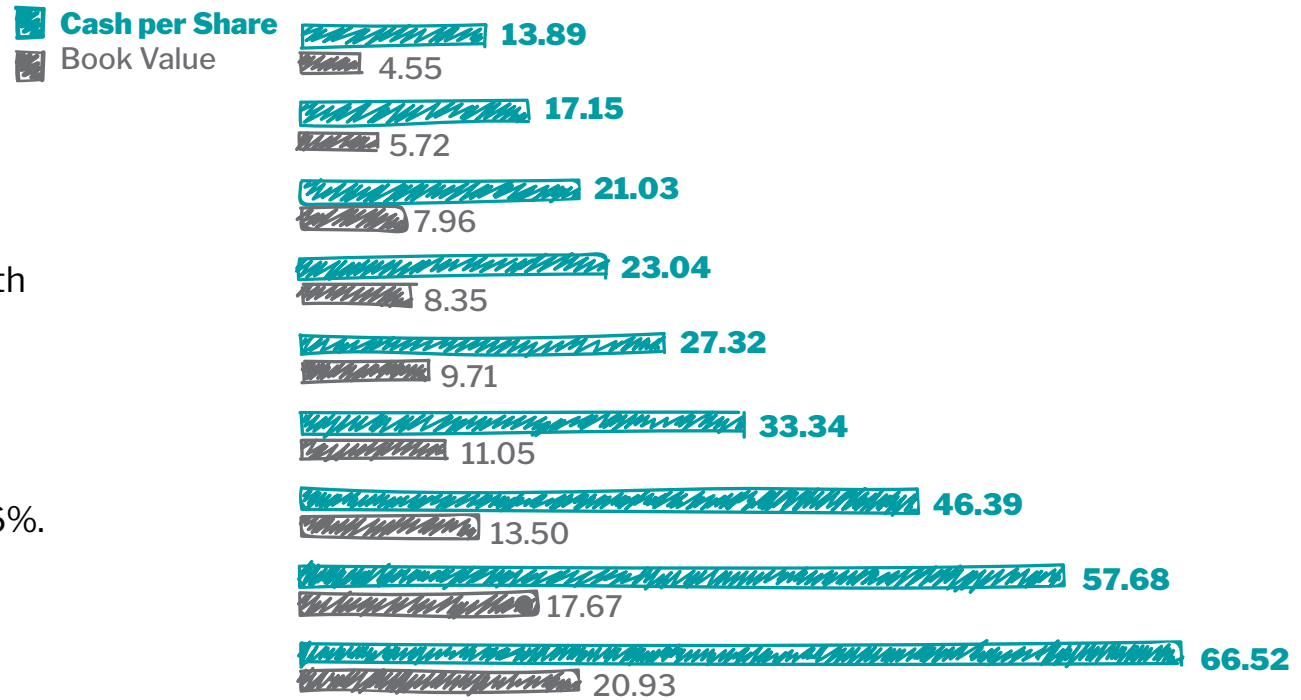
Portfolio by type of risk



Portfolio by type of emission



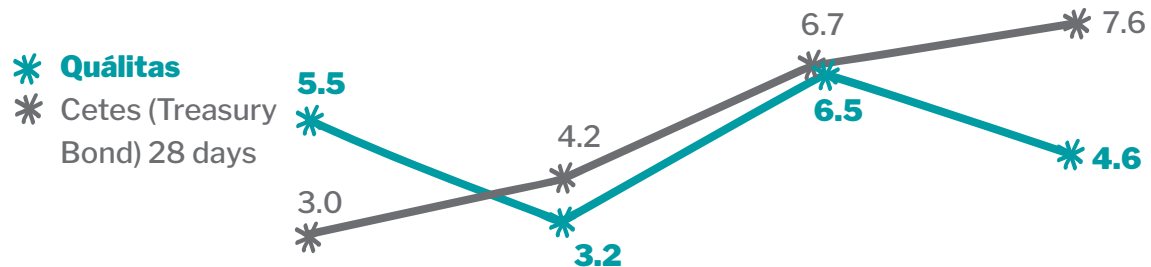
Profitability (MXN)



The evolution of the investments generated a growth of \$8.84 pesos in the profitability per share, up to \$66.52 pesos.

The portfolio reached \$28.9 billion pesos, with a Compound Annual Growth Rate (CAGR) of 24.5% compared to 2015. The return on investments was 4.6%.

Return on Investments (%)

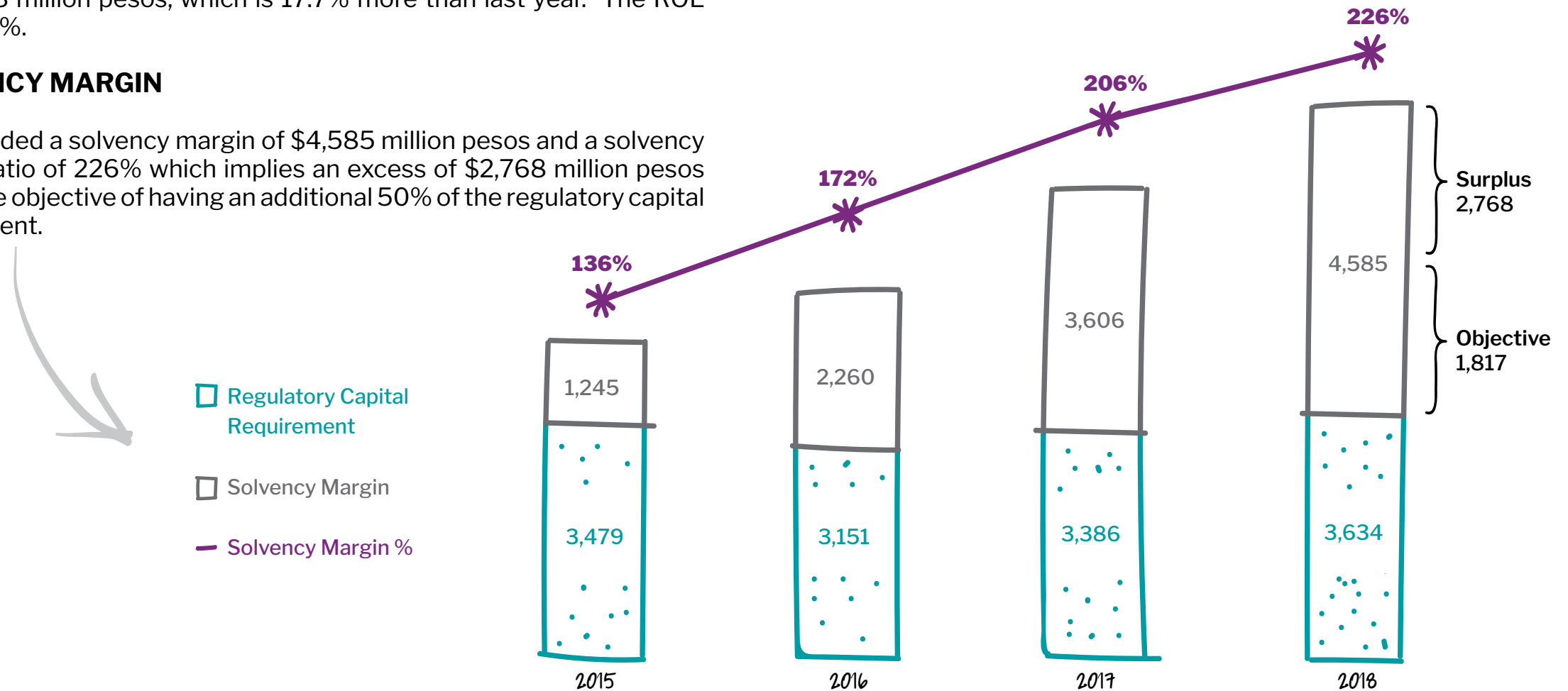


NET RESULT

Both the operating and financial profitability helped to reach a **net result** of \$2,428 million pesos, which is 17.7% more than last year. The ROE was 28.5%.

SOLVENCY MARGIN

We recorded a solvency margin of \$4,585 million pesos and a solvency margin ratio of 226% which implies an excess of \$2,768 million pesos above the objective of having an additional 50% of the regulatory capital requirement.



SHARE'S VALUE

Quáilitas Controladora is listed in the Mexican Stock Exchange (BMV: Q*), with a variable capital of 42.3% of the shares. The company's market capitalization was \$17,996 million pesos.

During the year, the share price increased 13.3%, in contrast to the 15.6% decrease experienced by the set of values of the *Índice de Precios y Cotizaciones* (IPC) (Price and Quotation Index) of the BMV; therefore, it is one of the highest performance shares. In addition, the share rose 6 positions in the Stock Index of the BMV, up to the 48th position and since March, it has been classified as high liquidity stock. The annual volume of Q* was above the 152 million titles, a 31% increase compared to 2017.

The Share Buyback Program performed 26.2% of Q* operations in 2018; its function is to give liquidity to the stock, buying and selling at market value. The balance at the close of 2018 was 12.3 million shares.

DISTRIBUTION OF ECONOMIC VALUE

GRI 102-7, 103-2, 103-3, 201-1, 201-4

At Quáilitas, we generate value for our different stakeholders, through the operating performance for the commercialization of insurance and provision of the associated services, as well as the dividends derived from the management of the investment portfolio.

We generate a volume of revenue that we distribute among our employees and suppliers as remuneration for their activity; we also allocate to the payment of capital to suppliers and of taxes to the authority; likewise, we have a part for social investment in the community, complementary to our social responsibility programs and the socio-economic development that our activity generates.

Our solid performance allows us to retain part of the economic value generated with the purpose of continuing to grow and ensure our permanence over time.

It is worth mentioning that Quáilitas does not receive any sort of financial support from the government.



As of September, Quáilitas began to be a part of the Institutional Securities Exchange.



GENERATED ECONOMIC VALUE (FIGURES IN MILLION PESOS)

Concept	2018	2017	Δ 18 - 17	2016
Total Revenues (GEV)	33,527	30,497	9.9%	24,651
Revenue by insurance operations	31,810	28,668	11.0%	23,825
Financing Revenues (Investment portfolio and others)	1,717	1,829	(6.1%)	826

DISTRIBUTED ECONOMIC VALUE (MILLION PESOS)

Concept	Recipients	2018	2017	Δ 18 - 17	2016
Expenses (DEV)		31,413	28,714	9.4%	23,575
Acquisition	Agents, automotive financing institutions, suppliers, employees	7,464	7,851	(4.9%)	7,257
Claims	Suppliers, employees	21,048	19,184	9.7%	14,710
Operation	Service offices, suppliers, employees	1,238	637	94.4%	538
Profit Sharing	Employees	329	218	51.1%	213
Dividends	Shareholders	304.5	270	12.8%	225
Donations	Community	6	10	(39.0%)	5
Taxes	Government and authorities	1,023	544	88.1%	633
Retained (GEV-DEV)		2,114	1,783	18.6%	1,076

Corporate Governance



AT QUÁLITAS WE HAVE A CORPORATE GOVERNANCE SYSTEM THAT OPERATES TRANSPARENTLY, ETHICALLY AND ACCORDING TO OUR VALUES AND IS KEY FOR OUR LEADERSHIP IN THE MARKET.

STRUCTURE

GRI 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-33, 102-35, 102-36, 102-37, 205-2, 405-1

The **Shareholders Meeting** designates the members of the Board of Directors, at the proposal of the Audit and Corporate Practices Committee; they must have the skills and abilities necessary to fulfill their functions and responsibilities, free from conflicts of interest. Likewise, approves the strategy and decisions of the Board of Directors, that is evaluated therefore in its performance.

The **Board of Directors**, in accordance with the bylaws, defines the long term strategy and promotes a socially responsible management of the business and must prevent conflicts of interest; it should be noted that the members must comply with the Directors' Suitability Assessment Policy. It also has the power to name the high management of the company, including the CEO.

It is composed by 13 Board members, 11 proprietary members and 2 alternate board members, 8 of which are independent¹. The term for board members are annual and renewable, the average current seniority in the exercise of the position of Board Members is 7 years. It is worth mentioning that the board members receive remuneration proposed by the Audit and Corporate Practices Committee and is approved by the Shareholders Meeting².

The presidency of the Board is carried out by Joaquín Brockman Lozano, founding shareholder of the company, and is Chief Executive Officer of Quálitas Controladora.

The board members, besides having experience and knowledge of the industry, receive training on those topics of special importance to the operation of Quálitas and that are newer, from legal regulations to business tendencies. In addition, the new board members incorporated this year received an introductory session to the company.

In the Board meetings, the earnings result, financial projections, reports from the Chief Executive Officer and the committees are reviewed, as well as the main current issues of the business are discussed.

As support to the Board of Directors, Quálitas Controladora has **4 committees**, including the corresponding Audit and Corporate Practices Committee that the law demands. Each committee has independent faculties and reports on a quarterly basis to the Board of Directors.

¹ Detail of the members of the Board of Directors is available at <http://qinversionistas.qualitas.com.mx/portal/board-of-directors-committees/?lang=en>

² Detail of the retributions paid to board members can be consulted in the Annual Report presented to the Mexican Stock Exchange (BMV). <http://qinversionistas.qualitas.com.mx/portal/annual-report/?lang=en>



	Board of Directors		Committees			
	QUÁLITAS CONTROLADORA	AUDIT AND CORPORATE PRACTICES	SOCIAL RESPONSIBILITY	INVESTMENTS, FINANCE AND PLANNING	OPERATIONS	REINSURANCE ¹
Joaquín Brockman Lozano						
Wilfrido Javier Castillo Sánchez Mejorada						
María del Pilar Moreno Alanís						
Madeleine Marthe Claude Brémont Santacruz						
Mauricio Domenge Gaudry						
José Manuel Rincón Gallardo						
Juan Marco Gutiérrez Wanless						
Juan Enrique Murguía Pozzi						
Juan Orozco y Gómez Portugal						
Alfonso Tomás Lebrija Guiot						
Christian Alejandro Pedemonte del Castillo						
Wilfrido Javier Castillo Miranda Olea						
José Antonio Correa Etchegaray						

Proprietary Related
 Proprietary Independent
 Alternate Related
 President
 Vice President

¹ Reinsurance committee applies only to Quáalitas Mexico.

COMMITTEE	DESCRIPTION
Audit and Corporate Practices Committee	<p>Only composed by 3 independent board members with extensive accounting and financial experience. Meets monthly.</p> <ul style="list-style-type: none"> • Supervises the management, conduction and execution of the matters that correspond to it in accordance to the Securities Market Law. • Supervises that the managing director complies with the Meeting's agreements. • Evaluates the external auditor's performance. • Analyzes the company's financial statements and the financial information. • Investigates possible non-compliance of the guidelines, operation policies, and internal control systems. • Informs the Board of Directors of operations with related parties. • Evaluates the remunerations of the CEO and other relevant officers.
Social Responsibility Committee	<p>Composed by 14 members, 4 board members, 1 of which is independent, who presides; meets bi-monthly.</p> <ul style="list-style-type: none"> • Defines the scope of the social responsibility for Quáлитas. • Defines strategies and activities to implement social responsibility practices. • Defines mechanisms to measure the social impact of the functions and activities.
Investment, Finance and Planning Committee	<p>Composed by 6 members, all board members, 2 of which are independent; meets monthly.</p> <ul style="list-style-type: none"> • Evaluates and suggests investment policies in accordance with the organizational vision. • Proposes guidelines for the strategic planning of the company. • Maintains a balanced investment portfolio under the investment regime established by the authority. • Comments, recommends and follows up on the budget. • Identifies risk factors and evaluates policies to manage them.

Operations Committee	<p>Composed by 9 members, 6 of which are board members, 2 of which are independent; meets monthly.</p> <ul style="list-style-type: none">• Advises the general management, in the establishment of strategies and actions to optimize the efficiency and operational quality of the company.• Helps establish the annual business plan and the comprehensive strategy, guaranteeing the continuity and better development of the holding.
Reinsurance Committee	<p>Composed by 8 members, 2 of which are board members. Its scope only includes Quálitas Mexico.</p> <ul style="list-style-type: none">• Proposes objectives and policies to contract, monitor, assess and manage reinsurance operations.• Proposes mechanisms to monitor and evaluation of the reinsurance policies and regulations.• Periodically assesses the achievement of the strategic reinsurance objectives established by the Board of Directors.• Informs on the results of the operation and of the corrective measures implemented to correct deviations.

At the Quálitás Controladora level there is a **management team** with the best expertise in their fields of work, who live the values of the company and perform by following the corporate strategy. These characteristics are also extensive to the management that integrates the different subsidiaries.

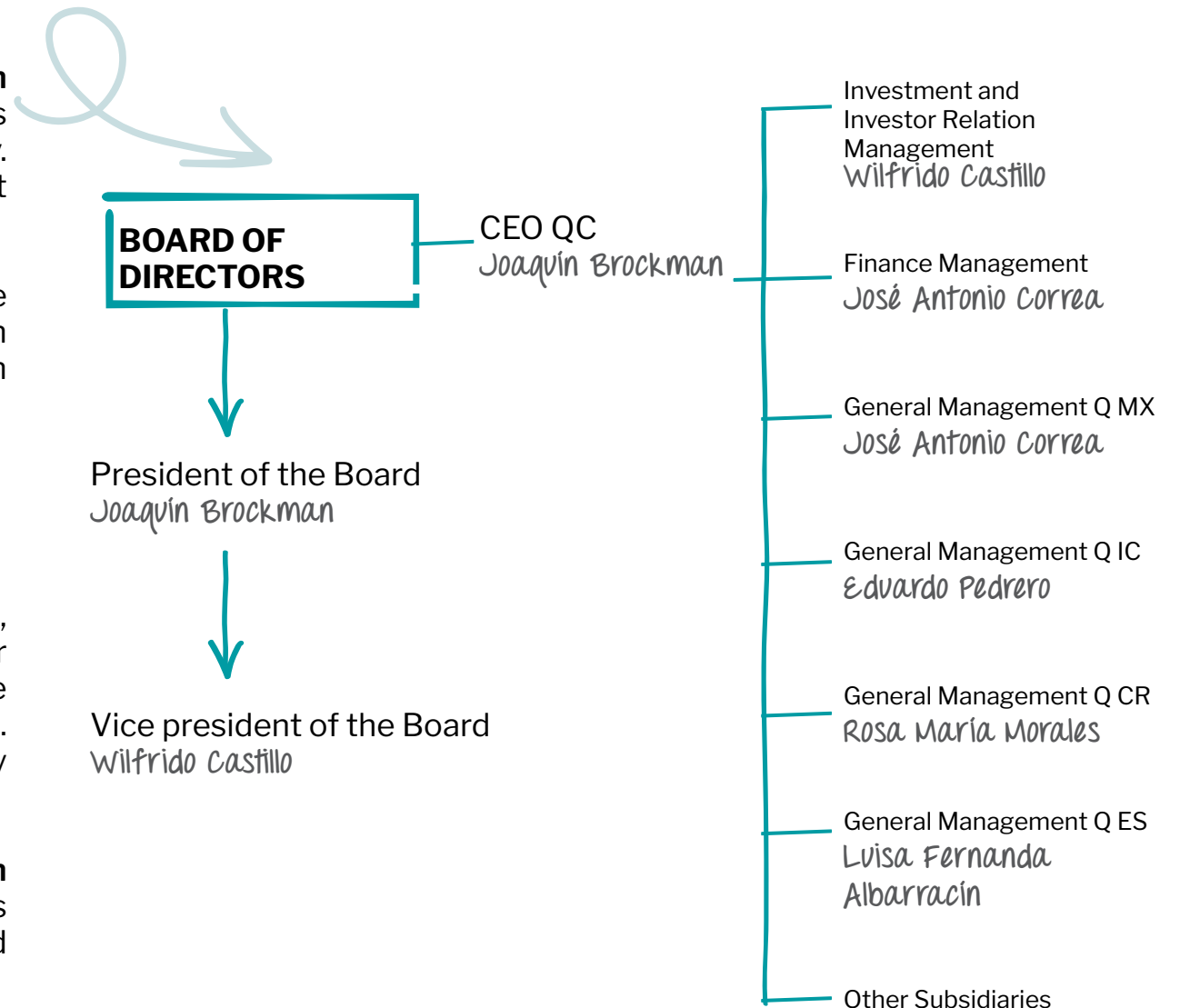
On a weekly basis, the main executives of the company, alongside the members of their teams, get together to followup on the operation and study those topics that are gaining relevance and may have an impact in the achievement of the objectives and goals established.

ETHICS AND INTEGRITY

GRI 102-16, 102-17, 102-25, 102-26, 103-2, 103-3, 205-1, 205-2, 205-3, 412-1, 412-2

At Quálitás we follow appropriate to our **Code of Ethics and Conduct**, which includes the values that represent us and the guidelines for the behavior of employees, board members and personnel at the service offices; the code was approved by the Board of Directors. We disseminate it as well to agents and suppliers, so that it may guide the execution of their activities.

We have a **Manual of Polices, Principles and Anti-Corruption Mechanisms** with the purpose of preventing related practices, as well as a Conflict of Interest Policy. They apply to our employees and



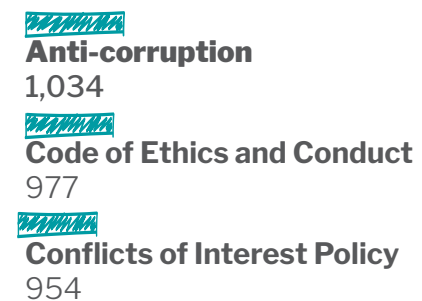
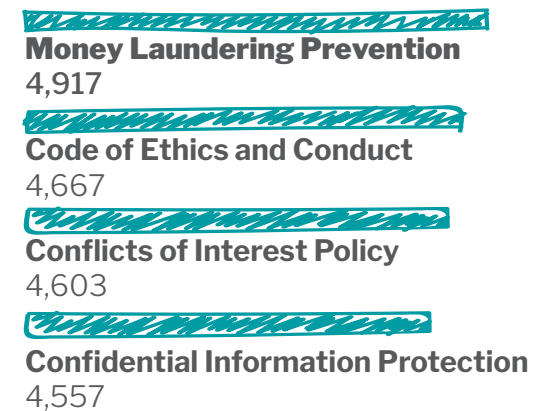
everyone they establish a relationship with, safeguarding a behavior of integrity and honesty. On the other hand, through the Ethical Business Principles, that focus on the relationship of our employees with agents and service offices, we can ensure they work together, aligned with our culture of ethics.

We would like to inform that Quálicas did not made contributions to political parties and representatives.

Q-Transparency is the complaint channel for non-compliance of the Code of Ethics and Conduct. It guarantees access to the general public, through a web portal, e-mail or phone line where they can anonymously make their complaints and the platform is managed by an external third party. The supplier channelling the cases to our experts in Fraud Detection and Internal Auditing, who then internally assign the corresponding teams for their analysis and resolution. The **Ethics Committee** is in charge of following up on the cases through quarterly meetings.

To the complaints, which are treated by safeguarding the due guarantees, we add those cases that we identify through the internal audit area. Currently we are in the process of investigating a possible case of corruption.

Continuing the efforts to disseminate and live the **Quálicas DNA campaign**, this year we extended an invitation to our employees through social media to join the proposal and live day by day, as “*Quálicas Citizens*”.



Our efforts to strengthen the Quálitás culture based on values, also include training programs. Since 2017 we are promoting employees to have the Q Certification, which can be obtained by taking the following four courses:

- 1) Code of Ethics and Conduct
- 2) Conflicts of Interest Policy
- 3) Confidential Information Protection
- 4) Prevention of Money Laundering (PML).

We extend the training to agents and the service offices personnel.

RISK MANAGEMENT

GRI 102-11, 102-15, 102-29, 102-30, 103-2, 103-3, 201-2, 206-1, 307-1, 416-2, 417-2, 417-3, 419-1

The solidity of a company is based on its policies and operating regulations, operational management and delivery of results, but also on the **identification and response to risks and opportunities**.

At the Quálitás Controladora level, the Comprehensive Risk Management Area is responsible for the management, by delegation of the Board of Directors and following the guidelines of the Policy Manual for the Corporate Governance System. Such area reports to the General Management and the Audit and Corporate

Practices Committee, who present the results to the Board. Each insurance subsidiary, in the different countries where we operate, have their own team who coordinates with corporate.

With the analysis of internal specialists, we have built matrices with the most significant risks. From this we carry out periodic monitoring to take the necessary prevention measures and response. These risks can be grouped in four main categories: financial, technical, operational and counterparty. Each one has a particular management process, with the participation of the related areas.

Risk Categories

Financial	Technical	Operational	Counterparty
Market Risk	Technical Risk	Operational Risk	Credit Risk
Liquidity Risk		Technological Risk	
Credit Risk		Legal Risk	
Concentration Risk		Reputational Risk	
		Strategic Risk	

The management of the aforementioned risks includes the reinforcement in Mexico of the creation of financial reserves, to accomplish with the requirements derived from the implementation of the Solvency II regulation in the country. In this regard, we updated our Comprehensive Risk Management Manual. The Investment Committee is informed on a monthly basis on the status of the company, and we annually issue the Auto-assessment of Risks and Institutional Solvency (ARSI). From our insurance subsidiary in Mexico, we are also working with the risk matrices of the rest of the insurance subsidiaries, to reinforce their structures and processes in these aspects.

In the digital transformation context in which we find ourselves, **technological risks** become relevant. This year we obtained the PCI (Payment Card Industry) Certification by meeting the requirements of the PCI Council standards on web transaction safety. With the purpose of providing security to all policyholders, we perfected our policies and processes for payment with credit card, and we standardized the security standards. In addition, we included training content at Quálitas University.

We find ourselves continuously improving information security, with the annual PCI re-certifications and our goal of continuing to increase the level of certification. The

whole of the measures taken have meant an investment of \$27,622,881 MXN, including the acquisition of reference technology.

The **risks and opportunities associated with climate change** are also emerging. The alteration that the weather generates, with events such as torrential rains, hurricanes, and hailstorms, impact the state of the cars and the safety of the drivers. Governments encourage electric or hybrid vehicles and penalize those older fossil fuel ran vehicles. Quálitas recognizes this as an opportunity to reduce its Greenhouse Gas emissions (GHG)².

Our prevention and mitigation efforts, together with the provision of guidelines for behaviors in operation, are completed with the performance of internal audits. In this way, we adhere to the applicable legislation and to our own policies and procedures. In the year we only had an open legal process regarding the payment of benefits to the policyholder, which is in the process of litigation.

² More information in the chapter on Innovation and operating efficiency.

About our report



3rd

consecutive year presenting
the Integrated Annual Report

CONTENT : 

GENERAL CRITERIA

GRI 102-32, 102-50, 102-51, 102-52, 102-54, 102-56

For three consecutive years we have been rendering our Integrated Annual Report which reveals our operating performance for 2018. The financial results included correspond to the group of Quáalitas Controladora, as well as to the description of the corporate governance, the strategy and the business model. Regarding operation, we described the evolution of the business and the workforce in the different countries where we perform operations¹.

The report has been prepared pursuant to the Global Reporting Initiative Standards (GRI): comprehensive option.

In addition, we continue keeping the status of the GRI supplement for the financial services regarding those cases corresponding to matters classified as relevant for the report. As evidence of the maturity we are achieving in sustainable development in the three dimensions (economic, social and environmental), as well as structure and operation of our corporate governance, we have decided to go further and report under the comprehensive option.

For the second consecutive year, the report has been submitted for external verification by an independent third party, the scope of which is shown in the GRI's Index of Contents and in the corresponding statement of the team in charge.



Likewise, convinced about the implementation of the 10 Principles of the United Nations Global Pact; this report constitutes our Communication on Progress (COP).

In the same manner, we boost our contribution to the Sustainable Development Goals (SDG), through diagnosis, maximization of the identified opportunities therein and associated with our strategy and business model, as well as the social responsibility initiatives set out over our operation impacts. Such contribution is in addition to that of our own nature as a company, which includes, for example, employment creation and business development with the value chain. We establish this information in this report, observing the reporting guidelines of the Business Reporting on the SDGs.


Contact Information

GRI 102-53

For more information about our processes, products and performance visit our page www.qualitas.com.mx and for any comment regarding the information render please feel free to contact:

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¹ The report does not include, regarding operating data, the additional companies targeting the insurance and asset management business (CristaFácil, Easy Car Glass, Outlet de Refacciones, Autos y Salvamentos, Optimización y Talento), since Quáalitas has no operating control over the same and which are managed by our partners.

The content of this report is validated by the Social Responsibility Committee and by the Executive President to guaranty we share information about the important matters from a double perspective, the stakeholders and the company's strategy.

DEFINITION OF CONTENTS AND COVERAGE

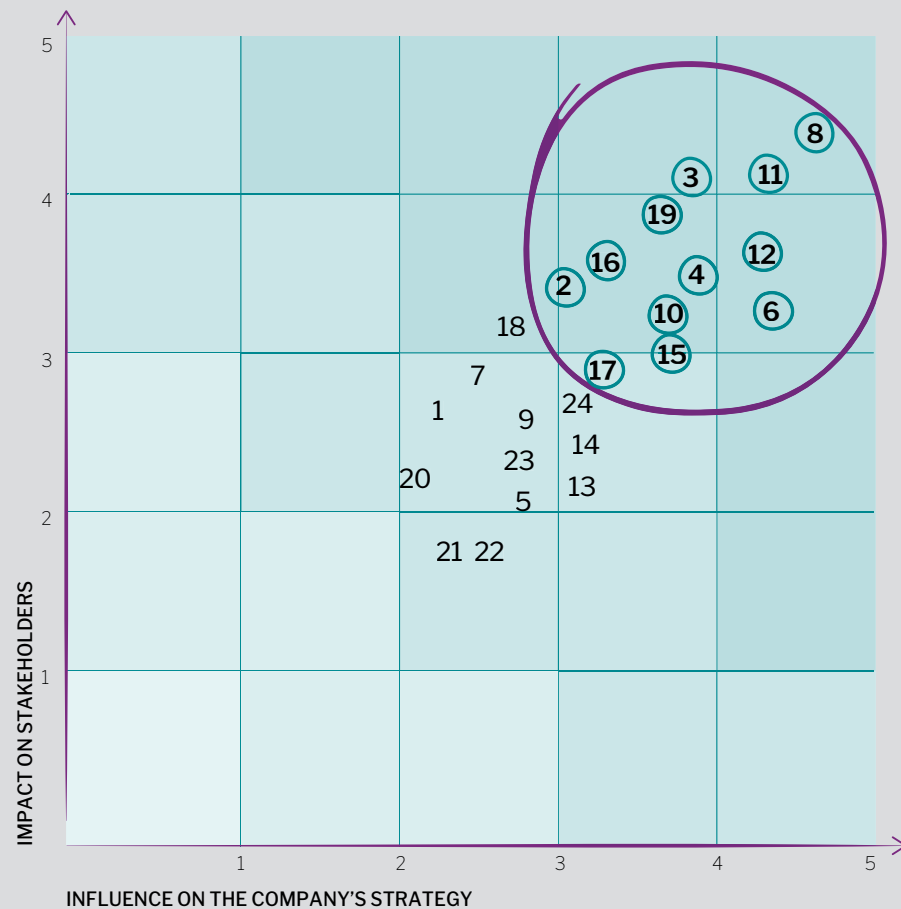
GRI 102-46, 102-47, 102-4, 103-1

The contents of the report has been prepared addressing some of the relevant matters determined in the analysis performed in the process of our first comprehensive report, corresponding to performance of 2016.

Continuity of our strategy and business model and the close relation we have achieved with our different stakeholders, provides us with the list of significant matters and limits of the same.



Here below is an attachment of the significant matters².



SUBJECT N°	SUBJECT	STRATEGIC	NOTEWORTHY
1	Support and education regarding traffic/road behavior	2.5	2.7
2	Financial education and insurance culture	3.1	3.1
3	Operational innovation and efficiency	4.0	3.9
4	Relationship with suppliers (physicians, workshops, legal and cranes)	3.5	3.6
5	Insurance availability for all of the population	2.6	2.3
6	Relationship with agents/brokers	4.2	3.3
7	Data Protection of the Insured	2.7	2.8
8	Customer Service	4.4	4.4
9	Accurate and relevant information about insurance conditions	2.7	2.7
10	Legal compliance	3.5	3.2
11	Ethics, transparency and anticorruption	4.1	4.0
12	Risk management (financial, operational..)	4.1	3.9
13	Corporate Governance (management bodies of the company)	2.9	2.4
14	Involvement in the preparation of the public policies	2.9	2.4
15	Economic results	3.4	3.2
16	Market and Brand positioning	3.5	3.1
17	Attracting and retaining customers	3.0	3.0
18	Labor atmosphere and employee satisfaction	3.0	3.0
19	Career training and Development (employees)	3.8	3.8
20	Diversity and equal opportunities (employees)	2.4	2.2
21	Wages and benefits (employees)	2.5	2.1
22	Labor Security	2.5	2.1
23	Community support and donations	2.6	2.3
24	Environmental management (energy, wastes, releases, ect.)	2.9	2.7

² You can access a detailed description of the process performed for determination of the significant matters, its result and coverage limits per matter in page 53 of the Comprehensive Report for 2016 and pages 99 and 102 of the Comprehensive Report for 2017.



Verification Letter of the Consolidated Annual Report 2018

"Drawing new roads"

To the Board of Directors of Quálitas Controladora S.A.B. de C.V., stakeholders and readers of the report:

You are informed that Redes Sociales en Línea Timberlan carried out the independent and impartial verification of the Consolidated Annual Report 2018 "Drawing new roads" of Quálitas Controladora.

Scope

A limited verification of the content of this report was developed. Based on the list of relevant topics, the methodological compliance of the Global Reporting Initiative (GRI) Standards, the quality of the processes for the definition of information, the internal control systems of the controller and the congruence of the published data were validated.

Our review included the adequate presentation of information according to the GRI Standards in accordance with the Exhaustive option and the Financial Services Sector Disclosures, version G4. The verified indicators are listed:

102-1	102-6	102-13	102-18	102-41	102-46	102-51	201-1	305-2	416-1
102-2	102-8	102-14	102-19	102-42	102-47	102-52	204-1	305-3	419-1
102-3	102-9	102-15	102-20	102-43	102-48	102-53	205-2	404-1	FS6
102-4	102-11	102-16	102-21	102-44	102-49	102-54	302-1	405-1	FS13
102-5	102-12	102-17	102-40	102-45	102-50	102-55	305-1	412-2	FS15

In regard to: CO₂ emission, water consumption, solid waste, absenteeism rate and Quálitas wellbeing program, a special and deep revision was carried out on existing processes, control and quality of presented information.

Responsibilities

Quálitas Controladora is responsible for the preparation and presentation of the Consolidated Annual Report 2018 "Drawing new roads", as well as the selection of relevant topics and GRI content reported.

Our commitment is to issue objective opinions about the quality of the report and the presentation of the information, taking as reference International Standards, such as: Ethical Principles of Independence of ISAE 3000; and *The external assurance of sustainability reporting of GRI*.



Activities for the verification

Our verification process covered the following activities:

- Understanding of information collection processes, as well as the review of the control systems used by the organization.
- Verification of qualitative and quantitative information through visual, documentary and public evidence of the sample (mentioned above) of GRI content.
- Analysis and comparison of reports from past years regarding the information presented.

Conclusions

The verification process of the report did not present any incongruence that leads us to consider that:

- The Integrated Annual Report does not respect the requirements requested by the GRI Standards in accordance with the Comprehensive option.
- The quality of the information presented does not comply with the principles for the preparation of the report regarding the definition of the content and quality of the GRI Standards report.
- The processes of obtaining and validating information are not effective.
- Published data contain errors

Recommendations

An internal report, exclusive for the client, is delivered separately, containing the areas of opportunity detected for future reports.

Alma Paulina Garduño Arellano

Redes Sociales en Línea Timberlan S.A. de C.V

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April 17, 2019

Declaration of Independence and competence of Redes Sociales LT

Redes Sociales employees have the level of competence necessary to verify the compliance with standards used in the preparation of Sustainability Reports, so they can issue a professional opinion of non-financial information reports, complying with the principles of independence, integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. In no case our declaration of verification can be understood as an audit report and therefore no responsibility is assumed for the systems and processes of management and internal control from which the information is obtained. This Letter of Verification is issued on April, 17th two thousand and nineteen and is valid as long as there are no subsequent and substantial modifications to the Quálitas Controladora's 2018 Consolidated Annual Report.

GRI INDEX OF CONTENT

GRI 102-55

GRI 102: GENERAL CONTENT¹

GRI Subject	Content	Standard	Page	Omission	UN Global Compact	SDG's / Goals	
Organization profile	GRI 102: General Contents 2016	102-1	22				
		102-2	10, 22			3.6, 9.3	
		102-3	Back cover				
		102-4	10, 22				3.6, 3.13, 9.3
		102-5	22				
		102-6	22				
		102-7	9, 83, 90				
		102-8	55			Principle 6	8.2, 8.5, 10.3
		102-9	52				8.2
		102-10	52				8.10
		102-11	99				
		102-12	17, 42				
		102-13	42				
Strategy	GRI 102: General Contents 2016	102-14	4				
		102-15	4, 28, 99			8.10	
Ethics and integrity	GRI 102: General Contents 2016	102-16	21, 97		Principle 10	16.3	
		102-17	97		Principle 10	16.3	

¹ The correlation of GRI contents with the ODS and the goals has been established by integrating the reference framework *Business Reporting on the SDGs: An Analysis of the Goals and Targets*, and a strategic analysis of contribution to the SDGs by Quáлитas.

GRI Subject	Content	Standard	Page	Omission	UN Global Compact	SDG's / Goals		
Governance	GRI 102: General Contents 2016	102-18	92					
		102-19	31, 92					
		102-20	31, 92					
		102-21	31, 34				16.7	
		102-22	31, 92				5.5 y 16.7	
		102-23	92				16.6	
		102-24	92				5.5 y 16.7	
		102-25	92				16.6	
		102-26	92					
		102-27	92					
		102-28	92					
		102-29	99					16.7
		102-30	99					
		102-31	31					
		102-32	102					
		102-33	92					
		102-34				Confidential, due to internal guidelines of the company.		
		102-35	59, 92					
		102-36	59, 92					
		102-37	59, 92					16.7
102-38				Confidential, due to internal guidelines of the company.				
102-39				Confidential, due to internal guidelines of the company.				

GRI Subject	Content	Standard	Page	Omission	UN Global Compact	SDG's / Goals
Stakeholder engagement	GRI 102: General Contents 2016	102-40	34			
		102-41	55		Principle 3	8.8
		102-42	34			
		102-43	34			
		102-44	34			
Reporting practice	GRI 102: General Contents 2016	102-45	22			
		102-46	103			
		102-47	103			
		102-48	73			
		102-49	103			
		102-50	102			
		102-51	102			
		102-52	102			
		102-53	102			
		102-54	102			
		102-55	106			
102-56	102					

GRI INDEX OF CONTENT

CONTENT BY MATERIAL SUBJECT

Material Subject Quálitas	Content	Standard	Page / Statement	Omission	UN Global Compact	SDG's / Goals	
Hiring and retention of employees	GRI 103: Management approach 2016	103-1	103		Principle 6		
		103-2	55				
		103-3	55				
	GRI 401: Employment 2016	401-1	55		Principle 6	5.1, 8.5, 8.6 y 10.3	
		401-2	64, 79			3.2 y 5.4	
		401-3	64			Principle 6	5.1, 5.4 y 8.5
	GRI 405: Diversity and equal opportunity 2016	405-1	55, 92		Principle 6	5.1, 5.5 y 8.5	
		405-2	59		Principle 6	5.1, 8.5 y 10.3	
	Employees training and career development	GRI 103: Management approach 2016	103-1	103			
			103-2	59			
103-3			59				
GRI 404: Training and education 2016		404-1	59		Principle 6	4.3, 4.4, 4.5, 5.1, 8.2, 8.5 y 10.3	
		404-2	59, 64			8.2 y 8.5	
		404-3	59			Principle 6	5.1 y 10.3
Legal compliance	GRI 103: Management approach 2016	103-1	103				
		103-2	99				
		103-3	99				
	GRI 206: Anticompetitive behavior 2016	206-1	99			16.3	
	GRI 307: Environmental compliance 2016	307-1	99		Principle 8	16.3	
	GRI 417: Marketing and labeling 2016	417-1	45, 50			12.8 y 16.3	
		417-2	99		16.3		
		417-3	99		16.3		
GRI 419: Socioeconomic compliance 2016	419-1	99			16.3		

Material Subject Quálicas	Content	Standard	Page / Statemenet	Omission	UN Global Compact	SDG's / Goals
Financial education and insurance culture	GRI 103: Management approach 2016	103-1	103			
		103-2	79			
		103-3	79			
	Sector Supplement: Financial Services 2013	FS16	24, 28, 79			4.4
Ethics, transparency, and anticorruption	GRI 103: Management approach 2016	103-1	103		Principles: 1, 2, 3, 4, 5, 6 y 10	
		103-2	97			
		103-3	97			
	GRI 205: Anticorruption 2016	205-1	97		Principle 10	16.5
		205-2	92, 97		Principle 10	16.5
		205-3	97		Principle 10	16.5
Risk management	GRI 103: Management approach 2016	103-1	103		Principles: 1, 2, 4, 5, 6 y 10	
		103-2	99			
		103-3	99			
	GRI 412: Human Rights assessment 2016	412-1	97		Principle 1	
		412-2	97		Principle 1	
		412-3	87		Principle 2	

Material Subject Quálitas	Content	Standard	Page / Statement	Omission	UN Global Compact	SDG's / Goals	
Innovation and operational efficiency	GRI 103: Management approach 2016	103-1	103		Principles: 7, 8 y 9		
		103-2	69, 73				
		103-3	69, 73				
	GRI 302: Energy 2016	302-1	73			Principles: 7 y 8	7.2, 7.3, 8.4, 12.2 y 13.1
		302-2			Not applicable, Quálitas activity of insurance provision is not related to GHG emissions in the use of vehicles by customers.	Principle 8	7.2, 7.3, 8.4, 12.2 y 13.1
		302-3	73			Principle 8	7.3, 8.4, 12.2 y 13.1
		302-4	73			Principles: 8 y 9	8.4, 12.2 y 13.1
		302-5			Not available. Quálitas is working to present the information in the next exercise.	Principles: 8 y 9	8.4, 12.2 y 13.1
	GRI 305: Emissions 2016	305-1	73			Principles: 7 y 8	3.9, 12.4, 13.1, 14.3 y 15.2
		305-2	73			Principles: 7 y 8	3.9, 12.4, 13.1, 14.3 y 15.2
		305-3	73			Principles: 7 y 8	3.9, 12.4, 13.1, 14.3 y 15.2
		305-4	73			Principle 8	13.1, 14.3 y 15.2
		305-5	73			Principles: 8 y 9	13.1, 14.3 y 15.2


Material Subject Quálitas	Content	Standard	Page / Statement	Omission	UN Global Compact	SDG's / Goals	
Innovation and operational efficiency	GRI 305: Emissions 2016	305-6		Not applicable, Quálitas activity of insurance provision is not related to GHG emissions in the use of vehicles by customers. Also, Quálitas operations do not require the use of refrigerant gases.	Principles: 7 y 8	3.9 y 12.4	
		305-7		Not available. Quálitas is working to present the information in the next exercise.	Principles: 7 y 8	3.9, 12.4, 14.3 y 15.2	
	GRI 416: Customer health and safety 2016	416-1	45, 69				3.6
		416-2	99				16.3
Brand and market positioning	GRI 103: Management approach 2016	103-1	103				
		103-2	22, 29				
		103-3	22, 29				
	Sector Supplement: Financial Services 2013	FS6	85			3.6 y 9.3	
Relationship with agents	GRI 103: Management approach 2016	103-1	103				
		103-2	29, 50				
		103-3	29, 50				
Relationship with suppliers	GRI 103: Management approach 2016	103-1	103				
		103-2	52				
		103-3	52				
	GRI 204: Procurement practices 2016	204-1	52			8.3	

Material Subject Quálitas	Content	Standard	Page / Statement	Omission	UN Global Compact	SDG's / Goals	
Economic results	GRI 103: Management approach 2016	103-1	103				
		103-2	83, 90				
		103-3	83, 90				
	GRI 201: Economic performance 2016	201-1	90				8.1, 8.2, 8.10, 9.1, 9.4 y 9.5
		201-2	99			Principle 7	13.1
		201-3			Not available. Quálitas is working to present the information in the next exercise.		
		201-4	90				
Client service	GRI 103: Management approach 2016	103-1	103				
		103-2	29, 45				
		103-3	29, 45				
	Sector Supplement: Financial Services 2013	FS15	45				



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