MATERIALITY ASSESMENT

Qualitas Controladora

BACKGROUND OF QUALITAS

Quálitas Controladora conducted its first materiality analysis in 2016, which served for:

- The **first integrated annual report** and subsequent reports, following the GRI Standards.
- Correlation of strategic and differential **contributions to the Sustainable Development Goals (SDGs)** by Quálitas Controladora, considering the context and type of operation of its subsidiaries.
- **Development of the Sustainability strategy**, with defined pillars and action lines based on impact material topics.
- Progressive integration of ESG risks (environmental, social and governance) into the consolidated risk map of the company.

For the 2016 materiality analysis, a direct consultation was conducted with a selected group of stakeholders. Specifically, a focus group with **agents**, interviews with **automotive financiers;** The expectations of **policyholders** and **suppliers** were raised through consultation with the teams in the company that have a direct relationship with them. All consultations were for stakeholders of Qualitas Compañía de Seguros, the main subsidiary in terms of revenue and staff (>90%).

Since that exercise, three significant changes have occurred that drive the need for an update in materiality:

- The growth of Quálitas Controladora, including the incorporation of an insurance subsidiary in Peru and assuming control of three non-insurance subsidiaries in Mexico (Easy Car Glass, CristaFácil, and Outlet de Refacciones).
- The impacts generated by the COVID-19 pandemic in all operating countries: Mexico, the United States, Costa Rica, El Salvador, and Peru. This has accelerated the transformation of operations towards remote mechanisms and has particularly affected insured parties' and employees' expectations.
- Increased investor focus on the company's ESG performance and how these issues can influence the company's financial evolution. In response to this, Quálitas will also incorporate the SASB Standards in its 2020 integrated annual report.

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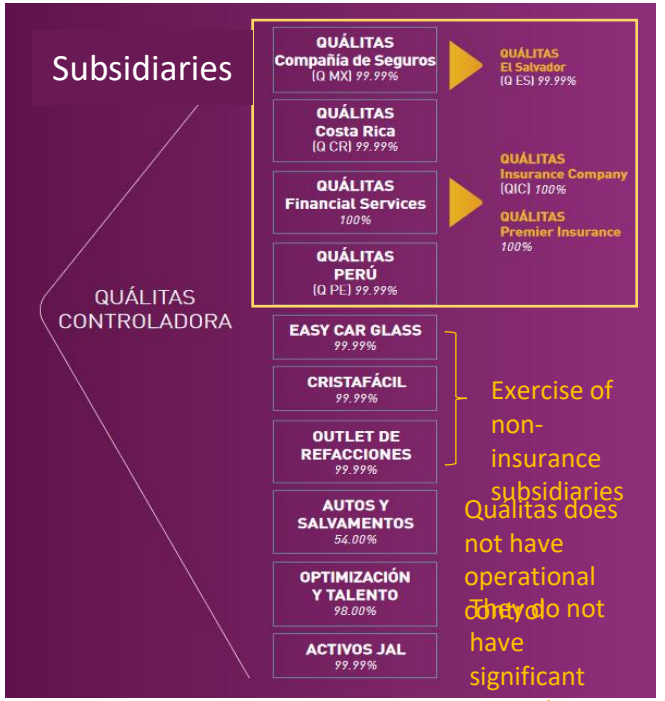
BACKGROUND OF QUALITAS

As a result, in 2020:-

- The impact materiality was updated, consulting internally with the teams that relate to stakeholders, due to the pandemic context.
- Financial materiality was integrated, based on the topics raised by SASB in its global exercise by industry.-
- The integration of ESG aspects in risk management was strengthened, starting with financially material topics, beginning with the identification, prevention and management of climate risks.

- The presented materiality analysis covers all insurance subsidiaries in the 5 countries where Quálitas operates: Mexico, USA, Costa Rica, El Salvador, and Peru.

- For the non-insurance subsidiaries where Quálitas has operational control (in addition to majority ownership), a separate specific exercise is conducted.



Scope of materiality analysis

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GOVERNANCE

- We are committed to conducting materiality analyses at least every three years as part of the sustainability strategy update.
- We will integrate the determination of material issues by impact with those that are financially material; in this way, the report will address performance information in accordance with GRI Standards and SASB Standards (in addition to IFRS sustainability standards when they come into force).
- The process of determining the material issues and their outcome will be verified externally each year, both the impact part (corresponding to GRI 3-1 and GRI 3-2 content) and the financial materiality part.
- The materiality process is coordinated by the Social Responsibility and Investor Relations Departments, given the dual focus on impact and financial materiality.
- The materiality results are presented to the Social Responsibility Committee, in which members of the Board of Directors participate (currently José Antonio Correa and Bernardo Risoul).

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PROCESS

For the development of the materiality analysis, the Principles established by the Global Reporting Initiative (GRI) were considered to determine report content: stakeholder inclusiveness, sustainability context, completeness, and the principle of materiality.

The presented process aims to address the objective of updating the previous materiality, considering advancements in operations and business, as well as the impact of COVID in accelerating changes that were already being worked on (e.g., focus on technology) and in the stakeholder perspective.

1 Identification

Identification of the set of potentially relevant issues, based on the list of the preceding materiality and documentary review**.**

Updating of the list of potentially relevant topics, with bibliography referring to:

Investor perspective, due to its growing ESG focus, and the response from the integrated report.

Impact of COVID: trends in business management, risks and opportunities. Analysis of documents in response to the context of COVID-19 and post-pandemic, both general and sectoral

Perspective of other interest groups: analysis of pre-existing queries.

2 Prioritization

Prioritization of issues based on the opinion of the different interest groups relevant to Quálitas, and the strategic perspective of the company.

- **Priority of interest groups:** prepared based on the significance identified in the bibliographical research.
- **Strategic priority of the company:** interviews with senior management.

3 Material issues/ Validation

Construction of the matrix and validation of relevant topics.

- Preparation of the **materiality matrix**
- Determination of the set of material issues
- Validation session with the Social Responsibility team and committee.

PRIORITIZATION

The prioritization stage corresponds to assessing the significance of potentially relevant topics for stakeholders and the company's business strategy.

Since this exercise was an update of material topics for Quálitas, it differed from the regular process in that direct consultations with stakeholders for prioritization were not conducted. However, pre-existing consultation documents from various stakeholder groups provided by Quálitas were utilized.

X axis: Quálitas Strategy	Y axis: Stakeholders
This axis represents the **importance of environmental, social, and corporate governance (ESG) issues for Quálitas management**. To prioritize this axis, interviews were conducted with directors of Quálitas Controladora and its subsidiaries, including: See next page.	This axis reflects **the importance of managing ESG issues for stakeholders**. (Indirect queries from the 2020 materiality update are presented.). The pre-existing documents included the following stakeholder groups: Employees Clients Suppliers *Media clippings* Other directions Investors

PRIORITIZATION

Eje X: Estrategia de Quálitas
CEO of Quálitas Controladora
Technical Direction
Operations Direction
CFO
Investment Direction
Human Resources Direction
Claims Service Direction
Strategic Planning Direction
Integrated Risk Management Direction
Subdirection of Foreign Offices and Special Projects
Risk Prevention Subdirection
Claims Operations Subdirection
CEO of Quálitas Compañía de Seguros
Direction of each insurance subsidiary outside of Mexico
Direction of non-insurance subsidiaries

PRIORITIZATION

Weighting of the Y-axis.

To calculate the Y-axis corresponding to the stakeholder perspective, a different value (coefficient) was assigned to each stakeholder group considering:

Influence: The influence that the stakeholder group has on the company, determined through an analysis of the ease with which the stakeholder group can change or alter the company's operations.

Interest: The interest that the stakeholder group has in the company, how closely it is linked to the operations, and the direct impacts of the company on the stakeholder group.

Based on these two criteria, the following coefficients were applied.

In the case of employees, the weight of the stakeholder group was distributed among the workforce in different countries based on the percentage they represent of the total employees.

This exercise only considered employees of the insurance subsidiaries.

Stakeholders perspective			Weight
	Country	**Weight**	
Employees	Mexico	96%	**20%**
	El Salvador	1.25%	
	Costa Rica	1.25%	
	United States	0.76%	
	Perú	0.80%	
Policyholders			**25%**
Suppliers			**5%**
Media			**5%**
Agents			**15%**
Agencies			**10%**
Investors			**20%**
TOTAL			**100%**

MATERIALITY TOPICS

DOUBLE MATERIALITY

Impact Materiality (socio-environmental)

Reflects the most relevant impacts of the company towards the external environment, including the economy, the environment, and the community. The generated impacts have both negative and positive consequences, leading to operational, reputational, and financial risks.

The recurrence of this exercise aims to incorporate new trends in the insurance sector and include changes in the operational context (COVID-19), environmental and social impacts into our business model. We will carry out the update of this exercise at the end of 2023 and the beginning of 2024.

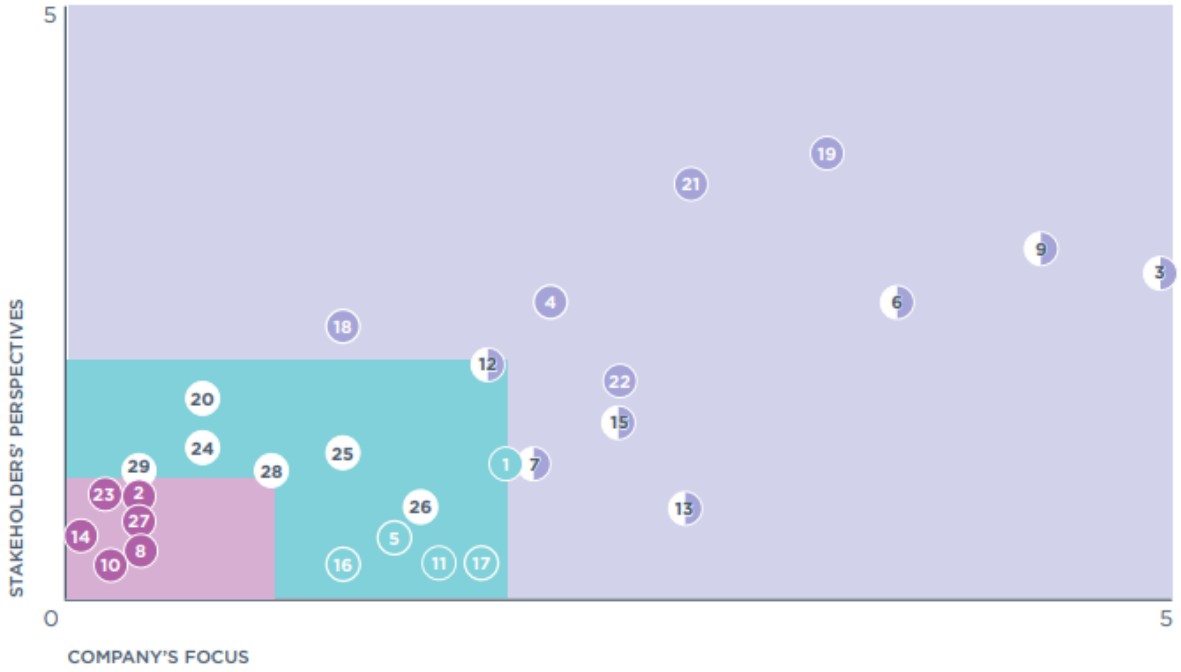
Financial Materiality

It reflects those ESG factors that are prone to causing impacts on the company's financial condition, operational performance, and cash flows.

We gather the most recurring topics within our selection of references, which include: declared investment positions of asset managers, questionnaires from rating agencies, and the Sustainability Accounting Standards Board (SASB) standards for the insurance industry. We focus on the insurance industry since the majority of our revenue comes from insurance subsidiaries.

MATERIALITY MATRIX: INTEGRATED

(Impact and Financial)



- Material subjects (socioenvironmental subjects)
- Potential material subjects in the short-term
- Financially material subjects
- Other potentially relevant subjects

1	Road behavior support and education
2	Financial education and insurance culture
3	Innovation and operating efficiency
4	Relationship with suppliers
5	Availability of insurance for the entire population
6	Relationship with business allies
7	Cybersecurity – Information safeguard (policyholder and operation)
8	Use of policyholder's data (privacy)
9	Customer service
10	Clear and appropriate information of insurance conditions
11	Legal compliance
12	Ethics, transparency and anticorruption
13	Corporate governance
14	Participation in the drawing up of public policies
15	Economic results
16	Market and brand positioning
17	Attraction and retention of employees
18	Work environment and employee satisfaction
19	Training and career development (employee)
20	Diversity and equal opportunities (employee)
21	Benefits and remuneration (employee)
22	Health and social security (employee)
23	Contribution to the development of local societies (social support and donations)
24	Environmental management
25	Products and services with environmental benefit
26	Loss conditions
27	Tax strategy
28	ESG Investment
29	Climate change risks and opportunities

MATERIALITY MATRIX: INTEGRATED

(Impact and Financial)

Top impact material topics (impact generated by the company on its stakeholders)	Innovation and operating efficiency Customer Service Relationship with business partners
Financial material topics (critical to Enterprise Value Creation)	Innovation and operating efficiency Customer Service Relationship with business partners Cybersecurity Ethics, transparency and anticorruption Corporate governance Economic results Diversity and equal opportunities Environmental management Products and services with environmental benefits Loss conditions ESG Investment Climate change risks and opportunities

As a legend to the topic tables:
I:Impact
F: Financial
P: Positive
N: Negative

Material topics	Materiality type	Impact		Long term metrics Qualitas
		Real	Potential	
Innovation and operating efficiency	I/F	Waste reduction while maintaining quality and service.(P) Simplification of existing processes.(P) Customer satisfaction with the digital experience in claims handling (P) Remote feedback of vehicles, by using telemetry devices.(P)	Loss of competitive advantage due to technological and digital lag in the company (N) High direct innovation costs, dealing with business profitability(N) Failure in the systems that can cause discontinuity in processes (N)	% claims assisted in Mexico through the remote use of our Express Adjustment tool. Time of arrival of the claim officer Written Premium of Telemetry and tracking devices in insured units
Customer Service	I/F	Maintain and increase customers loyalty and satisfaction (P) Foster brand loyalty (P)	Loss of customers loyalty and satisfaction (N) Reputation loss (N) Low competitiveness in the market (N) Lack of claims attention due to incidents in the performance of suppliers (N)	% of satisfaction in the comprehensive service survey (QCS)
Relationship with business partners	I/F	Allows to stay informed with the latest updates on standards, regulations and indicators of the sector (P)	Disagreements and friction among partners and management (N) Strategic allies where dialogue is generated and contributes to the development of the sector (P)	Agent satisfaction (surveys) Contributions to chambers of commerce and trade associations (MXN) % of premiums written per channel (agents, automotive finance companies, direct).
Training and career development	I	Competitive advantages due to the knowledge and skills possessed by the employees. (P) High performance with a significant effect on the success of the organization through improving employee performance. (P) Talent attraction and retention (P)	Increase in business profit by a workforce of experts (P)	Average hours of training by employees % vacancies filled by internal candidates
Benefits and remunerations	I	Talent attraction and retention (P) Economic wellbeing of employees by competitive salaries, bonuses, commission payments, other financial benefits (P)	Employee motivation decreases cause of gender payment gaps for the same position. (N)	salary ratio (women/men) mpacts of the Adjust Your Emotions program
Corporate Governance	I/F	Alignment with stakeholders interests by a solid governance (P) Business continuity over time (P)	Weakening of the company potential by a poor corporate governance (N) Financial difficulties and fraud by a poor corporate governance(N) Loss of confidence of shareholders (N)	women’s participation on the Board (%) % of independent members of the board average hours of training by members of the board and directors

Material topics	Materiality type	Impact		Long term metrics Qualitas
		Real	Potential	
Economic results	I/F	Business continuity by stable performance of the financial and economics results (P)	Requirement for more capital or debt to address growth (P/N) Noncompliance in the payment of obligations with financing suppliers and/or renegotiation thereof (N) Loss of insurance agents and/or significant clients for the written premium (N) Negative results in the treasury or investments management (N) Stock prices volatility (N)	Written premium (MM MXN) – QC Combined Ratio; Adjusted Combined Ratio
Health and social security (employee)	I	Talent attraction and retention (P) Decrease of fatalities due to a strengthen safety culture and prevention campaigns (P) Decrease of accidents and risks by identifying and mitigating hazards(P)	Decrease of absenteeism rate due to a solid EHS System (P)	Absenteeism rate (% days to work) Accident rate Occupational Disease Rate
Relationship with suppliers	I	Supply chain aligned to the principles and values of the company (P)	Cost savings due to a good relationship with the supply chain and its diversification (P) Reduce delays and quality issues, related to services and products (P)	% supplier adherence to Code of Ethics/Operating Guidelines % expenditure on domestic suppliers (national)
Cybersecurity – Information safeguard (policyholder and operation)	I/F	Increase of the vulnerability of the company due to the fast growth of digital and technological assets (N)	Information leakage and/or theft (cybersecurity).(N) Increase in cyber insurance premiums (increase of costs) (N)	% of employees trained in cybersecurity Number of incident that compromised information
Ethics, transparency and anticorruption	I/F	Ethic culture in every position at the company. (P) Reduction of unethical activities (P)	Payment of fins and sanctions duet to unfair/unethical practices (N) Damage reputation of the business due to unethical behavior (N) Attraction of investor due to the transparency and ethical behavior of the company (P)	average hours of ethics training per employee Number of corruption cases (employees)
Work environment and employee satisfaction	I	Talent attraction and retention (P) Increase in the climate survey, mainly in the passion variable (P)	Loss of key executives due to work practices that are not loyal/ethic (N)	% Passion (Commitment + work satisfaction)

Material topics	Materiality type	Impact		Long term metrics Qualitas
		Real	Potential	
Loss conditions	F		Loss derived from underwriting as a result of both the claims covered and the operating processes related to their attention (N) Increase in operational costs due to the increase of loss ratio (N)	Loss costs loss ratio
Products and services with environmental benefit	F	Portfolio diversification and opening of new markets (P)	Reduction of the environmental impact of our portfolio of products and services(P) Contribution on the environmental footprint of the clients/policyholders.	Written premium as a % of Qualitas Controladora of hybrid and electric vehicles Written premium as a % of Qualitas Controladora of fleets with telemetry devices Written premium as a % of Qualitas Controladora of natural gas fleets
ESG Investment	F		Contribution to the reduction of GHG emissions (P) Contribution to the development of technologies and gadgets that bring environmental and social solutions (P) Increase of the company reputation as a company who cares about its surroundings. (P) Attractiveness to shareholders and investors (P)	total amount ($MXN) of investments in renewable energy sector total amount ($MXN) of investments in banks for economic development and green bonds total amount ($MXN) of investment in the transition to low-carbon footprint industry

Material topics	Materiality type	Impact		Long term metrics Qualitas
		Real	Potential	
Diversity and equal opportunities (employee)	F	Talent attraction and retention (P) Operations efficacy due to a respectful an diverse workforce (P) Prevention of serious or legal issues arising, such as bullying, harassment and discrimination (P)	Innovation of new products and services due to the promotion a diverse team with different perspectives. (P)	% women in the workforce % women as director or assistant director % women as managers % of women as directors, assistants, directors and managers % women with commercial variable in management positions (directors, assistant directors and managers) % women in STEM positions
Environmental management	F	Culture of environmental care and sensibilization (P)	Increase of pollution and hazardous air levels due to the lack of environmental practices such as use of renewable energies, electric vehicles (N) Payment of fins or sanctions related to environmental management. (N) Increase in energy costs (N)	Non-renewable energy consumption (MWh) (fuels and electricity) % renewable energy consumption Intensity in energy consumption (KJ/MXN emitted premium) Emissions intensity (tCO2e/MXN emittited premium) Emissions from travel business (Scope 3) (ton CO2e)
Climate change risks and opportunities	F	Interruption of the issuance and claims processes for policyholders due to climate events. (N) Increase in the cost of policies associated with a higher probability of claims because of extreme weather events (N) Increase in the cost of fuel used for legal services, adjustment, and other services for the insured on the road (N)	Affectation of the valuation of assets in the investment portfolio (N) Increase in loss ratio due to climate issues (N) Effect over the distribution and supply chains (N)	Intensity in energy consumption (KJ/MXN emitted premium) Emissions intensity (tCO2e/MXN emittited premium) Scope 3 GHG emissions (ton CO2e) Loss rate costs associated with extreme weather events Cost of fuel used by Qualitas for the attending of policyholders. Value of premium written on insurance with environmental purposes