



PROTECTING YOUR PATH

Consolidated annual report

2016



Quálitas is synonym of trust within the automotive insurance industry, which is a result of the efforts of a service-oriented team and a decentralized operating model that allows us to be where our policyholders need us.

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HIGHLIGHTS

Key figures

(102-7)
(million Mexican pesos)



30,190

MILLION WRITTEN
PREMIUMS



23,825

MILLION EARNED
PREMIUMS



31.5%

MARKET SHARE
IN MEXICO



1,301

MILLION NET
PROFIT



88.3%

COMBINED RATIO



23.5%

ROE



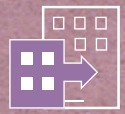
3,487,048

INSURED UNITS



1,341,482

CLAIMS ASSISTED



379

OFFICES AND ODQs
181 SERVICE OFFICES
AND 198 QUÁLITAS
DEVELOPMENT OFFICES



4,411

EMPLOYEES IN 4 COUNTRIES



1,005

CLAIMS OFFICERS



12,808

AGENTS



Happenings of the year

January – March

- Quálitas Mexico implements the quantitative pillar of Solvency II, reserves model based on its own experience.
- Quálitas reaches 22 years in the Mexican market.
- Launching of the domestic truck program in Texas and the personal auto in California (Quálitas Insurance Company, QIC).



April – June

- More than 3 million vehicles insured by Quálitas.
- S&P and AM Best raise the ratings of Quálitas Mexico:
S&P upgrades to "mxAA+" from "mxAA"
AM Best upgrades to "bbb-" from "bb"
- Dividend payment of 225 million Mexican pesos.
- First anniversary of Quálitas University.
- Launching of the Agents School within Quálitas University.



July - September

- For the first time, Quálitas Insurance Company (QIC) exceeds 4 million USD in sales.
- Reforestation volunteering.



October- December

- Quálitas Insurance Company (QIC) creates its own Claim Department.
- The creation of the Managing General Agent (MGA) is approved in Quálitas Insurance Company (QIC).
- First anniversary of the employees' health and welfare program "Adjust your emotions".
- Launching of the Claims School within Quálitas University.
- Quálitas maintains its leader position in the automotive insurance industry in Mexico with 31.5% of market share.



MESSAGE OF THE CHAIRMAN



Message from the Chairman of the Board of Directors

(102-14, 102-15)

Dear all,

Quálitás continues to strengthen itself as a benchmark in the automotive insurance industry, which is a result of our understanding of service and the unique business model that we have developed.

Our specialization and decentralized operations, through service offices, agents and the ODQs (Quálitás Development Offices, ODQs, as per its acronym in Spanish) allow us to reach different locations, which some of them are in places not usually covered by insurers. Our proximity to clients along with service excellence and cost controls shape our identity. Our operation during 2016 provided profitability and growth, showing figures above the market average.

During the year, we experienced growth of 52% in written premiums and 39.6% in earned premiums, figures above the 20.4% growth of the auto insurance industry and the 2.3% increase of Mexico's GDP, our primary market.

Also during the year, we added 684,029 insured units to our portfolio, finishing with a total of 3.5 million vehicles, which represent a 24.4% increase compared to previous year. These numbers proves the policyholder's confidence in our company in Mexico and internationally.

In Quálitas Mexico insured units increased 24.0%, this is primarily associated with the sustained growth of car sales, boosted by an increase in credit availability. Our market position widened with a market share of 31.5% that compares with 25.3% in the previous year.

The international expansion of the company continued its consolidation, our subsidiary in the United States stood out by tripling the number of insured units. The adopted strategy that focuses on the border States is providing excellent results. In Costa Rica, we had a significant increase in written premiums and insured units, which contrasts with a decrease in both items in El Salvador. The decrease is related to the adjustments made to the portfolio to only keep profitable accounts.

We seek to be present where there is a need for auto insurance, either for individuals or fleets. Therefore, we have various distributions channels to reach different clients. Similarly, the automotive finance institutions segment has been a key factor in 2016 growth.

We strive to adhere to strict cost controls with the purpose of creating value for our stakeholders through profitability and a thriving perspective for the company. During the year, all cost indicators improved except for the acquisition cost ratio, which increased as a consequence of certain portfolio segments' growth, such as the automotive financing institutions. It is worth to mention the decrease in the claims ratio, which substantially

↑ **24.4%**
insured units in 4 countries

31.5%
market share in Mexico

88.3%
combined cost ratio

improved despite the price increase of spare parts as the Mexican peso depreciated against the US dollar.

Our operational and financial performance resulted in a net profit of 1,301 million Mexican pesos and a ROE of 23.5%. Likewise, the growth in earned premiums and the investment income have led to an increase in investments and financial assets of 38.3% and 39.1% respectively.

Quáalitas' management is based on a transparent corporate governance decision making and is composed by members of great experience in the industry. The incorporation of Noah Couttolenc as CEO of Quálitas Mexico, as my replacement, will now allow me to focus on overseeing the subsidiaries of Quálitas Controladora, as the CEO of the holding company.

Additionally, the total implementation of Solvency II requirements was a great achievement; those requirements are part of the new regulation of the Insurance and Bond Institutions Act (*Ley de Instituciones de Seguros y de Fianzas*, LISF, as per its acronym in Spanish), for which we were well prepared, thanks to our flexibility, the public nature of our company and our risk management culture.

Technology has been an ally that has helped us to be closer to the policyholders and to dynamize the relations with service offices, agents and suppliers. During the year, we promoted the use of our application for mobile devices "Q Móvil", which allows the user to be in contact with Quálitas through a simple click, and through geolocation be attended by the closest claims officer.

Our work force consist of 4,411 members, which increased 13.0% compared to the previous year. We support steady employment creation through permanent hiring, as well as creating professional growth opportunities. This year, there was special emphasis on training, this through Quálitas University's online platform, in which we integrate a large part of our training and constantly add new contents. Currently the content totals 61 modules and its scope has been extended, beyond employees, to the agents and service offices' employees.

As part of our commitment to social responsibility and strengthening our relationship of trust with our Stakeholders, Quálitas contributes to the promotion of insurance culture and responsible driving in addition to promoting financial education.

I am proud to say that Quálitas' is committed to the implementation of the United Nations 10 Global Compact Principles, which include topics such as human rights, employment, corruption and the environment.

Today we are building tomorrow's Quálitas attached to our values and with the objective of protecting our policyholders' assets, providing quality service with the best claims network, and the commitment to create value for our stakeholders.

Sincerely,



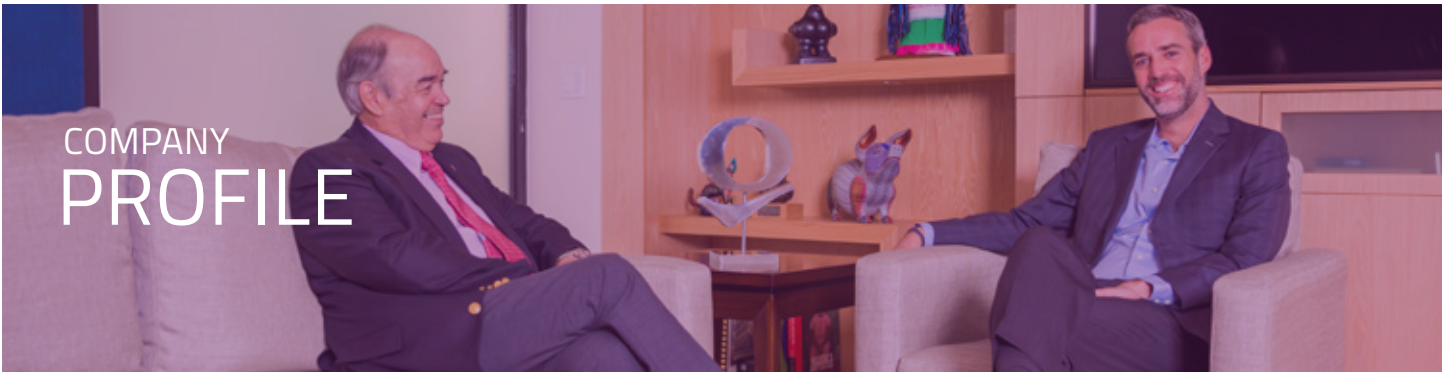
Joaquín Brockman L.
Chairman of the Board of Directors

23.5%
ROE

↑ 38.3%
growth in
investments

4,411
employees in 4
countries

Promotion of financial
and insurance culture



Mission, Vision and Values

(102-5, 102-16, 102-26)

At Quálitas we strive to create value for our different stakeholders, offering specialized products and services with excellence and quality to satisfy the needs of our policyholders. This has made us the drivers' partner of choice to protect their automotive assets.

After two decades of operation, we keep preparing ourselves for future challenges in the industry with the advent of new technologies.

Our Mission: To protect the assets and the physical integrity of the owners of insured automotive vehicles, as well as their liability incurred in relation to third parties, through quality service, which complies with the agreed insurance contract and fully satisfies our customers' expectations.

Our Vision: To be leaders in service quality, exceeding the expectations of our customers, building long term relationships with them, along with authorities and goods and services providers based on equality, honesty and mutual trust.

Our Identity: We are an ethical, efficient and financially strong company, committed to social responsibility. An automotive insurance market leader, innovative, with state-of-the-art methodologies, which offer excellent quality service at competitive prices, being the best option for the policyholder.

We aim to maintain our position as leaders in the industry acting according to the values that guide the relationships with our partners, employees, agents, customers, suppliers, authorities and society in general.

OUR VALUES



Honesty



Equality



Responsibility



Transparency



Respect for the dignity
of the people



Cordiality



Solidarity

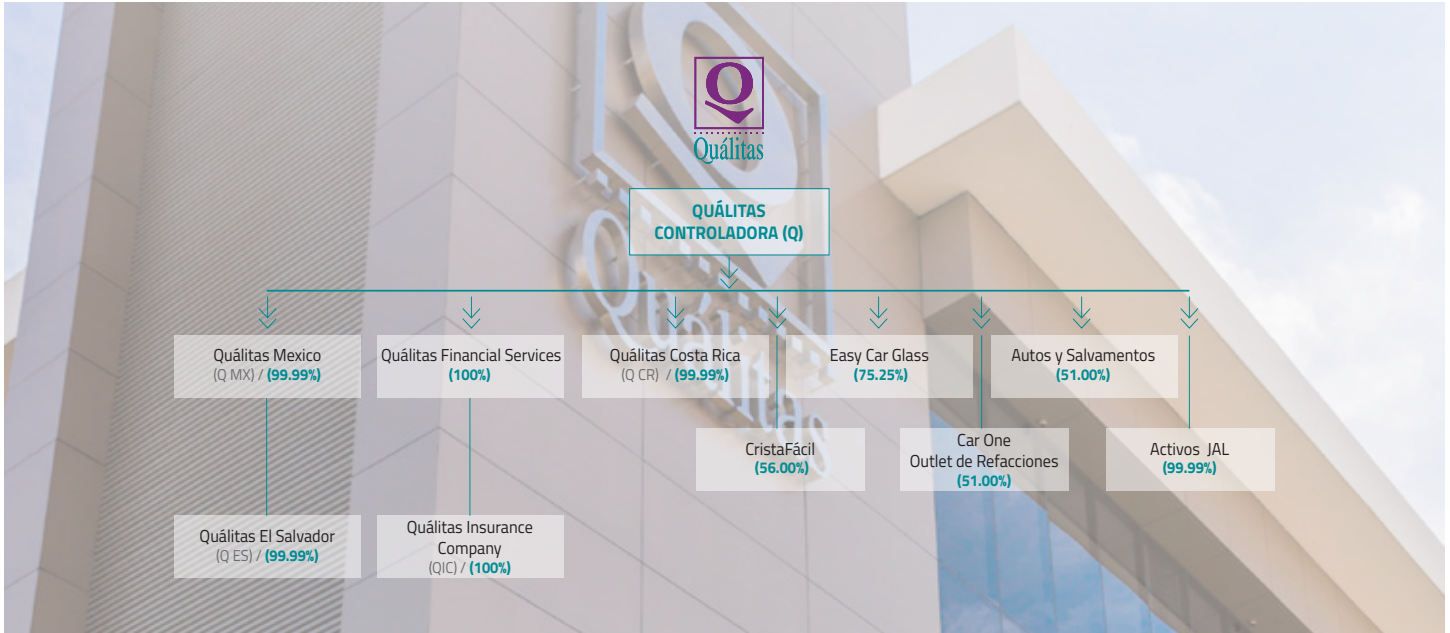


Loyalty and personal
commitment

Quálitás Controladora

(102-2, 102-4, 102-6, 102-45)

Quálitás Controladora is comprised by different companies, which allow us to offer a comprehensive service. Apart from our specialized automotive insurance subsidiaries we have other companies linked to the claims assistance processes that are established along with strategic partners, who are experts in the industry and are in charge of the operations. Thus, we seek greater efficiency in the processes and in cost control, resulting in a benefit for the policyholder.



Quálitás has presence in Mexico, United States, El Salvador and Costa Rica. We continue to grow in existing markets and to consolidate our operations due to competitiveness, which is a result of our high degree of specialization and the geographic coverage of our services.

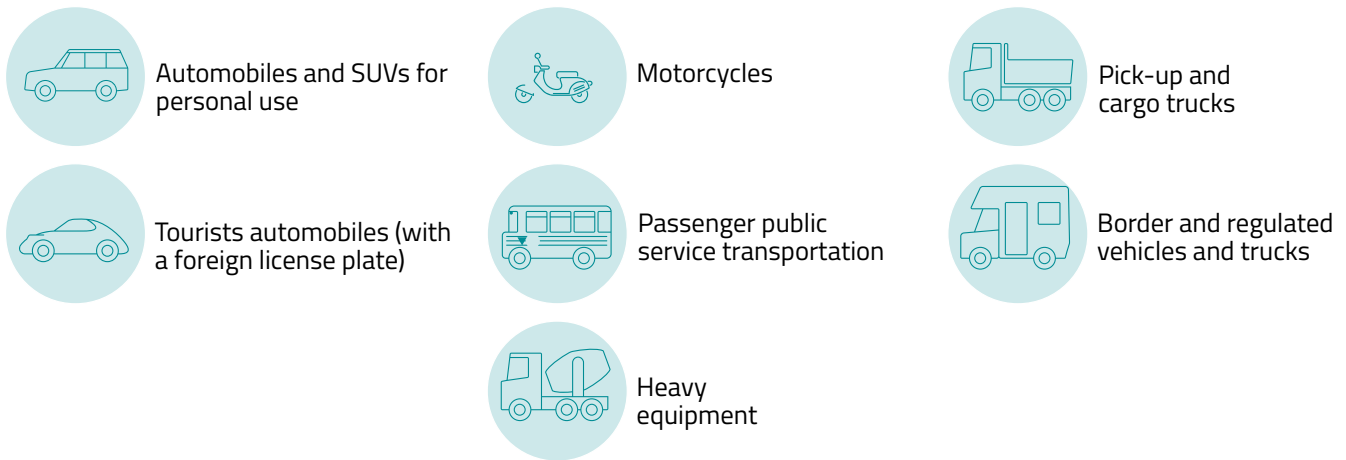
Quálitás Controladora is listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores, BMV, as per its acronym in Spanish) with a float of 42.3% of the shares. The market capitalization in 2016 was \$13,198.5 million Mexican pesos, which increased 35% over the previous year, as a result of the operating and financial results of the company.

According to the Mexican Association of Insurance Companies (AMIS, as per its acronym in Spanish), in Mexico approximately 30% of the vehicle market has an auto insurance policy.

In 2014, the mandatory Federal Roads and Bridges insurance was initiated and will be gradually implemented until its full enforcement by 2019. At the same time, there are several states of the country, which have established in their legislation and regulation the compulsory third party liability insurance.

Mexico is currently the country in which we serve the greatest number of segments, making it Quálitás' primary market. The product portfolio is designed according to the features and uses of vehicles and we also have the flexibility to develop customized policies.

OFFERS INSURANCE FOR:



QUÁLITAS MÉXICO (Q MX)			
	2016	2015	Δ
Insured units	3,415,084	2,754,763	24.0%
Written premium (MM MXN)	28,737	19,170	49.9%
Market share (%)	31.5	25.3	6.3
Employees	4,287	3,817	12.3%
Service offices	171	171	0
ODQs	197	163	34


Quálitás Insurance Company (QIC)

In 2014, QIC started operations in Arizona, Texas and California, offering cross-border transportation insurance for trucks through independent agents.

During 2016, Quálitás diversified its portfolio with the launch of cargo truck insurance for domestic routes in Texas, a product that was being offered in Arizona and California. At the same time in California, Quálitás started selling automobile and SUVs for personal use insurance, domiciled in Mexico which are driven in the United States.

OFFERS INSURANCE FOR:



Cargo trucks for cross-border services (Texas, Arizona and California)



Cargo trucks driven on domestic routes in the United States (Texas, Arizona and California)



Automobiles and SUVs for personal use domiciled in Mexico which are driven within the United States (California)

QUÁLITAS INSURANCE COMPANY (QIC)			
	2016	2015	Δ
Insured units	16,161	5,224	209.4%
Written premium (MM MXN)	835	283	195.3%
Employees	41	22	86.4%
Service offices	2	2	-



Quálitas Costa Rica (Q CR)

Costa Rica has compulsory automobile insurance (*Seguro Obligatorio de Automóviles, SOA*, as per its acronym in Spanish), which includes basic requirements of third party liability coverage in case of injury or death. Regarding the voluntary insurance market, 30% of vehicles in circulation have a policy.

The competitive advantage of Quálitas Costa Rica is the personalized attention provided through our service offices and the agents' network.

OFFERS INSURANCE FOR:



Automobiles and SUVs for personal use



Pick-up and cargo trucks

QUÁLITAS COSTA RICA (Q CR)			
	2016	2015	Δ
Insured units	43,365	27,314	58.8%
Written premium (MM MXN)	407	209	94.7%
Market share (%)	7.2	4.7	2.5
Employees	48	33	45.5%
Service offices	4	4	0

Quálitas El Salvador (Q ES)

Automobile insurance is not mandatory in El Salvador, it currently covers 12% of the vehicle market. In this country, our subsidiary operates under the same marketing and claims assistance model through 4 service offices, one ODQ and the agents' network.

In 2016, the insurance portfolio was reduced since special emphasis was placed on profitability and the terms for several accounts were redefined based on its own claims experience.

OFFERS INSURANCE FOR:



Automobiles and SUVs for personal use



Pick-up and cargo trucks

QUÁLITAS EL SALVADOR (Q ES)			
	2016	2015	Δ
Insured units	12,438	15,718	-20.9%
Written premium (MM MXN)	117	124	-5.8%
Market share (%)	7.9	10.3	-2.4
Employees	35	33	6.1%
Service offices	4	4	0
ODQs	1	1	0



OUR PURPOSE:

VALUE CREATION

Being specialists in the automotive insurance business allows us to provide outstanding service solutions while keeping costs under control to safeguard our future. We work with a focus on sustainability, seeking to generate value for our stakeholders.

197

(QUÁLITAS DEVELOPMENT OFFICES, ODQs, AS PER ITS ACRONYM IN SPANISH) TO FACILITATE ACCESS TO INSURANCE.

+13,000

VISITS TO OUR DRIVING CULTURE WEB PAGE

+5,400

PEOPLE TRAINED IN FINANCIAL, INSURANCE AND PREVENTION CULTURE

Business model

(FS13, FS14)

Quálitás' operation is based on **4 basic fundamentals**, which have allowed us to position ourselves as the market leader in Mexico. **Excellence in service** and **cost controls** act as factors contributing to growth and profitability, while **specialization** in the automotive insurance industry and the **decentralization** of the business model allow us to be closer to our agents and policyholders.

Since our inception, we have developed a culture of **excellence**, which prioritizes the satisfaction of the policyholder and which we extend to our value chain, including those who participate in the marketing process of the product and who provide the service.

We are aware of the importance of **cost controls** in order to operate now and in the future, reason why we are applying resource optimization and results maximization guidelines, considering the needs of our stakeholders.

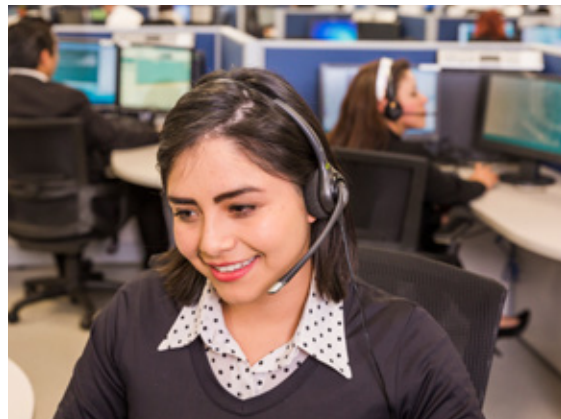
Through **specialization** we have adjusted to each policyholder needs to offer a customized service since the moment a policy is issued until the policy is renewed and the assistance in case of claim.

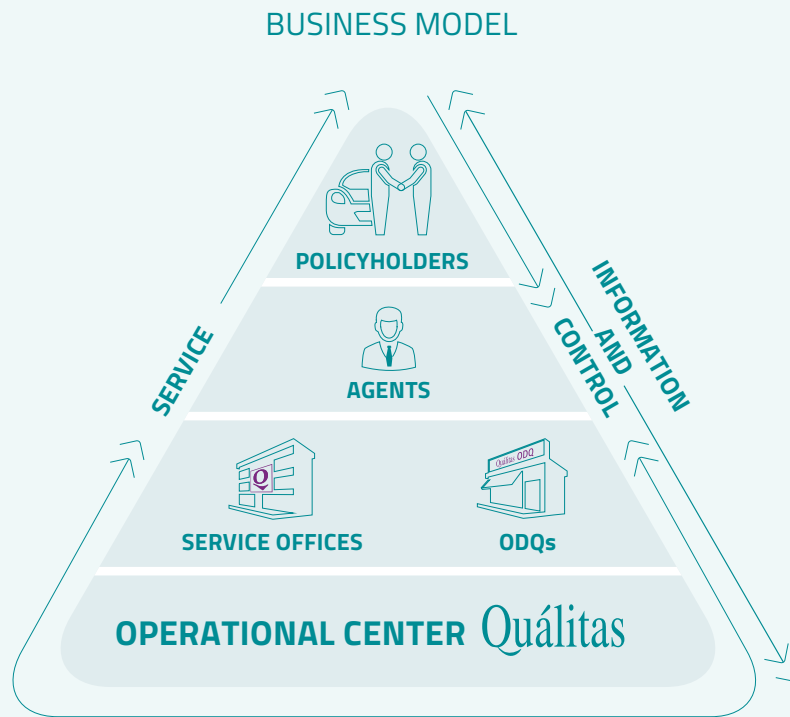
Our merchandising and service scheme is based on **decentralization** through the support of a network of service offices and independent agents, which along with the Operating Center, offer a comprehensive service. Thus, we have a large geographical presence, which grants us ability to respond.

The **service offices**, which exclusively offer Quálitas products and services, are established through a partnership with local entrepreneurs, who are specialized in the industry. The compensation of these offices is established throughout a scheme that considers a relation between collection and claims ratio, with the purpose of aligning their interests with those of the company, investors and policyholders. It is important to mention that a small percentage of these offices, are not under the third party partnership agreement but are owned by Quálitas.

Likewise, we have **Quálitas Development Offices (Oficinas en Desarrollo Quálitas, ODQs, as per its acronym in Spanish)**, which are located in communities with low insurance penetration, in order to bring our service closer to a market that is currently unattended. These offices are operated by well-known people in the locality, who are hired and trained directly by Quálitas.

In case of a claim, the provision of services is responsibility of external providers, who have an agreement and that are selected and supervised by Quálitas under quality criteria in the areas of products, services and costs.





The **Operating Center** is the basis of our business model, which provides support to the structure comprised by service offices, ODQs, agents and policyholders. The Operating Center is also responsible for pricing, information technology and the call center that provides assistance in case of claims as well as other support services.



Corporate strategy

(102-16, 102-26, 102-35)

At Quálitas we have developed our **strategy** based on **4 business fundamentals** as outlined by Top Management and the Strategic Planning Director along with several areas. Objectives and strategic indicators are currently established to enrich the service, improve the cost controls, as well as to develop projects with greater relevance.



**SERVICE
EXCELLENCE**



**COSTS
CONTROL**



SPECIALIZATION



DECENTRALIZATION

These metrics and initiatives are monthly monitored by the director of each area, and quarterly by Top Management and the Strategic Planning Director. Its accomplishment conditions the variable compensation of the involved departments.

Strategic planning is based on the balance scorecard methodology, with this approach we seek to improve the processes through the involvement of employees. Likewise, we are working to achieve greater customer satisfaction which should also be reflected in the profitability that we offer to our shareholders.

At Quálitas we provide service excellence focused on our customers' satisfaction through the strict compliance of our commitment and full adherence to costs control to deliver an economically attractive offer.

The company serves four main segments: individual, fleet, automotive financing institutions and its foreign subsidiaries.

The commercialization of the individual and fleet policies are mainly made throughout the service offices, agents and ODQs. In the case of the automotive financing institutions, the relationship is through intermediaries and in some instances Quálitas addresses them directly.



Sustainability approach

Statement

(102-14)

At Quálitas we understand that the sustainability and success of the company is mainly based on the fulfillment of the insurance solidarity concept, which is actually the reason of our business and that materializes in the risk dissipation, which affects few people and is resolved with everyone's effort.

Quálitas' continuity is based on the commitment to create and provide value to the different stakeholders. As a result, our business model is based on strict compliance with the following principles:

- To establish a culture of excellence and efficiency in the service provided to our customers, in full compliance with the agreed contracts.
- To consider our personnel and our agents as fundamental elements of the organization, offering training and education.
- To exceed the expectations of the people who entrusted their investments to the company.

As part of our Social Responsibility Program we monitor compliance with the commitments to each stakeholder in the operating areas. In particular, we work on the definition of indicators which allow us to measure the progress of our goals with greater transparency.

Additionally, this year we incorporated the use of standards set in the Global Reporting Initiative (GRI), with broad global reference, in an effort to provide international metrics, which report the performance of management in the three strands of sustainability: social, environmental and economic.

In 2016 we started the publication of a consolidated report on the management of the company, which includes the communication of our financial and sustainability performance.

Juan Orozco y Gómez Portugal

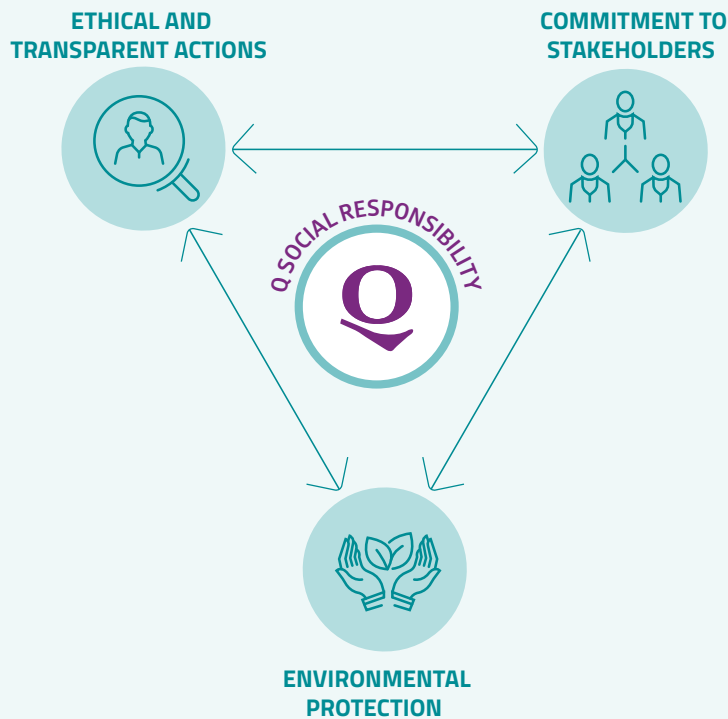
President of the Social Responsibility Committee

Performance

(102-26, 102-40, 102-42, 102-43, 102-44)

Quálitás is characterized by its **service approach** and its quality assistance, in addition to creating employment and development opportunities and by its contribution to responsible driving. Our organizational culture is reflected on the performance of all team members and in the way we engage to our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY MODEL



As part of our **Corporate Social Responsibility Model** we identified our stakeholders with the support of different areas of the company and with validation by the Social Responsibility Committee. This way, we strengthen the relationship with such groups and their involvement in different initiatives.

Also in a collaborative manner, we defined the three pillars of the Model and the commitments with each stakeholder, which were approved by the Social Responsibility Committee. Among their members, we established a coordinator that represents each stakeholder and is in charge of monitoring the particular corresponding initiatives and results, which are furthermore presented in periodic sessions.

Along with the participation of the stakeholders, we implemented sustainability initiatives across the company. With this consolidated report, we communicate our activity regarding to the commitments made which are aligned with those topics considered relevant from an external and internal perspective¹.

¹ More information thereon, in the subchapter "Determination of the relevant topics".

Commitments to stakeholders

Policyholders and clients

- Self and assets protection as well as its responsibility in relation to third parties through an efficient service provided at a competitive price.
- Full exercise of honesty and transparency in our service relationship. It needs to be clearly perceived by the customer.
- Open communication to ease the service to our policyholders.
- Achieve their total satisfaction.

Employees

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

Agents

- Efficient, equal and cordial commercial relationships.
- Support their professional activity events.
- Prompt and transparent commission and bonus payments.
- Agile and rapid response communication in the professional relationship.
- Support in technical training.

Shareholders

- Reliable and timely information on the development of our company.
- Efficient, consistent, ethical and transparent management.
- Clear and honest corporate governance practices.
- Achieve full reliance of the shareholders in the management of the company, through a professional operation with long-term vision.

Suppliers

- 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 recognition for suppliers, considering the compliance of their obligations, quality products and services enhancement.

Authorities and Competition

- Strict compliance with laws and regulations.
- Proactive collaboration practices with authorities, business and professional associations.
- Ethical relationships of respect and transparency with competitors.

Community

- 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 associations.
- 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 agents and employees to fulfill the objectives of this stakeholder.
- Actively participate in the conservation of the environment, particularly in the areas related to Quálitas' activities.

At Quálitas we maintain permanent dialogue with stakeholders throughout the different areas of the company, so that we can understand their expectations and interests, which will be considered in operational decisions.

In the following chart we introduce the key communication channels with stakeholders, besides our **web page, social network profiles and yearly sustainability report**, both of which were substituted this year for this report.

Communication channel with stakeholders

Policyholders	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Service offices - Quálitas Development Offices (ODQs as per its acronym in Spanish) - "Q móvil" App - Quálitas Contact Center (Operators and radio operators in the call center) - Comprehensive Service Survey - Claims officers and attorneys - Claims executive 	<ul style="list-style-type: none"> - Information availability regarding products and services - Products and services quality - Service personalized assistance - Relationships and interaction with the service providers (repair shops, tow trucks, doctors and attorneys) - Complaints and suggestions follow-up - Data protection
Employees	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Work Environment Survey (yearly) - "Qualinet", Quálitas internal page - "Q transparencia", transparency mailbox of the internal page - Training sessions - Feedback on the performance assessment process - Team meetings - Qualicom dashboard - Valores Bulletin (quarterly) - NotiQuálitas (Quálitas' news) 	<ul style="list-style-type: none"> - Training possibilities and career development perspectives - Service commitment and excellence to the policyholder - Ethics and corporate culture
Agents	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Service offices - Q Agents Portal - Quálitas Contact Center - Annual breakfasts and other reunions. - Qualicom Dashboard - NotiQuálitas - Qualicuates – publication for agents' kids 	<ul style="list-style-type: none"> - Ease and automation of the administrative processes and customer management - Claims assistance and relationship with the service providers - Policyholder's experience and satisfaction
Automotive financing institutions	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Q Agencies Portal - Sales department - Presence in reunions and conventions 	<ul style="list-style-type: none"> - Availability of Information regarding products and services - Quality of products and services and of the selected suppliers. - Policyholder's Assistance - Data protection

Shareholders	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Mexican Stock Exchange annual report - Quarterly reports (earnings and industry reports) - Investors Relations department (face to face meetings, conference calls or email) - Quálitas Investor Relations web page - Quarterly conference calls - Shareholders meetings 	<ul style="list-style-type: none"> - Communication and transparency - Fulfillment of regulatory requirements regarding information - Company promotion - Repurchase fund operation - Economic results
Suppliers	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Q Suppliers Portal - Public bidding (tenders) - Telephone support line (01800 number) 	<ul style="list-style-type: none"> - Operational efficiency - Contractual relationship requirements - Quality criteria - Economic results
Authorities and Competition	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Industry and business associations committees - Internal accounting and institutional relations teams 	<ul style="list-style-type: none"> - Legal Compliance - Ethics and anti-corruption practices - Economic results - Financial education and insurance culture - Accessibility to insurance products - Support and education in responsible driving culture
Community	
Communication channels	Relevant Topics
<ul style="list-style-type: none"> - Corporate volunteering initiatives - Meetings with community's non-profit organizations (donation recipients) 	<ul style="list-style-type: none"> - Social investment initiatives - Financial education, insurance culture and driving culture

Obligations and actions with stakeholders

(102-12, 102-13)

Collaboration, trust and the stakeholders' engagement are essential for Quálitas in its path to success. Our goal as a company, is to build a sustainable future and create value for stakeholders, by creating employment opportunities, promoting insurance culture and the investment return for shareholders, among others.

It is important to mention that we are in the Decade of Action for Road Safety, declared in 2011 by the United Nations, where government, companies and civil society organization's collaboration is encouraged to transmit a culture in this matter. Quálitas contributes to this initiative by promoting responsible driving behavior to reduce the number of accidents and possible fatalities.

For that purpose, we developed a **driving culture** campaign, the objective of which is to create awareness of the importance of responsible driving, avoiding high-risk practices that can affect drivers, cyclists, pedestrians or any other road user. The campaign's web page <http://conductavialqualitas.com.mx/> has had more than 13,400 visits this year. We also publish a monthly bulletin and send emails with recommendations and suggestions to a distribution list of employees, agents and web page subscribers. Likewise, in 2016 we organized face-to-face events in the service offices of Aguascalientes, Guadalajara, Oaxaca, Morelia, Puebla and Tlaxcala, as well as in Universum, Science Museum (Mexico City).

At Quálitas we participate in initiatives that match our sustainability vision and with which we can contribute to social and environmental topics linked to insurance activity and business practices. Therefore, we support the National Commission for the Protection and Defense of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, CONDUSEF, as per its acronym in Spanish) in its financial education and promotion of the insurance campaign.

Additionally, since 2015 we support the **Global Compact of the United Nations**, and we have committed ourselves to make progress in the 10 Principles it proposes, which cover aspects of human rights, employment, environment and anti-corruption topics.

Likewise we participate in industry associations, which allows us to work jointly with our peers in the analysis of common challenges and the proposal of solutions.

ASSOCIATIONS TO WHICH QUÁLITAS BELONGS TO	
- Mexican Association of Insurance Institutions (<i>Asociación Mexicana de Instituciones de Seguros, A.C., AMIS</i> , as per its acronym in Spanish)	- Coordinating Office of Insured Risks (<i>Oficina Coordinadora de Riesgos Asegurados, S.C., OCRA</i> , as per its acronym in Spanish)

As part of our commitment to the community, we make donations to civil associations and private assistance institutions, which carry out projects near our offices, especially in the fields of education, health and environmental protection.

The cooperation requests that we receive are evaluated by a specialized committee, which analyzes the guidelines compliance that we have established. To understand the management, results and impacts of the project, we periodically request an activity report from the benefitting organizations.

2016 Benefited organizations	
- Aquí nadie se rinde, A.C.	- Fundación San Ignacio de Loyola A.C.
- Cadena de ayuda contra la fibromialgia A.C.	- Hogar Gonzalo Cosío Ducoing, I.A.P.
- Casa Hogar Kamami, A.C.	- Infogen, A.C.
- Casa Santa Clara, A.C.	- Internado Infantil Guadalupano A.C.
- Comedor Santa María, A.C.	- Metamorfosis Global, A.C.
- Comunidad de Desarrollo Integral Copilco, A.C.	- Fondo para la paz, I.A.P.
- Cuenta con Nosotros Cuentos y Más A.C.	- Proeducación, I.A.P.
- El buen Samaritano, I.A.P.	- Renovación, Unión de Fuerzas, Unión de Esfuerzos, A.C.
- Fundación Pro niños de la calle, I.A.P.	- Servicio Educación y Desarrollo a la Comunidad, I.A.P.
- Fundación Candy, A.C.	- Unidos Asociación Pro Trasplante de Médula Ósea
- Fundación Hermanitas de los Ancianos Desamparados, I.A.P.	- Francisco Casares Cortina A.C.
- Fundación Owen I.A.P.	- Vida y Familia, A.C.

For more information on our performance in regards to Stakeholders, please visit the following chapters: Our Approach: the service and Our strength: talent.

Ethical and transparent actions

At Quálitas we perform according to the **values** that shape our culture, including honesty and transparency. These values constitute the fundamental pillar of our **corporate governance system**, which defines the responsibilities of the Board of Directors and the management team. Additionally, we have the **Code of Ethics and Conduct**, which defines the shared guidelines among our employees and provides for mechanisms so that they can inform the company about the detected breaches.

We deliver preventive solutions, which provide peace of mind for policyholders. Therefore, trust in the company and in the hiring of our products conditions are crucial, including the coverage that we offer. We work to provide our customer with information that allows them to make the best decision in each case, according to their interests. Likewise, we are guarantors of the equity given by the policyholders, with the responsibility of managing it in an ethical manner.

With regards to our employees and to strengthen the team, leadership and communication are essential; we promote these elements through professional development and ethical behavior.

For more information about guidelines and performance in terms of ethics, please visit chapter: Corporate Governance.

Care for the environment

(302-1)

At Quálitas we understand protection of the environment as a shared responsibility of companies and citizens, based on the efficient use of resources and the reduction of those negative impacts resulting from the activity, such as wastes or emissions. With this approach, we assume and work on a series of commitments in environmental matters.

COMMITMENTS IN ENVIRONMENTAL MATTERS	
Reduce the electricity consumption in our offices	
Encourage the responsible use of water	
Prioritize the acquisition of recycled or reprocessed goods or environmentally friendly supplies	
Dispose, recycle or reprocess material that is not useful	
Contribute to the protection of ecosystems	

Our **energy** consumption is largely from electricity, which implied 5,788,402 kWh in 2016, with an increase of 8.8% compared to the previous year due to the growth of our operations².

For the reduction of electricity demand, we have placed low energy consumption or LED lighting in our offices, as well as high efficiency and low heat dissipation computer equipment and servers. We also want to use more renewable energy sources, having installed solar panels in our offices in Guadalajara and in the offices of Maguey and San Angel in Mexico City. We also promote their placement in the service offices managed by third parties.

Furthermore, at Quálitas we have initiatives for the responsible use of water, as well as separation and recycling of the waste we generate. Additionally, we implement sustainability criteria in acquiring supplies such as toner, paper and packaging material.

² The energy consumption corresponds to Quálitas corporate offices in Mexico City and the metropolitan area, Guadalajara and Monterrey.



Financial and insurance culture

(FS13, FS14, FS16)

At Quálitas we encourage financial education and promote insurance and prevention culture through our communications channels and by implementing specific initiatives for some of our stakeholders, in addition to the information we deliver regarding our products and coverage.

Initiative	Beneficiaries
Publishing of two editions of our Valores magazine, with financial and insurance culture topics: Build your Savings Plan and Why do Mexicans do not have auto insurance? With an outreach of more than 4,000 people.	Employees, service offices employees and agents
Awareness talks about financial education, given in Mexico City with more than 1,200 participants.	Service offices workers and agents
Lectures about retirement planning and operation of the Credit Bureau, with a total of 33 sessions and 261 participants	Employees
Reference to financial management tips in Qualicom dashboards.	Employees, service offices employees and agents
Support the campaign developed by CONDUSEF for the promotion of insurance through dissemination in social media, reaching more than 15,000 people.	General

We have Quálitas Development Offices (ODQs, as per its acronym in Spanish) to increase access to insurance, expand our geographic coverage and meet the needs of an unattended sector. These offices are directly managed by Quálitas and served by local people.

At the end of 2016, we have **197 ODQs in Mexico** distributed in the country and **one ODQ in El Salvador**.





OUR FOCUS:

SERVICE

We operate in accordance with a service culture and seek to offer differentiated products and personalized attention to the policyholders, along with the commitment of our suppliers. We promote trusting relationships and look for mutual development with our network of agents, offices and automotive finance institutions.

171+197

SERVICE OFFICES + ODQs
IN MEXICO

12,019

AGENTS IN MEXICO

3.2 millones

RECEIVED CALLS
IN MEXICO

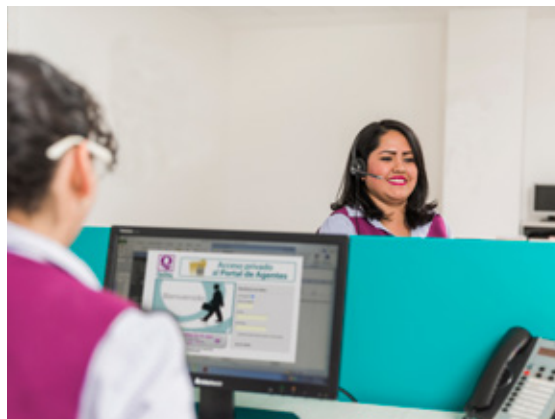
Agents

(102-43)

Since its foundation, Quálitas has had a spirit of **collaboration** working with agents who build trust and relationships with policyholders on a daily basis. Therefore, we have a strong relationship with agents, based on business opportunities that we created and the assistance provided at all times. It can either be a direct relationship or a relationship through the service offices.

The relationship that we have with our agents, as well as with our office managers, is based on transparency and fair treatment in the **commitment to work for the mutual benefit and satisfaction of the policyholder**. We also have a **Call Center** that provides product pricing information, and addresses questions related to policy features and the conditions stated therein.

On our website, the agents also have the **Q Agents portal**, which is developed to support them in the efficient management of their portfolio. The portal has a policies quotation system, a calendar that is permanently updated with maturities and collection, the repair status, among other information and functions.



Quálitas Mexico has a network of 171 service offices,
197 ODQs and 12,019 agents.

At Quálitas we support the development of the agents. We offer an "Agents Training" Program, with which we offer training in order for them to get professional certification and subsequent periodic renewal, as required by the National Insurance and Securities Commission (*Comisión Nacional de Seguros y de Fianzas*, CNSF as per its acronym in Spanish). In 2016, we provided 2,536 training hours where we trained 567 agents.

This year we also encouraged the training of our agents and employees with the development of the Quálitas University. This digital platform includes a special section called "Agents School", which is comprised by 6 courses on products, regulation, business plans, research and sales processes, among other topics, which will increase every year. The contents are available throughout the agent's network and during 2016 we provided 278 training hours, since its use is still in its first stages.

Launching of the "Agents School" in the framework of Quálitas University.



Automotive financing institutions

(102-43)

We want to be the preferred option of each vehicle owner and be where the opportunity is created.

The automotive companies have increased the development of the financing services and expanded their offer with policies of different insurance companies, providing the customer the option to select the company of their preference, thus becoming a significant distribution opportunity for our industry.

At Quálitas, we supplement the marketing channel made up of our service offices and agents with the financial branch of the original equipment manufacturers, vehicles leasing companies, automotive financial companies and agencies. During the year we reached 15,273 million Mexican pesos of written premiums through financing institutions, which represented a growth of 77.7% compared to 2015.

For the automotive financing institutions, we facilitate the **Q Agencies portal** through our website to support the efficient management of accounts and combine the collection and commission payment functions, among others.



Policyholders

(102-43, 416-1, 417-1, FS15)

At Quálitas, **the satisfaction of our policyholders is fundamental to our service culture**, we seek to satisfy their needs and exceed their expectations. Therefore, we offer differentiated products, personalized attention, a service and trust network in post casualty assistance.

For the **design of products and coverage**, we consider the needs of our policyholders and the general population to deliver adequate solutions which add value. The sales team monitors market evolution and informs the people responsible for the design, about the needs they have detected. However, the products shall adhere to the guidelines established by the New Products Committee, which has monthly sessions. Our main interests are the advantages and security that we can provide to policyholders, developing confidence in clients who are joining us for the first time and strengthening ties with the people who have entrusted us.

The **marketing** of our products is done through several channels, service offices and agents network, ODQs in areas with low insurance penetration, Quálitás' web page and the executive assistance to the automotive financing institutions. Our employees must comply with the Marketing Policy and the Code of Ethics and Conduct, to take care of our relationship with the policyholder.

Regardless of the channel through which the policy is marketed, we provide the policyholder with the general conditions thereon as well as a guide with their rights, which can be exercised upon contracting the policy and in the event of a claim. **Transparency is our obligation** in terms of the features of the product, including the requirements to receive assistance, restrictions, deductibles and other limitations that the policy may have. Additionally, our claims officers act according to the Designation Guide for the Insurance Companies, developed by AMIS¹, which includes a Code of Ethics and requires transparent communication with the policyholder.

¹ Mexican Association of Insurance Institutions (Asociación Mexicana de Instituciones de Seguros, A.C., AMIS, as per its acronym in Spanish).



At Quálitás we offer competitive, fair and equitable prices based on the risk of each zip code, considering the area where the vehicle is usually driven.

At the time when a claim occurred, our policyholders are able to communicate the event through the Contact Center, which initiates the assistance process. Also we have "Q Móvil", which is the application for mobile devices and whose efficiency has been demonstrated during the year. It goes beyond the *App* concept, it constitutes a comprehensive service platform. The user clicks on the application and the Contact Center calls the user with the information on their policy. From this moment and since the user is geolocated, the claims officer who will arrive in the shortest time possible is assigned to the user. Also through the *App*, the policyholder can follow the location of the adjuster and afterwards he can follow up the status of the claim.

Once the claims officer arrives to the site of the accident, the towing service and the repair shop is requested as well as the medical and legal assistance. The status of the claim can be consulted online by the user at all times. Once the vehicle is delivered, a **Comprehensive Service Survey** is sent, so that we can get to know our strengths and opportunities to improve the process and always offer the best assistance.

The role of the claims officer is key in our relationship with the policyholder. We develop our staff with an initial training which lasts four months. We also have specific modules in the "Claims School" at Quálitás University, whose content will be broadened next year. Furthermore, we offer the "Service Attitude" program which continuously provides training about operating standards and customer service.

New technologies constitute the perfect ally to focus on servicing the policyholders through innovation.

CLAIMS ASSISTANCE



At Quálitas we focus on delivering value added through our products and assistance in the event of an accident.

For fleets and trucks we have an advisory service regarding risk management with the purpose of improving their claims rate, sharing the statistics that we have on driving and providing training to their personnel. Thus, we want to raise awareness on the importance of safe driving and to jointly propose an action strategy thereon. In addition, this year we started with the installation of the Dongle device in vehicles for which it has been requested, since it continuously registers information and eases the policies subscription according to the driver's behavior at the wheel.

We also distributed the Mobileye anti-collision system, which identifies objects in the road and detects traffic signals, letting the driver know when he exceeds the speed limit or when there is risk of collision. In 2016, this system was installed in 2,500 fleet vehicles.

On the other hand, it is important to mention that our policyholders have the "Más" card, which grants them benefits and discounts in different products and services provided by third parties, whether linked to the vehicle or otherwise.



Suppliers

(102-9, 102-43, 204-1)

Our excellence in service includes the performance of the suppliers that we select, primarily to serve our policyholders in case of an accident. Therefore, we constantly monitor their operation and verify the quality standards compliance.

We seek trust and mutual development relationships with our suppliers, based on transparency and according to our ethical guidelines.

Our providers largely supply towing services, repair, medical and legal assistance. In 2016 we operated with a total of 4,979 companies and we allocated 8,194 million Mexican pesos in utility payments, which represented an increase of 16.6% in relation to 2015, which is associated with our growth in the industry as well as the increase in claims.

It is worth mentioning our contribution to employment creation and economic development in the supply chain, since 99.9% of the suppliers are domestic.

To select the suppliers, we demand that they comply with the applicable regulation, including the Federal Labor Law and that they have the infrastructure and technical capacities needed.

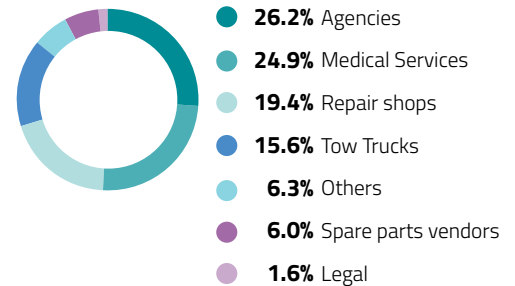
When contracting medical services and road assistance we conduct tenders and for the purchase of spare parts we implement a bidding system. Through these systems we pursue to enhance competition and reinforce transparency in our acquisition processes. We also evaluate the lack of conflicts of interest with Quálitas personnel.

In the case of the repair shops, we seek that they become part of the network created by Mexico's Experimentation and Road Safety Center (*Centro de Experimentación y Seguridad Vial Mexico*, CESVI, as per its acronym in Spanish), which promotes best practices through the development of a standard for the automotive repair and the certification of its compliance that also includes environmental performance. We work with 745 repair shops registered by CESVI, of which 82.1% have HVLP guns and 69.0% have paint booths. Additionally, 53.4% have painting labs with extraction and 16.0% use water-based paints.

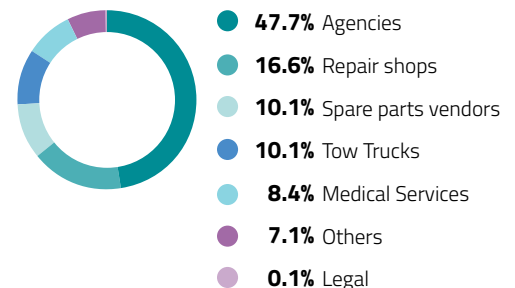
During the year, we continued our Repair Shop Development Program, through which we promoted high quality standards, as well as environmental and occupational safety standards. The repair shops are accredited by us and in 2016 we reached 16 repair shops.

In our web page, we provide the **Q Suppliers portal**, through which billing can be made, as well as monitoring the performance indicators and delivery dates. They also have our 01800 telephone number to make inquiries and receive technical advice.

SUPPLIERS BREAKDOWN BY NUMBER



SUPPLIERS BREAKDOWN BY EXPENSE





OUR STRENGTH:

TALENT

The growth of our operations has allowed us to continue to attract talent, prioritizing long-term employment, and promoting diversity. We seek to promote a constructive work environment and create a team of excellence through a learning environment and professional development opportunities with Quálitas University.

+13.0%

EMPLOYEES

47.4%

WOMEN IN TOP
MANAGEMENT POSITIONS

6,273

PARTICIPANTS IN QUÁLITAS
UNIVERSITY

Staff description

(102-8, 102-41, 102-48, 401-1, 401-2, 405-1)

Our employees are key elements in our company, therefore we **share values and have mutual commitments**. At Quálitas we seek to provide the necessary tools to foster their professional and personal development, building workspaces where communication and satisfaction in the performance of duties is encouraged.

At the end of 2016, we had 4,287 employees in Quálitas México, which represents an increase of 12.7% compared to the previous year. We promote **stable employment**, which allows the development of professional careers, a reason why we only recruit temporary personnel in specific instances, 97.6% of our employees have an indefinite contract and the entire team works full time.

Diversity is a source of wealth at Quálitas, 38.9% of our workforce are women and we have an excellent generational coexistence. By professional category, female presence exceeds 30% in all instances, pointing out that 47.4% belongs to senior management. Furthermore, despite the incorporation of young people into the company, is mostly as assistants, the new generations start being present in categories of greater responsibility, assuming 15.2% of coordinator positions.

At Quálitas we endorse communication within teams and between areas, focused on listening to our employees to ensure the compliance of labor rights and obligations, and to consider their expectations and interests.

124 colleagues from our international subsidiaries add up to our employees in Quálitas Mexico.

QUÁLITAS MEXICO LABOR DEMOGRAPHY

2016

2015¹

Number of employees

Number of employees



4,287



3,803

Per type of contract

Per type of contract



● 97.6% Undefined
● 2.4% Temporary



● 98.8% Undefined
● 1.2% Temporary

Per gender

Per gender



● 61.1% Men
● 38.9% Women



● 62.3% Men
● 37.7% Women

¹ There is a restatement of the number of employees' information in 2015 and its breakdown compared to what is shown in the 2015 Sustainability Report due to an adjustment in the information management systems.

EMPLOYEES BY AGE GROUP AND GENDER - QUÁLITAS MÉXICO						
	2016			2015		
	Men	Women	Total	Men	Women	Total
Younger than 30 years old	598	632	1,230	419	449	868
Between 30 and 50 years old	1,885	990	2,875	1,803	937	2,740
Older than 50 years old	138	44	182	148	47	195
Total	2,621	1,666	4,287	2,370	1,433	3,803



EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER - QUÁLITAS MÉXICO						
Professional Category ²	2016			2015		
	Number of employees	Women (%)	Men (%)	Number of employees	Women (%)	Men (%)
Director	19	47.4	52.6	24	45.8	54.2
Assistant Director	38	39.5	60.5	40	40.0	60.0
Manager	135	43.7	56.3	134	41.8	58.2
Coordinator	741	37.5	62.5	759	36.8	63.2
Analyst	2,935	33.2	66.8	2,562	33.1	66.9
Auxiliary	419	78.8	21.2	284	78.2	21.8
Total	4,287	38.9	61.1	3,803	37.7	62.3

EMPLOYEES BY PROFESSIONAL CATEGORY AND AGE GROUP - QUÁLITAS MÉXICO						
Professional Category ²	2016			2015		
	Younger than 30 years old	Between 30 and 50 years old	Older than 50 years old	Younger than 30 years old	Between 30 and 50 years old	Older than 50 years old
Director	0	8	11	0	13	11
Assistant Director	0	26	12	0	27	13
Manager	6	113	16	4	114	16
Coordinator	113	593	35	104	618	37
Analyst	848	1,991	96	609	1,850	103
Auxiliary	263	144	12	151	118	15
Total	1,230	2,875	182	868	2,740	195

Our operations' growth allows us to keep attracting talent. Our purpose is that the people we recruit at Quálitas have development opportunities and commit to our organization's culture and values. In 2016 we incorporated 1,231 employees of which 627 joined on an indefinite contract, creating a balance between youth and experienced professionals, who reflect our understanding of value creation within teams. Staff turnover was 17.7%, which is one percentage point higher than the previous year³.

Our aim is to have a constructive work environment with results-oriented procedures, focusing on collaboration and leaderships that create enthusiasm, as our employees stand out in the results of our annual survey thereon. During 2016 we promoted the growth and development of Quálitas University, a project with huge potential; each year we keep enhancing its course contents⁴.

² The positions included in each professional category are:

Director: Chairman, Chief Executive Officer and department Director.

Assistant Director: Assistant Director.

Manager: Manager.

Coordinator: IT and databases coordinator, senior auditor, coordinator, specialist, IT engineer, project leader, supervisor.

Analyst: attorney, claims officer, analyst, auditor, support engineer, programmer, radio operator, underwriter, phone operator and valuator.

Assistant: Assistant, archivist, attendants, trainee, delivery men, receptionist.

³ We determine staff turnover as follows: Discharge / (initial employees + enrollments - discharge).

⁴ There is more information about Quálitas University in the "Training and career development".

For the purpose of contributing to our employees' well-being, we provide them with different benefits such as a major medical insurance and an information telephone hotline for financial and legal enquiries as well as for psychological support. In addition to the aforementioned, employees on indefinite contracts receive life insurance and other benefits.

We have a savings account, which promote financial culture among employees, who can make voluntary contributions. A financial institution manages the savings account and guarantees the transparency of investments. There are two investment options and traditional and housing loans are granted as well.

For employees who exceed the age of 60 years and have been in the company for more than 10 years, the company compensates their loyalty with a retirement fund, which is beyond legal requirement.

On the other hand, as a company we contribute to the development of employees through several training and education, which is also provided to the employees of the service offices and to agents.

As a team, we seek active participation with the community through volunteering initiatives. For 9 years we have performed a reforestation day with employees in Mexico City and the metropolitan area, which is an activity that we have extended to other regions. This year our effort was expanded due to our agents' participation, which resulted in the creation of two additional reforestation days, one in Nuevo León and one in Querétaro. In total we had 1,320 participants between employees, agents and their families; we got to plant 12,181 trees in urban parks and in ecological sites. We believe in the value of volunteering to forge closer ties with the community and to preserve the environment as a future legacy.

We also promote our employees' support for our community's non-profit organizations. At Quálitas we provide donations regularly to different institutions⁵ and we started a scheme with *Metamorfosis Global, A.C.*, which is a 1x1 scheme, where for each Mexican peso voluntarily contributed by the employees, the company adds an additional one.

During the summer, employees' and agents' children, worked as the scholarship holders in different areas of the company and they also participated in workshops and courses on accident prevention, alcoholism and social network safety. They also volunteered in *Alimento para todos*, IAP, foundation, where they prepared basic food baskets to deliver to marginalized population.

⁵ For further information about the organizations that Quálitas supports go to the "Sustainability Approach" subchapter.



Training and career development

(102-36, 102-37, 404-1, 404-2, 404-3)

At Quálitas we promote our people's professional development by offering development opportunities and a learning environment.

This year we boosted our training efforts with the strengthening of **Quálitas University**, launched in 2015, which offers a triple benefit to the company and to our employees: it provides for greater organization, takes advantage of the potential of technology as an online platform and it also serves as a basis to incorporate new content. We have 61 training modules, organized by schools according to the main topic and the audience. Likewise, we will continue expanding its content in the following years.

Quálitas University

Quálitas School	Facilitates the recognition of the company's main fundamentals, its philosophy, and its practices.
Leadership School	Trains in topics such as, team management, innovation, negotiation and decision making skills.
Commercial School	Provides a deep knowledge of products and services of the company and provides abilities to deal with prospective customers and make satisfactory agreements.
Agents School	Trains for the company's product merchandising, taking into consideration customer needs and also offering advice, which allows them to build long term relationships with policyholders.
Claims School	Provides knowledge on the claims process, from the policyholders' call until the post claims assistance and on the claims structure.
Actuarial Technical School	Provides knowledge focused on; the feasibility analysis of the products, product design guidelines, pricing updates and adjustment of the actuarial processes related to Solvency II requirements.
Operations School	Details the quotation and policy issuance process, using technology tools adapted to the customers' needs.
International School	Provides information about products, processes and regulatory aspects specifically from El Salvador and Costa Rica.

We have Talent Incubator ("Semilleros de Talento") programs, which are aimed at the recruitment of non-experienced professionals who can develop a career within Quálitas. Therefore, we provide specific training related to the abilities and knowledge associated with their position. It was noteworthy that in 2016 we developed incubators for telephone operators and claims officers, in which 223 professionals participated, totaling 52,521 hours of training. Thanks to these two programs we hired 196 employees.

Training at Quálitas is an asset provided to different positions across the organization, as well as an attitude to search for new paths and solutions, considering the potential that team work offers.

TRAINING BY PROFESSIONAL CATEGORY – QUÁLITAS MÉXICO 2016		
	Total training hours	Training hours average by employee
Directors	266	14
Assistant Directors	684	18
Managers	678	5
Coordinators	593	1
Analysts	55,542	19
Assistants	460	1
	58,223	14

In addition, we supported 63 employees with a scholarship for technical studies, a university degree or postgraduate studies.

Considering our different programs, we have provided 55,286 hours of on-site training and 2,937 hours of online training to our employees, with a total average of 14 hours per person per year.

Our efforts are also extended to the service offices' employees, whom received 2,488 hours of on-site training and 6,286 hours of online training.

We provided 8,774 hours of training to service offices' employees*.

We trust in the talent of our team and we promote internal movement when filling vacancies. Regardless of these opportunities, the immediate superior report line, yearly evaluates the performance of his or her team. The result of the assessment is linked to salary increases. Directors and assistant directors are evaluated by Top Management by reviewing the progress in the strategic projects entrusted to them.

At Quálitas we are committed to fair and equal compensation based on an employee's position, responsibilities and achievements. We have a Salary Administration Policy, which stipulates compensation plans that are designed considering three factors: 1) the average salary of the insurance industry, which is updated based on the evolution thereon; 2) profile analysis within the company, ensuring fairness between similar positions; 3) adjustments associated with the result of performance evaluation.

We have a variable compensation scheme for 18% of the defined positions, which means that 56% of employees have compensation based on the achievement of individual and corporate objectives.

*The employees are external to Quálitas staff.



OUR RESULT:

GROWTH

We continued to consolidate our financial success, with a strategy focused on client's satisfaction and cost control, responding to a complex economic environment. Through our performance, we generate income and turn it into economic value for our different stakeholders, contributing to their development.

+52.0%

WRITTEN PREMIUM

23.5%

ROE

↑ 38.3%

INVESTMENTS
GROWTH

Financial highlights

(102-5, 102-7, FS6)

This year has been a time where we continue to consolidate our success in financial terms. Our operational strategy focused on customer satisfaction and cost control guidelines has allowed us to respond to a complex economic environment.

Below are our key financial and operating results¹:

As of January 1st, 2016 Q MX started to operate under Solvency II regulation. The changes in the new methodology are significant and the comparison with figures of previous years is only for informational purposes, due to the fact that some concepts were reclassified and variations may be significant.

Income Statement (millions of Mexican pesos)				
	2016	2015	Δ %/pb 2016-2015	2014
Written Premium	30,190	19,856	52.0%	17,340
Earned Premium	23,825	17,065	39.6%	15,356
Acquisition Cost	7,257	4,518	60.6%	4,143
Claims Cost	14,710	11,747	25.2%	10,674
Technical Result	1,858	800	132.3%	538
Operation Expenses	751	803	-6.5%	724
Operating Result	1,107	-3	NA	-185
Investment Income	826	833	-0.8%	1,036
Taxes	633	266	137.6%	230
Net Result	1,301	564	130.7%	624
Balance Sheet (millions of Mexican pesos)				
Investments	21,575	15,598 ²	38.3%	13,144
Financial Assets	20,875	15,002	39.1%	12,295
Total Assets	41,233	29,051	41.9%	24,423
Technical Reserves	26,922	18,691	44.0%	15,450
Total Liabilities	35,156	24,078	46.0%	20,055
Shareholders' Equity	6,077	4,972	22.2%	4,368
Costs Ratios				
Acquisition Ratio	24.1%	22.8%	136	23.9%
Claims Ratio	61.7%	68.8%	-710	69.5%
Operating Ratio	2.5%	4.0%	-156	4.2%
Combined Ratio	88.3%	95.6%	-729	97.6%
Profitability Indicators				
Return on Investments	3.2%	5.5%	-230	8.1%
LTM ROE	23.5%	12.1%	1,147	15.4%

NA: Not applicable

¹ The information shown in chapter "Our Outcome: Growth", corresponds to Quálitas Controladora, including all its subsidiaries, regardless of the country where they operate.

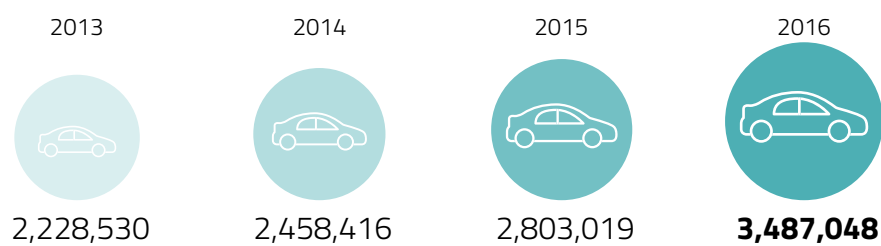
² This figure is different from the 2015 Annual Report' number due to a reclassification of the loans item related to Solvency II.

In 2016 we experienced a strong increase of 52.0% in written premiums compared to the previous year and 39.6% in earned premiums, far above the 20.4% growth of the automotive insurance industry and the 2.3% increase of Mexico's GDP, our primary market.

We increased 52.0% the value of written premiums, obtaining \$30,190 million of Mexican pesos.

The insured units grew 24.4%, which represent 684,029 additional vehicles, ending the year with 3.5 million units in the portfolio. Noteworthy was the growth in the contribution that our international subsidiaries made with regards to written premiums. The United States increased 195.3% in Mexican pesos and Costa Rica 94.7%, both cushioning the 5.8% decrease in El Salvador driven by a portfolio readjustment with the purpose of obtaining greater profitability.

INSURED UNITS

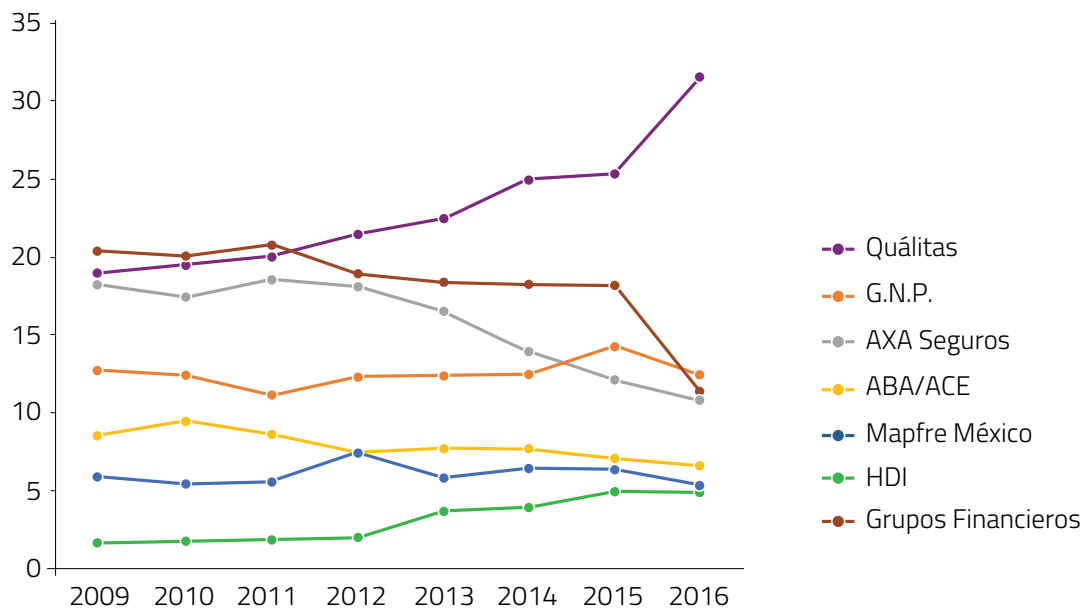


CAGR: 16.1%
COMPOUND ANNUAL GROWTH RATE

Growth continues in Mexico not only in written premium but also in insured units, increasing 50.1% and 24.0% respectively as a result of the growth in new units sales due to greater availability and granting of credit. Thereon, our market share reached 31.5% at the end of 2016, 6.2 percentage points more than the previous year.

MARKET SHARE (%) BASED ON WRITTEN PREMIUMS								
	2009	2010	2011	2012	2013	2014	2015	2016
Quálitas	18.9	19.6	20.1	21.5	22.5	24.9	25.3	31.5
G.N.P.	12.8	12.4	11.1	12.3	12.4	12.5	14.3	12.7
AXA Seguros	18.1	17.4	18.6	18.1	16.5	14	12.1	10.9
ABA/ACE	8.5	9.5	8.6	7.5	7.8	7.7	7.0	6.8
Mapfre México	5.8	5.4	5.5	7.4	5.9	6.5	6.3	4.8
HDI	1.6	1.7	1.8	1.9	3.7	4.0	5.0	4.9
Others	13.9	13.9	13.5	12.4	12.8	12.2	11.8	11.6
Financial Groups	20.4	20.1	20.8	18.9	18.4	18.3	18.2	16.8
Total Market	100	100	100	100	100	100	100	100

MARKET SHARE (%)



31.5% MARKET SHARE IN MEXICO

The sale of insurance through different channels, such as our offices network, agents, and directly through Quálitas Development Offices (*Oficinas en Desarrollo Quálitas, ODQs*, as per its acronym in Spanish) as well as our broad geographic presence, have allowed us to incorporate a remarkable number of new clients and maintain our portfolio.

A growth of 77.7% in automotive financial institutions stands out by segment. It is important to note the performance of our international subsidiaries, especially Quálitas Insurance Company (QIC) in the United States and Quálitas Costa Rica (Q CR) with written premiums of \$835 and \$407 million of Mexican pesos respectively.

Segments	Written Premium (in millions of Mexican pesos)				
	2016	2015	Δ\$ 16-15	Δ% 16-15	2014
Individual	4,861	3,828	1,033	27.0	3,447
Fleets	8,034	6,060	1,973	32.6	5,744
Automotive financing institutions	15,273	8,592	6,680	77.7	7,422
Subsidiaries	1,352	622	731	117.5	258
Others	670	754	-84	-11.1	468
Total	30,190	19,856	10,333	52.0	17,340

Note: According to underwriting policy changes, we continued to update of the accounts catalogue thereby the reported figures by segment in previous years may change.

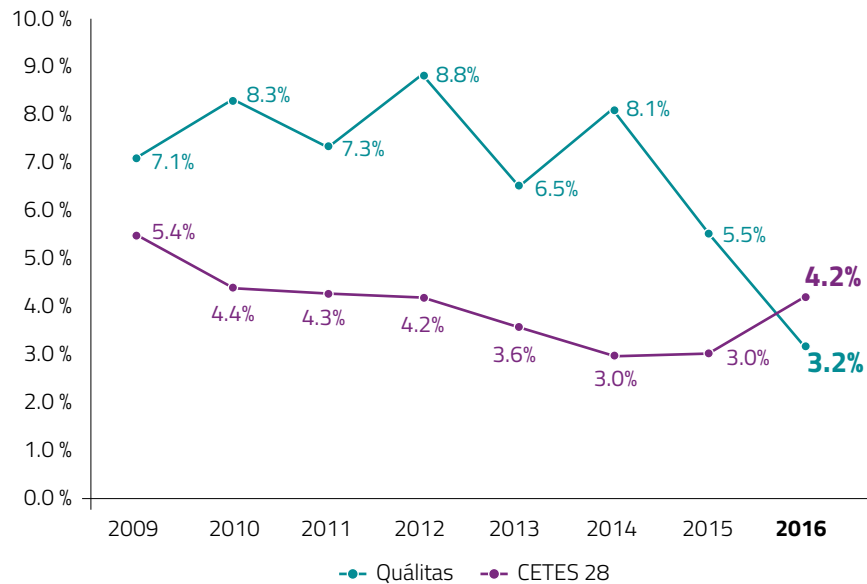
During the year we achieved a significant improvement in our **cost ratios**, except from the acquisition ratio, this related to an increase associated to the strong growth in the automotive financing institutions segment. It is important to mention the decrease in the claims ratio despite the cost

increase in spare parts as a result of the Mexican peso depreciation against the US dollar. On the other hand, our operating ratio remains as the lowest of the industry.

The combined ratio decreased from 95.6% to 88.3% due to our commitment to cost control and a non-recurring benefit, effect of the implementation of an own reserves model related to Solvency II regulation. This contributed to a ROE of 23.5% which assumes an increase of 1,147bp in relation to 2015.

Our investment portfolio increased 39.1% to reach \$20,875 million Mexican pesos, obtaining a return of 3.2% which is a figure below the annual target of CETES 28 (treasury certificates) plus 200bp.

RETURN OF INVESTMENT

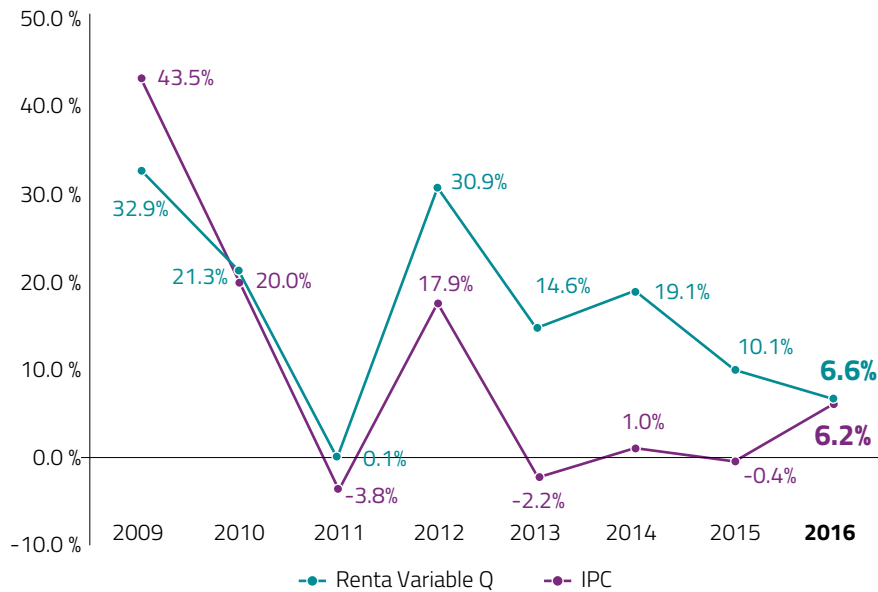


The return on the equity portfolio within the investment portfolio was 6.6%, figure above the return shown by the Mexbol (IPC Index) of the Mexican Stock Exchange for the same term.

Cash and investments per share is \$46.39 Mexican pesos, which represents a growth of 39.1% compared to the previous year as a result of written premiums and the investment income.

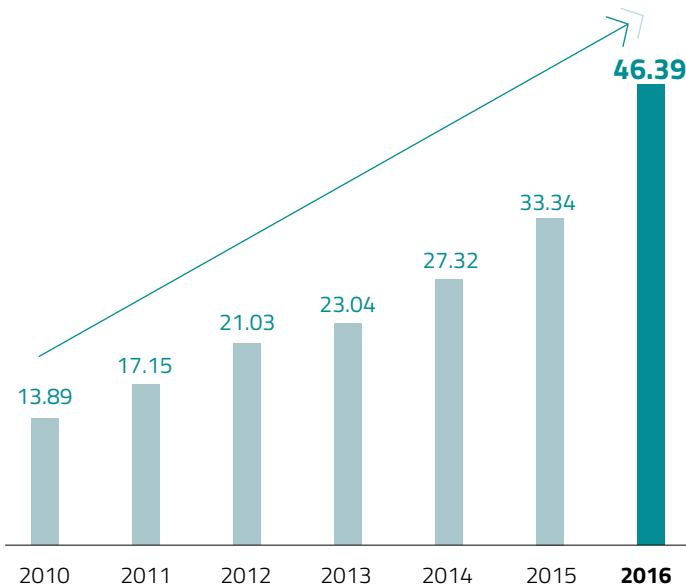


RETURN ON EQUITY PORTFOLIO



6.6% RETURN

CASH AND INVESTMENT PER SHARE (figures in Mexican pesos)



22.3% CAGR (2010 - 2016)
COMPOUND ANNUAL GROWTH RATE

As a public company, we continue to work with special emphasis on our corporate governance which along with our risk management culture places us in an excellent position for compliance with Solvency II and the new Insurance and Bond Institutions Act, (*Ley de Instituciones de Seguros y de Fianzas*, LISF as per its acronym in Spanish).

Quálitás Controladora is listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*, as per its acronym in Spanish) with a float of 42.3% of shares. The market capitalization in 2016 was \$13,198.5 million Mexican pesos, an increase of 35.0% over the previous year, as a result of the operating and financial results of the company.

We are committed to create value for our shareholders and stakeholders; therefore, we continually seek long term relationships so we can guarantee the company's financial sustainability over time.



Economic value distribution

(201-1, 201-4)

The revenue generated through our operational and financial performance, is transformed into economic value that benefits our stakeholders and contributes to their development. Likewise, the economic value that results from our operations³ is distributed through outsourced services, employee compensation and taxes, among others.

³ Data presented on the chapter "Our Result: Growth" corresponds to Quálitas Controladora, including all of its subsidiaries, disregarding the country where they operate.

GENERATED ECONOMIC VALUE			
Concept	2016	2015	Δ% 16-15
Total Revenue (GEV)	24,651	17,898	37.7%
Ingresos por la operación de seguros	23,825	17,065	39.6%
Ingresos por producto financiero (Portafolio de inversión)	826	833	-0.8%

DISTRIBUTED ECONOMIC VALUE				
Concept	Stakeholders	2016	2015	Δ% 16-15
Expenses (DEV)		23,575	17,334	36.0%
Acquisition	Agents, Automotive financial institutions, Suppliers, Employees	7,257	4,518	60.6%
Claims	Suppliers, Employees	14,710	11,747	25.2%
Operation	Service offices, Suppliers, Employees	745	800	-6.9%
Dividends	Shareholders	225	0	NA
Donations	Community	5.35	2.34	128.2%
ITaxes	Government and Authorities	633	266	137.6%
Retained (GEV-DEV)		1,076	564	90.8%

GEV: Generated Economic Value DEV: Distributed Economic Value

Capital lenders are not included as Quálitas finances its activities with its own resources. Also, we did not receive support from authorities or governmental institutions.

During the year, income and expenses grew at the same pace, in spite of a growth above 100% in donations and taxation. Quálitas contributes to the development of the countries in which it operates, as a taxpayer, through employment and the acquisition of products and services. Besides, we donate to help alleviate the necessities of the communities where our offices are located, contributing to improve education and health conditions of our community.



CORPORATE GOVERNANCE

Structure

(102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-27, 102-28, 102-29, 102-30, 102-31, 102-33, 102-34, 102-35, 102-36, 405-1)

Quálitás has a corporate governance system that oversees an efficient decision making process, and generates an environment of transparency for all stakeholders, through an accountability culture led by Board Members and Management.








The Shareholders' Meeting is held annually, during these sessions the members of the Board of Directors are designated, per the Corporate Practices Committee's suggestions, and the results of the company are approved.

The Board of Directors is composed of 13 Proprietary Members and 2 Alternate members; 9 of the Proprietary Members are independent. The member's designations are for indefinite periods. The independent Members' experience, skills and abilities are analyzed to ensure their credentials satisfy the roles and fiduciary responsibilities and avoid potential conflicts of interest. The Members receive a fixed remuneration per session.

The Chairman is Joaquin Brockman Lozano, founding shareholder and Chief Executive Officer, elected by the vote of the members of the Board. Mr. Brockman has extensive experience and vast knowledge of the industry, as well as the other members of the Board, who also understand the company deeply since they have an average tenure of 5 years in their positions.

To ensure compliance with duty of loyalty, diligence and informed judgment, our Board Members are trained when significant changes emerge in the regulatory environment, as was the case in 2014, when the Insurance and Bond Institutions regulation was reformed, and a Course Solvency II was provided.

Per the Articles of Association, the Board is responsible for overseeing the welfare of the company, establishing a long term strategy, as well as supervising its Committees. The Board is responsible for monitoring regulatory compliance of comprehensive risk management guidelines and audit, as well as the Directors designation and their remuneration policy, which includes annual performance bonuses. The Board has also the authority to summon a Shareholders' Meeting, where the Annual Report of the company is presented and ratified by its Directors. Quálitás has 2 Committees that resulted from legislation and 4 from its own initiative to better support the Board's work. Each Committee is independent and submits a report to the Board of Directors.

BOARD OF DIRECTORS		COMMITTEES					
	QUÁLITAS CONTROLADORA	AUDIT	CORPORATE PRACTICES	SOCIAL RESPONSIBILITY	INVESTMENTS, FINANCE AND PLANNING	OPERATIONS	REINSURANCE
Joaquín Brockman Lozano							
Wilfrido Javier Castillo Sánchez Mejorada							
Madeleine Brémond Santacruz							
Mauricio Domenge Gaudry							
Harald Feldhaus Herrmann							
Juan Marco Gutiérrez Wanless							
María del Pilar Moreno Alanís							
Juan Enrique Murguía Pozzi							
Juan Orozco y Gómez Portugal							
Raúl Alejandro Jiménez-Bonnet García							
Christian Alejandro Pedemonte del Castillo							
Juan Felipe Sottill Achutegui							
Fernando Jacinto Velarde Muro							
Wilfrido Javier Castillo Miranda Olea							
Noah Daniel Couttolenc Brockmann							

 Proprietary Related
  Proprietary Independent
  Alternate Related
  President
  Vice President

NOTA: Reinsurance Committee applies only to Quálitas Mexico.

Committee roles

Audit

Meets monthly and is comprised by 3 independent members.

Their functions include:

- Monitor Quálitás adherence with external regulation. For example, Insurance and Bond Single Official Circular Letter (*Circular Única de Seguros y Fianzas*), Securities Market Act (*Ley del Mercado de Valores*), as well as internal regulation defined by the Board of Directors.
- Investigate possible non-compliance with guidelines, operating policies, comprehensive risk control systems, and internal control systems, establishing the corresponding corrective measures.
- Suggest an external auditor and evaluate his/her performance.
- Analyze financial statements and the company's financial information.
- Monitor the Top Management alignment and compliance with the agreements established in the Shareholders' Meeting.

Corporate Practices

Meets monthly and is exclusively comprised by 4 independent members.

Their functions include:

- Support the Board of Directors with the management, supervision and execution of administrative operations.
- Evaluate and suggest to the Board of Directors compensation for the Chief Executive Officer and Top Management.
- Inform the Board of Directors about operations with related parties.

Investment, Finance and Planning

Meets monthly and is comprised by 7 members, 6 of them are Board Members.

Their functions include:

- Evaluate and suggest investment policies in accordance with the organizational vision.
- State the guidelines for the company's Strategic Planning.
- Maintain the investment portfolio in line with the authorized policies and the applicable regulation.
- Set budget considerations and follow up.
- Identify risk factors and evaluate the policies required for their management.

Social Responsibility¹

Meets bi-monthly and is comprised by 14 members; 4 members of the Board and 10 Directors of different areas of the company.

Their functions include:

- Define Quálitás' Social Responsibility framework of action.
- Define the commitments with the stakeholders and the initiatives that will lead to performance indicators.
- Follow up on the commitments and indicators.
- Collaborate and cooperate with organizations, institutions and councils to promote social responsibility initiatives.

Operations

Meets monthly and is comprised by 12 members, 7 of them are Board Members.

Their functions include:

- Advise Quálitás México's Top Management in the definition of strategies and actions to maximize the quality of the operating processes.
- Contribute in the definition of a yearly Business Plan, as well as a comprehensive strategy that guarantees continuity and development of this subsidiary.

Reinsurance

Meets quarterly and is comprised by 6 members, 2 of them are Board Members. Its scope only includes Quálitas México.

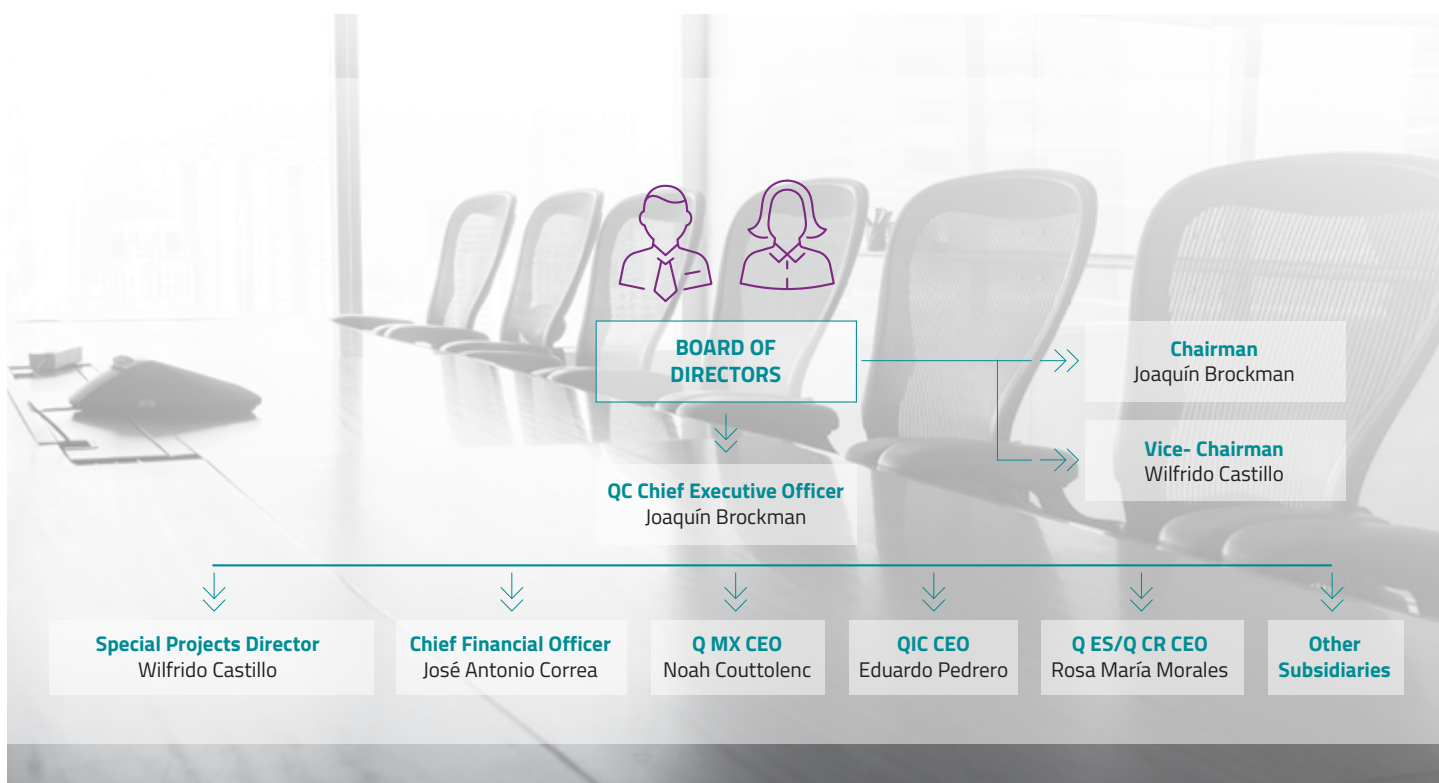
Their functions include:

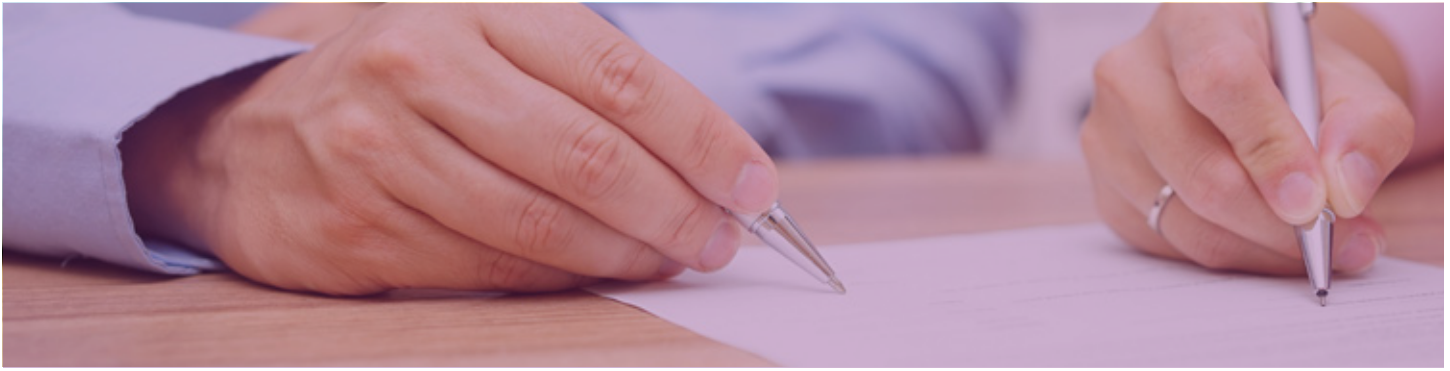
- Suggest objectives and policies for the recruitment, supervision, evaluation and management of the reinsurance operations.
- Establish mechanisms for the supervision and evaluation of reinsurance operations.
- Evaluate periodically the achievement of the strategic objectives established by the Board of Directors in terms of reinsurance.
- Report the results of the reinsurance operations and the corrective measures implemented to correct deviations.

Quálitas Controladora, as well as its subsidiaries, has a top management that works on a day-to-day basis to develop world class operations, incorporating their professional and technical expertise in different areas.

The Directors have weekly session to discuss the most significant topics of the operation to support Quálitas' management and supervision.

*The roles and the performance of the Social Responsibility Committee are broadened in chapter "Our Objective: Value Creation".





Ethics and Transparency

(102-16, 102-17, 102-25, 205-1, 205-2, 412-2)

At Quálitas we promote performance in line with our **values** and with strong ethical guidelines, ensuring their compliance. We have a **Code of Ethics and Conduct** approved by the Board of Directors which establishes the **standards** that regulate the relationships and behavior of our employees towards each other and stakeholders. Compliance with the code extends to Board Members and the employees in the service branches.

In the introductory course for new employees we share our Code of Ethics and Conduct and ask for a commitment to its implementation. During 2016, we provided 2,265 training hours to 453 employees.

Among the operation rules included in the Code we promote excellence in service for our clients, the delivery of clear and complete information, equal treatment of our employees, and the safeguarding of personal data. We also established requirements to **avoid conflicts of interest and corruption acts**, including a specific reference to the implementation of tenders with equal conditions for our suppliers.

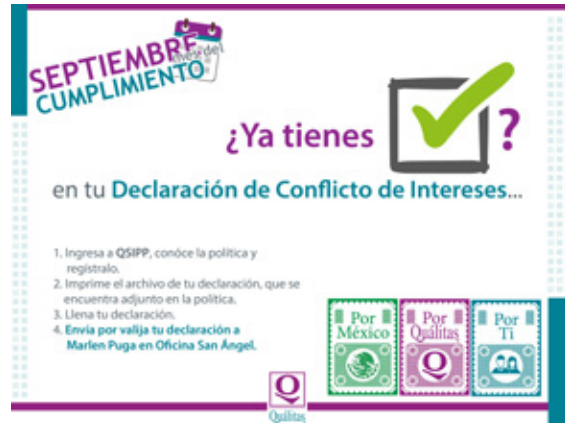
Additionally, we specifically have a **Conflict of Interest Policy** and an **Anti-Corruption Principles and Mechanisms Policy**, which delve into our guidelines, as well as **Commercial Ethical Principles**, focused on the relationship with agents and clients.

Along with the introductory course, we also train in ethics and anti-corruption, through the modules of Quálitas University. In the module “Qualitization” we publish our organizational culture, and in another module, information related to the prevention of money laundering. It is important to note that 284 agents were certified on the Qualitization course, along with 544 employees.

During the year, 3,694 employees participated in these courses, which represent 86.2% of our staff, including 47 Directors and Assistant Directors (82.5% of the total). We extend the money laundering prevention program to workers at the service offices², training 840 of them in 2016, this represent 71.5% of the total.

² In accordance with Quálitas business model, the service offices are partnerships with local entrepreneurs, and the employees of these offices are not part of Quálitas staff.

Trained in anti-corruption: 86.2% of the employees and 71.5% of the service offices employees.



At the same time, we perform awareness campaigns to communicate the content of the Code of Ethics and Conduct, and in anti-corruption, including a "Compliance Month", in which we encouraged our employees to evaluate their knowledge regarding these topics.

Quálitás offers an e-mail address and an anonymous telephone line to its employees, for whistle blowers on potential breaches of the Code, policies or principles. The complaints are analyzed by the Ethics Committee, which determines if any corrective measures are needed and keeps the Board informed of its performance.

It is our duty to look out for compliance with the Code, policies and principles. The adherence is supervised by the Internal Audit Area besides the permanent monitoring conducted by the Ethics Committee and the annual revision executed by the Audit Committee. The Corporate Practices Committee is in charge of conflicts of interest prevention and reports quarterly to the Board.



Risk Management

(102-11, 102-15, 102-29, 102-30, 206-1, 307-1, 417-2, 417-3, 419-1)

We operate with a **precautionary approach** with **proactive risk management** related to the activity of the company through a **comprehensive control system**. This function relies primarily on the Comprehensive Risk Management Area, along with the decisions of the Corporate Practices and Audit Committees. The Audit Committee oversees the analysis of those breaches made in the operation of the control system. These committees support the Board of Directors and they consistently report thereon.

Management is conducted in accordance with a **risks map**, which is periodically updated and serves to prioritize our performance. The main risks are of a technical, financial and operational nature. The preparation of such management has been reinforced upon being part of the Risk and Institutional Solvency Self-Assessment (Autoevaluación de los Riesgos y de la Solvencia Institucionales, ARSI, as per its acronym in Spanish), which established Solvency II under the supervision of the Board.

Our performance is regularly evaluated through internal audits, implemented based on an annual plan, which considers the major risks in addition to the external processes of the assessment. As a result of these processes and the adherence to legal compliance, we only received two important penalties throughout the year. Both are related to administrative defaults per CONDUSEF, and combined they added up to \$45,492.5 Mexican pesos, financed by us.

At Quálitas we guarantee the safety of the capital entrusted by the policyholders through the premiums, so they can get the needed resources in case of any claim. Therefore, we manage the reserves investment with strong risk criteria, subject to the decisions of the Investment Committee of which independent experts are part.

Solvency II and Insurances and Bond Institutions Act (Ley de Instituciones de Seguros y de Fianzas)

Mexico took the Solvency II European directives as a reference for its new Insurances and Bond Institutions Act (*Ley de Instituciones de Seguros y de Fianzas*), in effect since 2015. It covers the most recognized guidelines for safeguarding the industry's stability in terms of solvency, reinforcing the guarantee to the policyholder to comply with the committed contract.

The law establishes the determination of the risks assumed in order to determine, with the help of a technical calculation, the optimal capital required.

Quálitas was already in an excellent position to face these changes, which have been produced since the Act came into force, due to its status as a publicly listed company and the work that has been done in corporate governance and transparency.

Quálitas primary risks

Technical

Includes those risks that result from policies underwriting, more specifically from the premiums, use of reserves, administrative expenses and/or the occurrence of catastrophes.

Financial

Considers the risks related with the losses of the financial operation, decrease in value of the assets and requirement of greater amount of resources, among others.

Includes risks of the market, credit, concentration, mismatch, liquidity and Real Estate.

Operational

Associated with the processes that sustain Quálitas' activities, the human and technical resources that implement them and the associated impacts that can be generated.

The following risks include: operational processes, legal, technological, strategic and reputational.



SUSTAINABLE DEVELOPMENT GOALS

Contribution to Sustainable Development Goals (SDGs)

(102-12)

At Quálitas we work towards the efficient management of the resources and the reduction of the negative impact related to our operations. Likewise, we seek to strengthen our financial and social contribution through employment creation, safeguarding the assets of the policyholder, and contribution towards an insurance culture, among other aspects.

We materialize our sustainability understanding through the Social Responsibility Model pillars and initiatives aligned thereon, ensuring the continuance of the company through time and value creation for our stakeholders.

Our management and communication in terms of sustainability, is aligned with the benchmark initiatives on an international level. The Agenda 2030 approved by the United Nations stands out as a working framework to encourage economic growth, social inclusion and protection of the environment. It includes the 17 Sustainable Development Objectives whose achievement demands collaboration between public administrations, companies and civil society organizations. Our sustainability model is also based collaboration between stakeholders.

At Quálitas we contribute to the SDGs through the social responsibility initiatives with which we seek to fulfill the sustainability objective. Noteworthy are those dedicated to the promotion of a better driving culture and a prevention culture to reduce the accident rate, damages, injuries and deaths of those who use and share public roads.

We contribute to the driving culture and to greater caution while driving.

Additionally, through our distribution channels we contribute to bring insurance closer to the population through our service offices, our agent's network, and mainly through our Quálitas Development Offices (ODQs as per its acronym in Spanish), located in under-served areas.

Through social responsibility initiatives and our own business activity, we are contributing to the third SDG, which is focused on the health and well-being of the population, especially in its target to reduce by half the number of deaths and injuries caused by traffic accidents in the world by 2020.

We contribute to other SDGs and their respective goals but our results and impacts are more closely linked to the ones we present below.



GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages

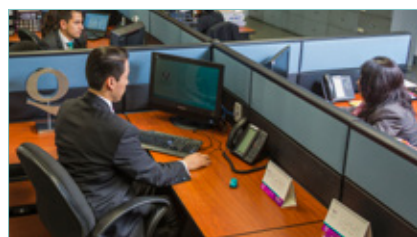
- We develop products and services for a variety of markets and segments, with the purpose of meeting the needs of vehicle insurance
- We contribute to the insurance availability through our distribution channels: service offices, agents' network and ODQs, especially the latter, by covering areas with less insurance penetration.
- We promote a culture of prevention and aim to communicate the value of being insured.
- We promote insurance providing support to CONDUSEF campaigns.
- We have a web page and materials on driving culture, disseminated in different formats and channels.



QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

- We have a web page and materials on driving culture, disseminated in different formats and channels.
- Through financial education initiatives, we seek to promote a greater knowledge of finance and encourage a savings culture in the community.
- Through courses, workshops and Quálitas University, we contribute to the training and career development of our employees, workers in the service branches and agents.





ABOUT THE REPORT

General parameters

(102-32, 102-48, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56)

At Quálitas we understand sustainability along with excellence in service and costs control, as an essential part of our strategy and corporate management, impacting the economic, social and environmental performance. For the first time this year, we chose to prepare a consolidated report, which in a single publication demonstrated our financial and non-financial performance, after generating separate publications in previous years.

For this report we adhered to the essential GRI Standards, which is an update of the report methodology that is an international level reference, developed by Global Reporting Initiative (GRI). Additionally, we considered the contents of the GRI supplement for the financial services industry, which are related to the topics that were determined as material.

The contents of the report have been validated by the Chief Executive Officer and the Social Responsibility Committee. Likewise, it is Quálitas' best interest to continue with the internal efforts of information monitoring, so that in the future it can be subject to an external audit.

In this report, we primarily disclose the annual performance of Quálitas México, upon being the most prominent subsidiary over which Quálitas Controladora has operational control, in other words, besides having the majority of property, it is responsible for management and decision-making¹. We also included supplementary information about the performance of our insurance subsidiaries in the United States, Costa Rica and El Salvador.

Throughout the report we specified the measuring mechanisms and calculation formula used, as well as the restated data in relation to the ones included in 2015 reports (Sustainability Report and Annual Report).

Since 2015, Quálitas Controladora has been signed up to the United Nations Global Compact, initiative that promotes the implementation of 10 Principles, which include topics such as labor, environment, human rights and anti-corruption practices. This report allows us to communicate for the first time the progress we have achieved and acts as Communication on Progress (COP). We also seek to communicate the contribution of the company to the Sustainable Development Goals (SDG) established by the United Nations in collaboration with the private sector and civil society organizations.

¹ In the report, we include the operations of Quálitas Controladora and its subsidiaries Quálitas México and Activos JAL, according to the organizational structure presented on the Company's Profile.

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Determination of significant topics

(102-46, 102-47, 102-49)

The definition of significant topics included in this report, as well as which subsidiaries and entities of our value chain are included and their information (limits), were determined based on a **4 stage process**: review, identification, prioritization and validation.

This method has allowed us to integrate the **strategic focus of the company** with the **perspective of our stakeholders**, to determine the significant topics, through the following activities by stage:

Review and identification:

Company's approach	<ul style="list-style-type: none"> - Analysis of corporate documents, including the Code of Ethics and Conduct and some of the major policies, among others. - Interviews with Quálitas Controladora's executives.
Stakeholders perspective	<ul style="list-style-type: none"> - Analysis of the results obtained by Quálitas Controladora and its subsidiaries through constant interaction with stakeholders, including a work environment survey and a comprehensive service survey, along with primary information requirements from investors and press appearances. - Study of the main topics reflected by the industry, as stated in the publications of the Global Reporting Initiative (Financial Services Sector Supplement), the annual analysis of RobecoSAM (Sustainability Yearbook), materiality suggested by SASB and aspects included in the reference document of PSI initiative from UNEP – FI².

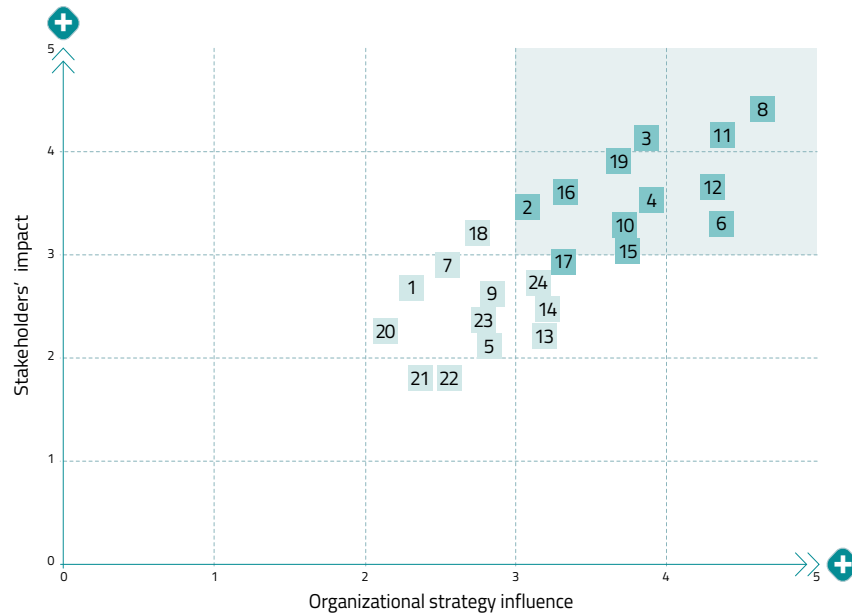
Prioritization and validation:

Once the potentially significant topics list is defined, we proceeded to their prioritization, taking into account the strategic perspective of the company and the approach of stakeholders, through:

Company's approach	<ul style="list-style-type: none"> - Level of commitment by the interviewed executives towards the various topics.
Stakeholders perspective	<ul style="list-style-type: none"> - Direct query through a focus group of agents and interviews to automotive financials with which we operate, as well as an indirect query through interviews of employees in charge of the relationship with suppliers and policyholders.

² Sustainability Accounting Standard Board (SASB), Principles for Sustainable Insurance (PSI), The United Nations Environment Programme Finance Initiative (UNEP-FI).

RELEVANT TOPICS MATRIX



THEME No.	STRATEGY	IMPACT	
1	2.5	2.7	Road safety support and education
2	3.1	3.1	Financial education and insurance culture
3	4.0	3.9	Innovation and operational efficiency
4	3.5	3.6	Relationship with suppliers
5	2.6	2.3	Insurance availability for the entire population
6	4.2	3.3	Relationship with agents
7	2.7	2.8	Insured personal data protection
8	4.4	4.4	Customer Service
9	2.7	2.7	Clear and pertinent information on insurance conditions
10	3.5	3.2	Legal Compliance
11	4.1	4.0	Ethics, transparency and anti-corruption
12	4.1	3.9	Risk management
13	2.9	2.4	Corporate Governance
14	2.9	2.4	Participation in the elaboration of public policies
15	3.4	3.2	Economic results
16	3.5	3.1	Market and brand positioning
17	3.0	3.0	Attraction and retention of employees
18	3.0	3.0	Work climate and employee's satisfaction
19	3.8	3.8	Training and career development (employees)
20	2.4	2.2	Diversity and equal opportunity rights (employees)
21	2.5	2.1	Wages and benefits (employees)
22	2.5	2.1	Health and safety (employees)
23	2.6	2.3	Social support and donations
24	2.9	2.7	Environmental management (energy, waste, emissions, etc.)

The final list of significant topics was validated by the Social Responsibility Committee and is shown below.

MATERIAL TOPIC (GRI Standard 102-47)	EXTERNAL LIMITS (GRI Standard 103-1)
Attraction and retention of employees	- NA
Employees' training and career development	- IT Suppliers and training
Legal compliance	- Agents - Service offices' owners
Financial education and insurance culture	- Agents - Service offices' owners
Ethics, transparency and anti-corruption	- Agents - Service offices' owners
Risk Management	- Agents - Service offices' owners
Innovation and operational efficiency	- Agents - Service offices' owners - Service suppliers for policyholders (medical, legal, tow truck, repair shops)
Market and brand positioning	- Agents - Service offices' owners - Service suppliers for policyholders (medical, legal, tow truck, repair shops)
Relationship with agents	- Service offices' owners
Relationship with suppliers	- NA
Economic results	- Agents - Service offices' owners
Customer service	- Agents - Service offices' owners - Service suppliers for policyholders (medical, legal, tow truck, repair shops)

NA: Not available.

The internal limits for material topics refer to Quálitas México; except from matters related to top management in which case the entity JAL is considered as well. JAL manages the real estate assets and is included in ethics, transparency and anticorruption; risk management and economic performance.



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