



In the right direction

Consolidated Annual Report 2017



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Message from the Chairman of the Board of Directors

GRI 102-14, 102-15

At Quálitas, we have a firm commitment to contribute towards sustainable development, facing economic, environmental, and social challenges under a strategy of value generation.



In 2017 we faced several situations which affected our operation. Such events include, vehicle robbery and foreign exchange rate volatility impacting the cost of automotive spare parts and the decrease in sales of new cars in Mexico. On the other hand, the interest rate increases helped us obtain financial revenues and end this year with excellent results.

Within the year, we managed to issue premiums for more than 33,000 million pesos and recorded revenues (earned premiums) over 28,600 million pesos. This translates into having more than **3.8 million insured units** and a market share in the automotive insurance of 31.3% in Mexico.

It is important to highlight that during 2017 we achieved profits of 2,064 million pesos, an increase of 58.7%, *vis-à-vis*, 2016 net income. This resulted in an excellent **ROE of 29.4%**, which means that approximately every 2.5 years, the stockholder's equity would be doubled.

Our insurance operation outside Mexico has continued to develop and consolidate its operation. Non-insurance subsidiaries continue to give us advantages in costs control and help us have a more efficient operation in the insurance companies. All these subsidiaries presented profits in the year.

During 2017, we opened **22 new Quálitas Development Offices (ODQs)** in Mexico. This growth in facilities directly impacted the creation of employment sources.

For Quálitas, it was a priority that the **1,534 people who joined our staff** in 2017 experienced our culture of wellbeing, development, and professionalization at work. For this reason, the contents of **Quálitas University** were strengthened, which is our maximum initiative to increase their skills, promote their growth and personal fulfillment.

We want to guarantee welfare for all our stakeholders and to contribute towards the development of a better **insurance and road safety culture** so as to maintain a generalized growth in the locations where we operate. Our interest is to achieve these objectives based on ethics and integrity.

31.3%
of market share

29.4%
ROE

92.8%
combined ratio

Under this condition, in October 2017 the Board of Directors approved the new Code of Ethics and Conduct, which is the governing document that establishes the values and operating rules applicable to the board members, employees, representatives and collaborators of Quálitas, regardless of their activity or geographical location.

We continue working on projects that allow us to contribute to the **sustainable development of society**, to improve our service, and to implement measures allowing us to reduce costs; this in order to consolidate the position of Quálitas in the market and maintain a competitive position. Some examples of this are: body shop certifications, express adjustment, call center automation and the use of satellite tracking devices and tools to prevent collisions and vehicle robbery as a part of our risk management.

I reiterate Quálitas commitment to the implementation of the **10 Principles of the United Nations Global Compact**, which include human rights, labor, environmental and anti-corruption issues.

The stock price also had a very good performance, increasing 24.4% during the year. Additionally, I am very pleased to inform you that in October we were integrated into the **Dow Jones Sustainability MILA Pacific Alliance Index**. This is a very important indicator which confirms that our sustainability strategy is in the right direction.

I believe that the company is very well positioned to continue growing and developing. We are hoping for upcoming years to be good and to have more moderated growth, but higher profitability.



Joaquín Brockman L.
Chairman of the Board of Directors

4,959
employees in 2017

+ 200,000
training hours



Highlights

GRI 102-7

Quálitas

(million Mexican Pesos)

\$33,820

million in written premiums

**\$28,668**

million in earned premiums

**31.3%**

share in the Mexican market

**3,818,542**

insured vehicles

**1,543,510**

assisted claims



Financial performance

\$2,064 million of net income



92.8% combined ratio



29.4% ROE



Quálitas' infrastructure

403 offices and ODQs

183 service offices

220 Quálitas Development Offices (ODQs)



4,959 employees in Mexico, Costa Rica, El Salvador and USA



1,164 claims officers



13,869 agents



Organizational identity

GRI 102-16, 102-26

The principles and values integrating our organizational culture are present in all our activities and shape our identity; we are convinced that it is the best way to establish long-term relationships with our stakeholders.

Quálitas 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 that fully satisfies our customers' expectations.

Quálitas Vision

- Conserve our leadership in the automotive insurance market, entirely fulfilling our mission.
- Remain at the forefront of innovation and technological matters in all aspects of our operation.
- Be able to fully comply with our sustainability commitments and strict adherence to ethics, with our stakeholders: policyholders, employees, agents, investors, suppliers and the community.
- Continue our internationalization process, taking advantage of our methodology, synergy, and competitive advantages.
- Collaborate in promoting the insurance culture in our country, and in the solution of the growing complexity of prevention and road mobility, as part of our social responsibility.

IDENTITY

An ethical, efficient, financially strong company, genuinely committed to its social responsibility.

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.

Our Values



Honesty



Responsibility



Solidarity



Respect for human dignity



Equality



Transparency



Cordiality



Loyalty and personal commitment

Insured vehicles per country

QUÁLITAS CONTROLADORA

GRI 102-2, 102-4, 102-5, 102-6, 102-45, 103-2, 103-3

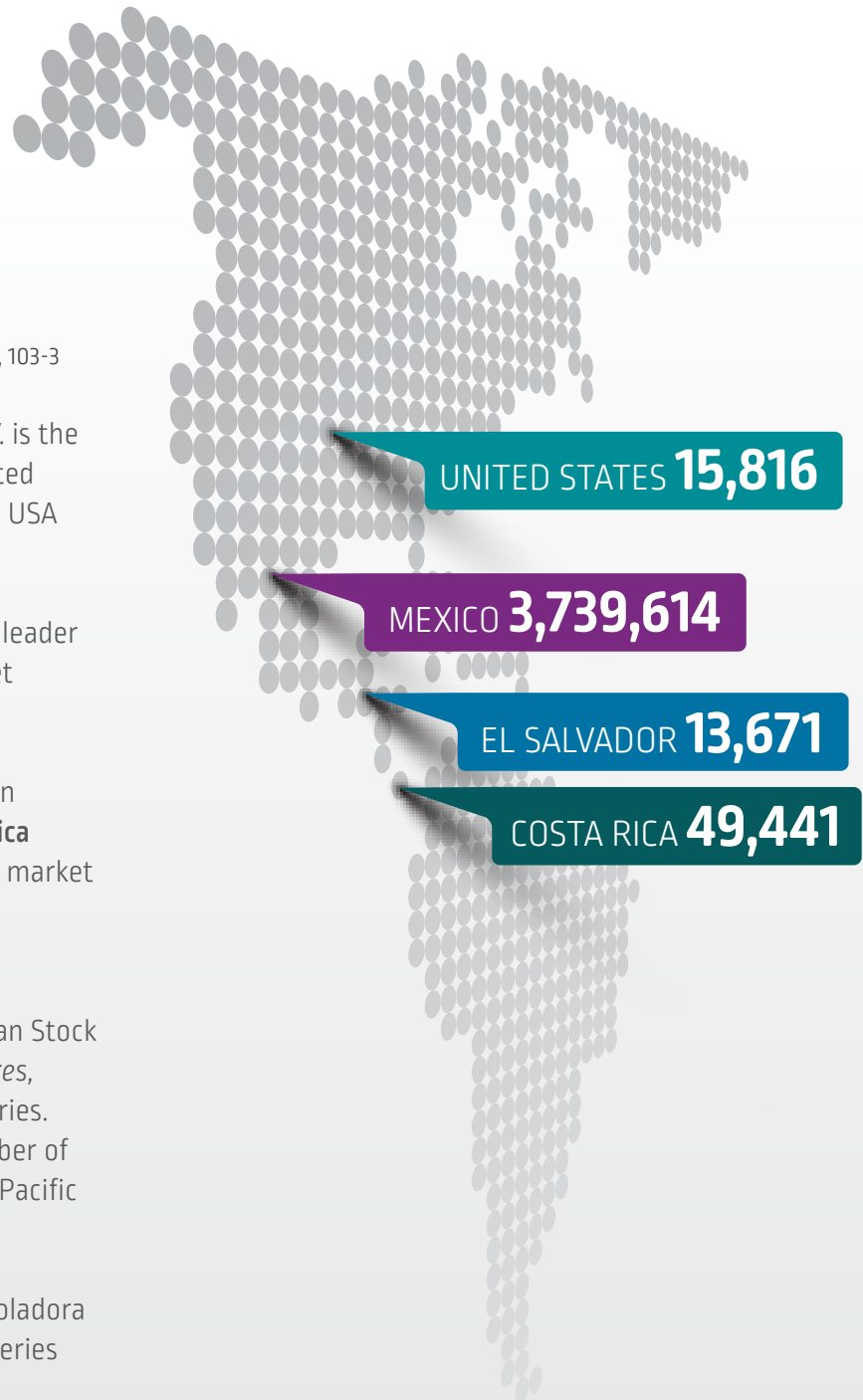
Quálitas Controladora, S.A.B. de C.V. is the holding company of insurance related enterprises that operate in Mexico, USA and Central America.

Its **Mexican subsidiary (Q MX)** is the leader in the automotive insurance market since 2007.

Later in 2008, it began operations in **El Salvador (Q ES)**, in 2011 in **Costa Rica (Q CR)** and in 2014 it entered the US market with its subsidiary **Quálitas Insurance Company (QIC)**.

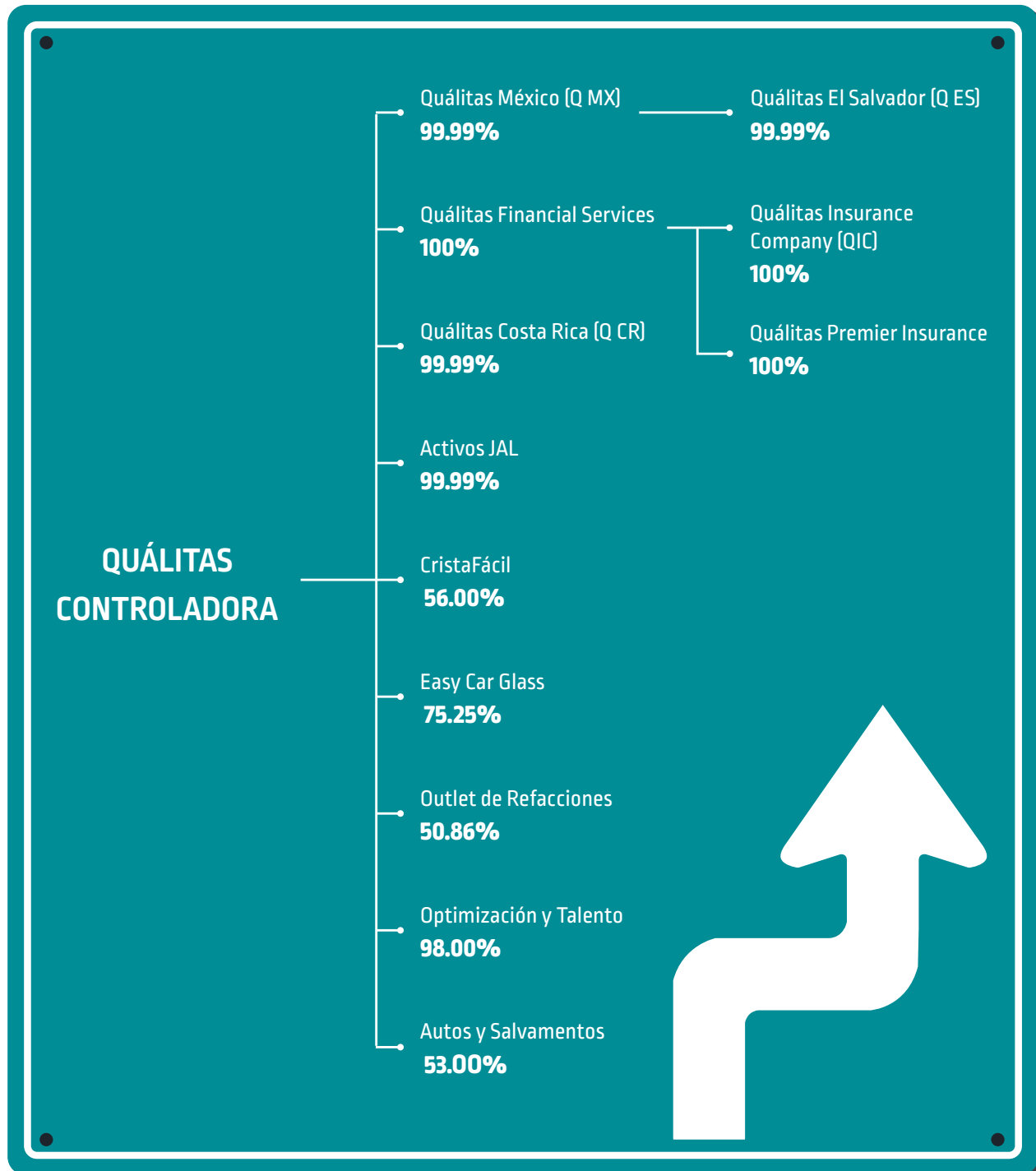
The company is listed in the Mexican Stock Exchange (*Bolsa Mexicana de Valores, BMV*) under the ticker "Q" single series. (Bloomberg: Q*: MM) and is a member of the Dow Jones Sustainability MILA Pacific Alliance Index.

The capital stock of Quálitas Controladora is comprised of 450 million single series shares (Q*).



CORPORATE STRUCTURE

GRI 102-10



QUÁLITAS MÉXICO (Q MX)

The Mexican subsidiary represents 95% of total written premiums of the holding company. The design of our products in this country is tailored to the needs of each of the segments in which we serve: individual, fleet, heavy equipment, financial institutions and others.

Quálitas México (Q MX)

	2017	2016	2015
Insured Units	3,739,614	3,415,084	2,754,763
Written premium (MM MXN)	32,141	28,737	19,170
Market share (%)	31.3	31.5	25.3
Employees	4,799	4,287	3,817
Service offices	173	171	171
ODQs	219	197	163

In Quálitas México we offer insurance for:



Automobile / Pickups



Chauffeur App



Motorcycles



Tourists / Cross-border



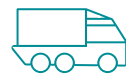
Emergency Services



Public service transportation



Classic



Heavy equipment



Passenger transportation



NEW PRODUCTS

In response to the amendments to the Mobility Law of Mexico City, which establishes the obligation of having a Third Party Liability insurance covering the damages that may be caused to third parties (either to them directly or their property), in 2017 we launched a new Third Party Liability Coverage Product for Mexico City, which we believe contributes to the progress of the prevention culture.



QUÁLITAS INSURANCE COMPANY (QIC)

In the US market we distinguish ourselves for offering products adapted to the needs of commercial vehicles which constantly cross the Mexican-US border, and recently also for individual vehicles registered in the United States. For example, Cross-border is a product offering coverage in Mexico and the United States.

The creation of new products and the internal changes within the company to offer more agile services will continue to be our consolidation strategy in this market.

Quálitas Insurance Company (QIC)

	2017	2016	2015
Insured Units	15,816	16,161	5,224
Written premium (MM MXN)	940	835	283
Employees	51	41	22
Service offices	2	2	2

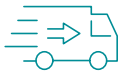
In USA, Quálitas offers insurance for:



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



Cargo trucks driven on domestic routes in the United States with plates from Texas, Arizona, and California.



Third Party Liability for Automobiles and SUVs for personal use registered in Mexico which are driven within the United States.



Program for personal vehicles with license plates from California.



QUÁLITAS COSTA RICA (Q CR)

In 6 years in this country, we have managed to capture more than 8% of the market, performing our activities in a highly competitive environment and with macroeconomic challenges such as currency depreciation.

In 2017, the directorships of Quálitas Costa Rica and Quálitas El Salvador were divided to contribute to a better operation in each country.

Quálitas Costa Rica (Q CR)

	2017	2016	2015
Insured Units	49,441	43,365	27,314
Written premium (MM MXN)	465	407	209
Market share (%)	8.3	7.2	4.7
Employees	58	48	33
Service offices	4	4	4

Quálitas Costa Rica offers insurance for:



Cars



Public service transportation



Trucks



Motorcycles



Heavy equipment



QUÁLITAS EL SALVADOR (Q ES)

We have 4 service offices and one ODQ in Quálitas El Salvador, which are located in Santa Ana, Santa Elena, San Miguel, Soyapango, and San Francisco Gotera.

Although in 2017 the directorship of Quálitas El Salvador was separated from the directorship of Costa Rica, in this first stage it will continue to count on the Management’s support in order to strengthen its operations and continue its growth.

Quálitas El Salvador (Q ES)

	2017	2016	2015
Insured Units	13,671	12,438	15,718
Written premium (MM MXN)	132	117	124
Market share (%)	7.9	7.9	10.3
Employees	51	35	33
Service offices	4	4	4
ODQs	1	1	1

In El Salvador, Quálitas offers insurance for:



Automobiles and Pickups for personal use



Public service transportation



Cargo Pickups



Motorcycles



Heavy equipment



Daily Rents



01

Strategy:

moving in the right direction.



Strategy:

moving in the right direction.



Business strategy

We are the result of a business model which exceeds expectations from its policyholders, strengthening long-term relationships that create value for the company, its investors, and stakeholders.

In Quálitas, we refer to “business fundamentals” to those principles that ensure the success of our model and our presence over time.

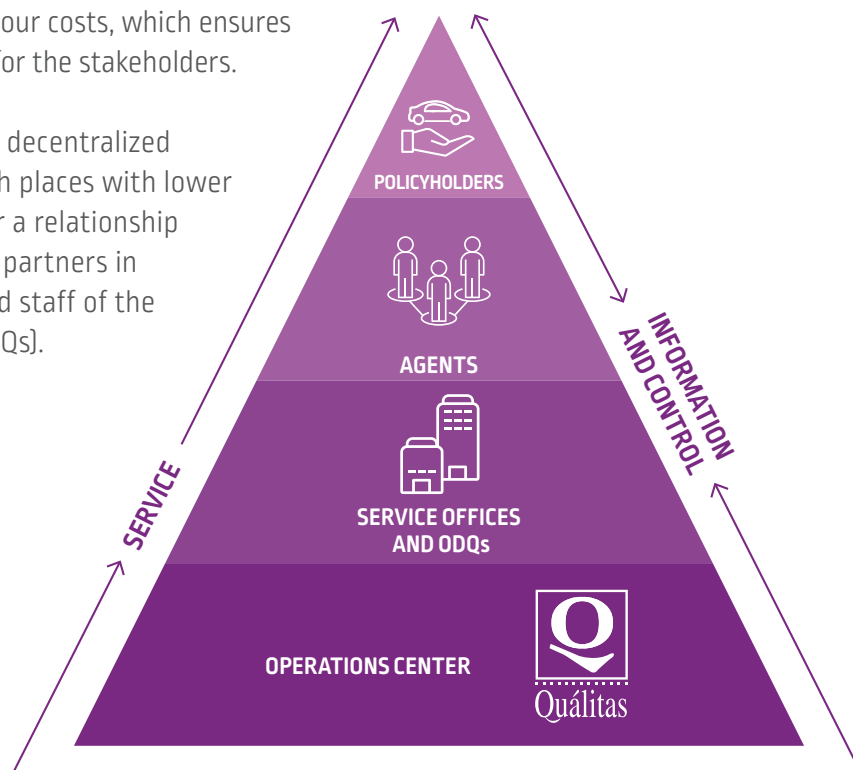
GRI 103-2, 103-3, FS13, FS14

BUSINESS MODEL

At Quálitas we tackle our satisfaction commitment with the policyholders through excellence in service. As a result, in 2017 the company remained the leader in the auto insurance sector in Mexico, having a 31.3% market share.

We have also established an indicator program allowing us to assertively monitor and control our costs, which ensures profitability and value generation for the stakeholders.

On the other hand, we maintain a decentralized operation which allows us to reach places with lower auto insurance penetration, under a relationship of mutual trust with our business partners in the service offices, the agents, and staff of the Quálitas Development Offices (ODQs).



GRI 417-1



We are a company that has a focused and continuous improvement of service guidelines. The recognition of the company is shared by satisfied customers through word of mouth.

Our objective is to attend the needs of the customer, adapting our products to their needs, to the requirements of their companies (with respect to fleets) and to the applicable regulation in each place where we operate.

The creation of new products, the investment in technology development to improve our services and the attention model provided through various points of contact with the policyholders, are part of the excellence strategy.

It is noteworthy that the metrics defined to measure the success of this strategy and the implemented initiatives are monitored on a monthly basis by the CEO and the Strategic Planning Director.



It is worth remembering that the business model also impacts on the creation of employment sources and our service offices and ODQs promote the willingness of Mexicans to generate value in their localities. At the end of 2017 we had 173 service offices in Mexico and 219 ODQs.

Our business model promotes the insurance culture, offering our service across the country and offering products based upon customers' needs.

In 2018 we will continue working for the common good of the company and its stakeholders, contributing to the economic and social development through financial education, promotion of insurance culture and road safety education.¹



¹ For more information, please see the chapter 03 "Challenges: turning hardships into opportunities".

SUSTAINABILITY APPROACH

GRI 102-14

In 2014, we established a program to formally incorporate Social Responsibility and environment protection into the Quálitas culture. We were pleasantly surprised to find out that it was already a successful practice in several departments of the company.

Experience has shown us that Social Responsibility requires constant updates and optimization, i.e., it must be incorporated in the constant improvement process of the company.

We have taken fundamental steps in the program such as, establishing commitments with all stakeholders that are a part of the company, policyholders and clients, employees, agents, investors, suppliers, community, authorities, and competitors. We are currently in the stage of observing that these commitments are entirely fulfilled.

With this objective we have begun the process of establishing information systems, which allows us to know the degree of satisfaction our stakeholders have with respect to the company.

In this last stage, we have seen with great satisfaction that the objectives of Social Responsibility and environment protection are useful in our search of the company's operational quality.

Another achievement in 2017 was the entry of Quálitas into the list of companies integrating the **Dow Jones Sustainability MILA Pacific Alliance Index**, forming part of the sustainability indexes of Dow Jones.

To access the MILA sustainability index, we have voluntarily participated in an evaluation process of our sustainability practices conducted by RobecoSAM, whose methodology compares us with the best in the sector.

We are proud to be one of the twelve Mexican companies integrating this relevant sustainability ranking of the region². Undoubtedly, this demonstrates to us that we are *in the right direction* to achieve our purpose of creating value.

² The Pacific Alliance is integrated by the stock markets of Mexico, Peru, Chile, and Colombia.

On the other hand, we seek to implement the 4 Principles for Sustainable Insurance because even though we are not official signatories, we integrate environmental, social, and governance aspects into our management, trying to raise awareness about these issues to all our stakeholders.

As part of our responsibility to our stakeholders, in September 2017 we helped affected communities after the earthquakes in Mexico. In a spirit of solidarity together with our agents, business partners, employees, and board members, we collected monetary and in-kind donations in order to help the victims. The company doubled what was collected in those campaigns.

In general terms, we started 2017 facing a complex socioeconomic context that left serious social and economic uncertainties for 2018; however, we are confident that the professional and ethical capacity of those integrating our company will allow us to solve such challenges and have a successful year, keeping our prestige as a reliable and innovative company.

We invite you to continue reading this second Consolidated Annual Report, which has been prepared based on the methodology of the GRI (Global Reporting Initiative) Standards. This is a communication practice that we adopt and consolidate in each financial year to present relevant, accurate, comparable, and reliable information about our financial and non-financial results.



Juan Orozco y Gómez Portugal
Chairman of the Social Responsibility Committee



CORPORATE SOCIAL RESPONSIBILITY MODEL

In addition to our business model, at Quálitas we have a **Corporate Social Responsibility Model** which comes from the desire to contribute to the economic and social development of our environment, assuming, in the same way, the challenge that represents the preservation of the environment for our wellbeing and that of future generations.

Our **Corporate Social Responsibility Model** is made up of 3 action pillars, for which a series of performance indicators have been established. This allows us to monitor the impact of each implemented initiative.

We have a **Social Responsibility Committee integrated by board members and directors of the company**, which validate the fulfillment of our objectives in order to maintain our presence over time and generate value for our stakeholders.



RELATIONSHIP AND INVOLVEMENT WITH STAKEHOLDERS

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

At Quálitas we maintain a constant involvement with our internal and external stakeholders.

This commitment with people is managed through our **Social Responsibility Committee** which serves as intermediary between the stakeholders and our highest governance body.

It should be noted that we define our stakeholders based upon the impact the company has on them and vice versa. Through the communication channels available to them, we increase our capacity to listen to their feedback and consider their perspectives on our strategic decisions.

Commitments, communication channels and other topics discussed with our stakeholders in 2017

Shareholders	Policyholders and clients
<p>Commitments</p> <ul style="list-style-type: none"> Reliable and timely information on the development of our company. Efficient, consistent, ethical, and transparent management. Clear and honest corporate governance practices. Achieve the shareholders' full trust in the management of the company, through a professional operation with long-term vision. 	<p>Commitments</p> <ul style="list-style-type: none"> Personal 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. Open communication to ease the service to our policyholders. Achieve their total satisfaction.
<p>Communication Channels</p> <ul style="list-style-type: none"> Mexican Stock Exchange Report and Consolidated Annual Report. Quarterly reports (earnings, industry and corporate presentations). Investors Relations department (face to face meetings, calls or e-mail). Relevant Events. Semiannual performance survey. Quálitas Investor Relations web page. Quarterly earnings conference calls. Shareholders' meetings. Social media and press. 	<p>Communication Channels</p> <ul style="list-style-type: none"> Comprehensive Service Survey. Customer Relationship Management (CRM). Service offices. Quálitas Development Offices (ODQs as per its acronym in Spanish). Website. "Q móvil" app. Quálitas Contact Center (Operators and radio operators in call center). Claim officers and lawyers. Claims executives. E-mail. Q Agencies portal. Commercial department. Assistance to meetings and conventions.

<p>Relevant Topics</p> <ul style="list-style-type: none"> · Financial and non-financial results. · Communication and transparency. · Fulfillment of regulatory requirements regarding information. · Company promotion. · Share buyback program operation. 	<p>Relevant Topics</p> <ul style="list-style-type: none"> · Information availability regarding products and services. · Products and services quality. · Personalized assistance. · Relationship and interaction with service suppliers (repair shops, tow trucks, doctors and lawyers). · Complaint and suggestions follow-up. · Data protection.
<p>Agents</p> <p>Commitments</p> <ul style="list-style-type: none"> · Efficient, equal and cordial commercial relationships. · Support their professional activity events. · Prompt and transparent commission and bonus payments. · Agile and rapid response communication in professional relationships. · Support in technical training. <p>Communication Channels</p> <ul style="list-style-type: none"> · Service offices. · Q Agents Portal. · Agents' service survey. · Exclusive chat and contact center (01-800 number) for agents' assistance. · Quálitas Contact Center. · Annual breakfasts and other reunions. · Qualicom dashboard. · NotiQuálitas. · Qualicuates – quarterly publication for agents' children. · Personalized assistance. · E-mail. 	<p>Authorities and Competition</p> <p>Commitments</p> <ul style="list-style-type: none"> · Strict compliance with laws and regulations. · Proactive collaboration practices with authorities, businesses and professional associations. · Relationships with competitors based upon ethics, transparency and respect. <p>Communication Channels</p> <ul style="list-style-type: none"> · Industry and business associations committees. · Compliance and institutional relations teams.
<p>Relevant Topics</p> <ul style="list-style-type: none"> · Ease and automation of the administrative processes and customer management. · Claims assistance and relationship with service suppliers. · Policyholder's experience and satisfaction. · Continuous training. 	<p>Relevant Topics</p> <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 road safety.

Community	Employees
<p>Commitments</p> <ul style="list-style-type: none"> • 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. 	<p>Commitments</p> <ul style="list-style-type: none"> • Competitive and fair wages in accordance with the characteristics and responsibilities assumed in their positions and their performance. • 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 a state of wellbeing through sports activities and activities related to health, including employees' 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 communication channel between personnel and senior management.
<p>Communication Channels</p> <ul style="list-style-type: none"> • Corporate volunteering initiatives. • Meetings with community's non-profit organizations (donation recipients). 	<p>Communication Channels</p> <ul style="list-style-type: none"> • Annual work environment survey. • "Qualinet" Quálitas internal page. • "<i>Q Transparencia</i>" transparency mailbox of internal page. • Training sessions. • Feedback on the performance assessment process. • Team meetings. • Qualicom dashboard. • Valores Bulletin (quarterly). • NotiQuálitas (Quálitas' news). • "<i>Ajusta tus emociones</i>" (01-800 number within the Quálitas Wellbeing Program). • Internal communication e-mail. • Internal communication campaigns.
<p>Relevant Topics</p> <ul style="list-style-type: none"> • Social investment initiatives. • Financial education and promotion of insurance and driving culture. • Support upon emergency events caused by natural disasters. 	<p>Relevant Topics</p> <ul style="list-style-type: none"> • Training possibilities and career development perspectives. • Service commitment and excellence to the policyholder. • Ethics and corporate culture. • Employee satisfaction. • Social involvement. • Wellbeing. • Support upon emergency events caused by natural disasters.

Suppliers

Commitments

- 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.

Communication Channels

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

Relevant Topics

- Operational efficiency.
- Contractual relationship requirements.
- Quality criteria.
- Economic results.
- Training.
- Effective communication.
- Recognition.
- Feedback through presentation of service indicators.

VALUE ACTIONS WITH OUR STAKEHOLDERS

GRI 102-13, FS16

As part of the activities that help us connect with our stakeholders, we promote initiatives for the benefit of a more informed and prepared society, immersed in a financial and insurance culture, positively impacting their life quality.

Among the diffusion actions carried out from May to December 2017, we conducted a **communication campaign** among the ODQs, that was focused on the promotion of an **Insurance Culture**. The topics of such campaign were:

- What is auto insurance?
- What are the coverages?
- What is a deductible?
- What are the premiums?

We also continued with the initiative **Qualitas Road Safety Campaign**, a campaign that promotes good driving practices to ensure the integrity of the drivers, cyclists, pedestrians, or any other person using public roads³.

³ For more information please refer to the chapter 03 "Challenges: turning hardships into opportunities" and visit www.conductavialqualitas.net

On the other hand, we made available **mobile apps and service portals** through which we innovate in terms of digitalization and get closer to new generations.

Throughout the year, we worked internally with each department to define and understand what we call “critical moments” or “moments of truth” with the stakeholders. The purpose of this exercise is to improve the quality of the interaction from an operational approach.

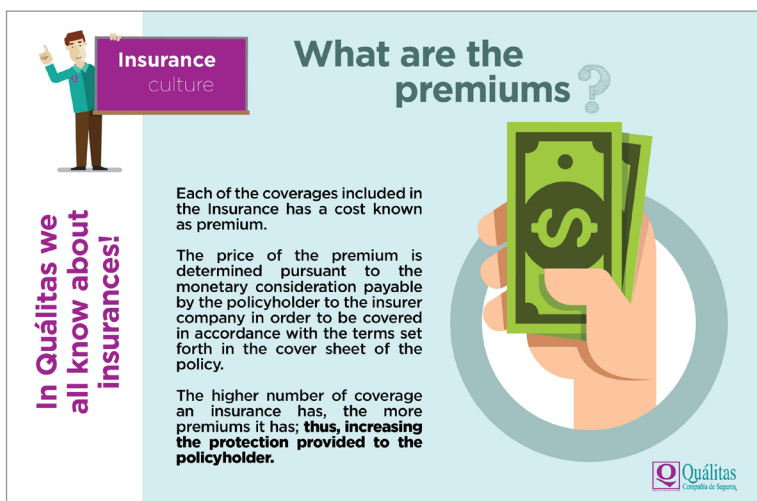
With regards to the institutional relationships, in 2017 Quálitas maintained a tight relationship with **Mexican Association of Insurance Institutions** (*Asociación Mexicana de Instituciones de Seguros A.C.*, AMIS, as per its acronym in Spanish) **and the Coordinating Office of Insured Risks** (*Oficina Coordinadora de Riesgos Asegurados S.C.*, OCRA, as per its acronym in Spanish) in order to work on the intellectual and cultural growth of the sector.

It should be noted that the relationship with our stakeholders is not only carried out through planned procedures and formal communication channels, but their immediate needs are constantly monitored to be able to respond, to the extent of our possibilities, to the situations that arise.

In September 2017, Mexican society experienced a couple of earthquakes of significant magnitude. Faced with this situation, Quálitas carried out a series of actions to support the people affected by the earthquakes, including our employees.

As a response to this situation, Quálitas implemented an internal campaign to help the affected communities, where the company matched the contributions from its employees, agents, office directors, and board members. This amount was thereafter sent to a nonprofit organization which, in turn, also matched the amount.

The contribution raised with this campaign was 4.5 million pesos which were used for housing reconstruction projects in affected communities.



Insurance culture


What are the premiums?


In Quálitas we all know about insurances!

Each of the coverages included in the Insurance has a cost known as premium.

The price of the premium is determined pursuant to the monetary consideration payable by the policyholder to the insurer company in order to be covered in accordance with the terms set forth in the cover sheet of the policy.

The higher number of coverage an insurance has, the more premiums it has; **thus, increasing the protection provided to the policyholder.**





Quálitás supports the development of the most vulnerable communities in terms of education, health, environment, through assistance to efficient nonprofit organizations which have demonstrated their concern for the wellbeing of others.

The process for granting donations requires complying with certain requirements and presenting documentation that is analyzed by personnel specialized in the topic and to be presented to the Social Responsibility Committee.

Within the year, we supported nonprofit organizations having an impact in Mexico City, the State of Mexico, Jalisco, Veracruz, Oaxaca, Chihuahua, Puebla, Baja California, Guanajuato, Yucatán and Guerrero.

BENEFITED ORGANIZATIONS IN 2017

- Cadena de Ayuda contra la Fibromialgia, A.C.
- Casa Hogar Kamami, A.C.
- Casa Santa Clara, A.C.
- Comedor Santa María, A.C.
- Comunidad de Desarrollo Integral Copilco, A.C.
- Fondo para la Paz, I.A.P.
- Fundación Casa Alianza México, I.A.P.
- Fundación Hermanitas de los Ancianos Desamparados, I.A.P.
- Fundación Leon XIII, I.A.P.
- Fundación Owen, I.A.P.
- Fundación Robid, A.C.
- Fundación San Ignacio de Loyola, A.C.
- Hogar Gonzalo Cosío Ducoing, I.A.P.
- Infogen, A.C.
- Internado Infantil Guadalupano, A.C.
- Metamorfosis Global, A.C.
- Nocaltzin, A.C.
- Proeducación, I.A.P.
- Renovación, Unión de Fuerzas, Unión de Esfuerzos, A.C.
- Unidos... Pro Trasplante de Médula Ósea Francisco Casares Cortina, A.C.



BENEFICIARIES OF THE DONATIONS MADE DURING 2017

Beneficiaries		
Total	Women	Men
11,947	9,393	2,554

Age range of beneficiaries



52% women from 18 to 60 years
20% women from 0 to 17 years
12% men from 18 to 60 years
7% men from 0 to 17 years
7% women older than 60 years
2% men older than 60 years

ETHICS AND TRANSPARENT ACTIONS

GRI 102-16, 102-17, 102-25

In 2017 the new **Code of Ethics and Conduct of Quálitas** was approved, which led to the implementation of a communication campaign for its reading, comprehension, and signature evidencing its knowledge.

For this, the **Quálitas DNA** campaign was designed with the purpose of having the company's values embraced by all members of this organization and making them their own.

This campaign, which began in August 2017 and will conclude in June 2018, has been spread to all the offices of Quálitas in Mexico, El Salvador and Costa Rica, and it targets the employees and service offices' employees. We have relied on printed and electronic media for its diffusion.

At the end of 2017, we launched the new complaint channel to report anomalies or illegal acts observed in the company. The channel is called **Q Transparencia**. One of the features of this new mechanism relies on the fact that its operation is managed by an external service provider with experience in the matter.

Through a communication campaign, we emphasized that the confidentiality of the tool is guaranteed due to it being operated by a third party; as well as

the possibility of maintaining the anonymity during the complaint process, if so desired by the user.

Through this complaint channel, the user may directly review the status of its case on the website and will receive advice from a professional on corporate complaints.

The topics which may be reported through *Q Transparencia* are fraud, adulteration or robbery of information, harassment, discrimination or mistreatment, improper use of goods, services or information and acts of corruption or non-transparent agreements with suppliers/customers.

We trust that outsourcing the follow-up process of the complaints helps us prevent fraud, information leaks, improve internal processes, and strengthen the organizational environment, among other benefits.



Q-TRANSPARENCIA
WHISTLEBLOWER CHANNEL

Q-TRANSPARENCIA is the Whistleblower Channel through which you can report anomalies or illegal acts observed in the company.

What changes does it have?

THIRD-PARTY PROVIDER

Now, the complaints will be made directly at the website of Resguarda, a third-party expert in management of corporate complaints.

100% CONFIDENTIAL

By doing it through a third-party, your complaint will be seen directly by the provider, guaranteeing total confidentiality.

ANONYMOUS

If so desired, the complaint may be anonymous, granting you freedom and trust to submit your complaint.

MONITORING

Once the complaint has been submitted, the complaint will be monitored and you will be able to consult its status online.

ADVISORY AND ASSISTANCE

You will receive advice from professionals in the corporate complaint field when submitting your complaint and during the monitoring stage of the report.

Keep posted for the following communications, since we will inform you know the process for using the New Complaint Channel.



CARE OF THE ENVIRONMENT

GRI 103-2, 103-3, 302-1

At Quálitas we are aware of what the risks of climate change and pollution of our environment represent; therefore, it is necessary to adopt good efficiency practices in the consumption of energy, water and waste management.

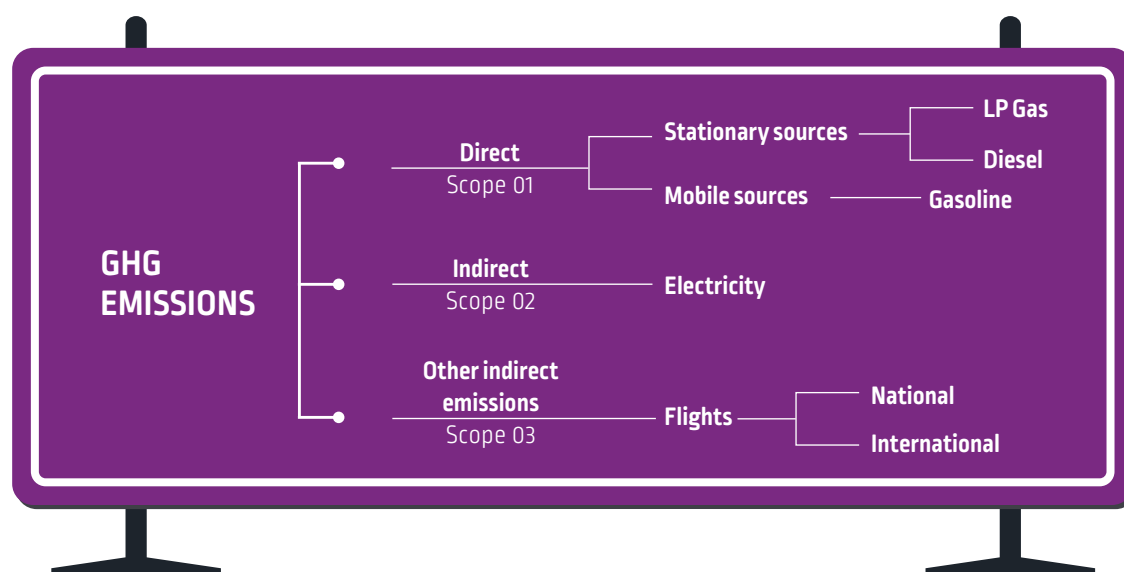
Environmental initiatives implemented in 2017

Commitment	2017 Actions
Reduce electricity consumption in our offices	With respect to energy, we continued to carry out our solar panel installation project and gradually substitute luminaires with LED.
Encourage the responsible use of water	We have residual water treatment plants, one located at the Maguey office and another one at San Jerónimo. The total residual water treated was 4,475 m ³ .
Prioritize the acquisition of recycled or reprocessed goods or environmental friendly supplies	We use biodegradable material and print our policies on FSC (Forest Stewardship Council) certified paper from sustainable forests.
Dispose, recycle or reprocess material that is not useful	In June 2017, we received the participation certificate in the HP Planet Partners Program, an initiative for recycling ink cartridges, contributing in this manner to the correct disposal of special handling waste. We also collect sanitary pads through a supplier specialized in these kind of wastes. The company also collects paper, aluminum and PET.
Contribute to the protection of ecosystems	In 2017, our employees and their families participated in reforestation activities in Mexico City, Guadalajara, and Monterrey. In addition, our agents participated in 4 sessions in León, Guadalajara, Oaxaca, and Puebla, two more than the last year.

As part of our environmental commitment, we made a Greenhouse Gas Emission Inventory (GHG) for the first time to establish our baseline.

We considered the information of our operations in Mexico, Costa Rica, El Salvador and the United States. For the Greenhouse Gas Emission Inventory we followed the NMX-SSA-14064-1-IMNC-2007 guideline that is equivalent to the ISO-14064-1: 2006 and the National Emissions Registry (Registro Nacional de Emisiones, RENE as per its acronym in Spanish).

Operational limits of Quálitas' Greenhouse Gas Emission (GHG):



Considering Qualitas' operating control and the emissions for each one of the aforementioned scopes, GHG total emissions represent 18,863.28 t CO₂e in 2017, out of which 18,825.82 t CO₂e correspond to operations in Mexico.

General chart of GHG Emissions

Subsidiary	Type of emissions	t CO ₂ e
Mexico	Scope 1	14,302.15
	Scope 2	3,831.48
	Scope 3	692.19
USA, Costa Rica and El Salvador	Scope 2	3745
Total		18,863.28

Electric consumption

Country	kWh	Joules
Mexico	6,583,297	23,699,870,000,000
USA	56,249	202,496,400,000
Costa Rica	103,012	370,843,200,000
El Salvador	140,981	507,531,600,000



These results will help us establish strategies to reduce the impact that the company has on the environment, such as the gradual incorporation of hybrid cars into the fleet of claims officers.

	Participants (employees and their families)	Trees planted
Reforestations made by employees and their families		
Mexico City	1,200	10,000
Guadalajara	100	1,000
Monterrey	85	150
Reforestations made by agents and their families		
Guadalajara, Puebla, Oaxaca and León	550	2,940
Total	1,935	14,090

Recycled material in Quálitas (Ajusco, San Ángel, San Jerónimo)

Type of material	2017 (Kg)	2016 (Kg)	2015 (Kg)
Cardboard	722	1,315	5,411
Paper	475	844	1,591
Newspaper	217	127	118
PET	187	206	243
Magazine and color paper	185	313	56
Others	157	11	73
Iron	80	468	20
Aluminum (Cans)	41	21	31
Total	2,064	3,305	7,543

RISK MANAGEMENT

GRI 102-11, 102-15, 102-29, 102-30, 103-2, 103-3, 206-1, 307-1

Identifying, preventing, and mitigating risks are key factors for a sustainable company. At Quálitas, the Comprehensive Risk Management department is responsible for managing operational risks. The Board of Directors is responsible for designing the conformation of such department based on the provisions of our Corporate Governance System Policies Handbook.

Said handbook establishes that the Comprehensive Risk Management department must report its performance to the Top Management, corporate governance committees and the Board of Directors. The reports are presented periodically through the quarterly risk report, and annually with the Risk and Institutional Solvency Self-Assessment (ARSI as per its acronym in Spanish).

The company's risks are identified through the risks matrix, which are classified as technical, financial, operational, and other counterparty risks, with the first two being the most relevant.

The Investment Committee reviews the financial risk on a monthly basis, since it is one of the most relevant for the company.

It is essential to ensure that the operations of Quálitas comply with the limits, objectives, policies, and procedures for the comprehensive management of risks approved by the Board of Directors.

It should be noted that, as a minimum standard, Quálitas manages the risks established for the Solvency Capital Requirement; having as risk prevention mechanisms, monthly monitoring meetings, implementation of methodologies, calculations and monitoring reports described within the Comprehensive Risk Management Guidelines and metric calculations as risk prevention mechanisms, pursuant to the frequency of each risk, among others.

Classification for risk management

Classification/Type of risk	Risks
Financial Risks	<ul style="list-style-type: none"> · Market Risk · Liquidity Risk · Credit Risk · Concentration Risk
Technical Risks	<ul style="list-style-type: none"> · Technical Risk
Operational Risks	<ul style="list-style-type: none"> · Operational Risk · Technological Risk · Legal Risk · Reputational Risk · Strategic Risk
Other counterparty risks	<ul style="list-style-type: none"> · Credit Risk



02

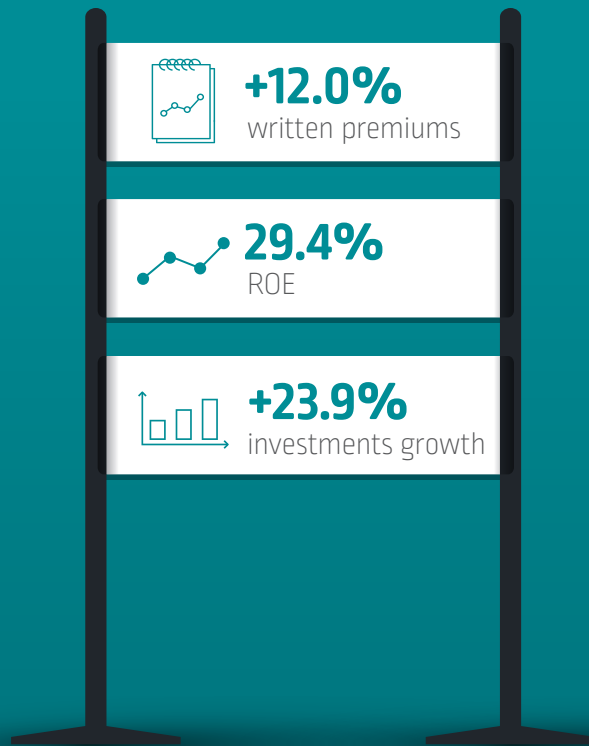
Profitability:

creating value and sustainable development.



Profitability:

creating value and sustainable development.



GRI 102-7, FS6

At Quálitas we are convinced that our focus on service excellence and the sustainability premise as a strategy of permanence over time have been reasons to tell a story of successful economic performance.

FINANCIAL HIGHLIGHTS

GRI 103-2, 103-3

In the second year of operations under the Solvency II regulation, the company reported growth with profitability coupled with a good market positioning and a stronger financial results.

Below are our key financial results:

Income Statement (million of Mexican pesos)	2017	2016	Δ %/bp	2015
			2017-2016	
Written Premium[1]	33,820	30,190	12.0%	19,856
Earned Premium	28,668	23,825	20.3%	17,065
Acquisition Cost	7,851	7,257	8.2%	4,518
Claims Cost	19,184	14,710	30.4%	11,747
Technical Result	1,633	1,858	(12.1%)	800
Operation Expenses	855	751	13.9%	803
Operating Result	778	1,107	(29.7%)	[3]
Comprehensive Financial Result	1,829	826	121.4%	833
Taxes	544	633	(14.0%)	266
Net Result	2,064	1,301	58.7%	564
Balance Sheet (million of Mexican pesos)				
Investments	26,735	21,575	23.9%	15,598*
Financial Assets, float	25,956	20,875	24.3%	15,002
Total Assets	51,059	41,233	23.8%	29,051
Technical Reserves	32,843	26,922	22.0%	18,691
Total Liabilities	43,108	35,156	22.6%	24,078
Stockholders' Equity	7,951	6,077	30.8%	4,972
Costs Ratios				
Acquisition Ratio	23.4%	24.1%	[76]	22.8%
Claims Ratio	66.9%	61.7%	517	68.8%
Operating Ratio	2.5%	2.5%	4	4.0%
Combined Ratio	92.8%	88.3%	446	95.6%
Profitability Indicators				
Return on Investment	6.5%	3.2%	323	5.5%
ROE 12m	29.4%	23.5%	588	12.1%

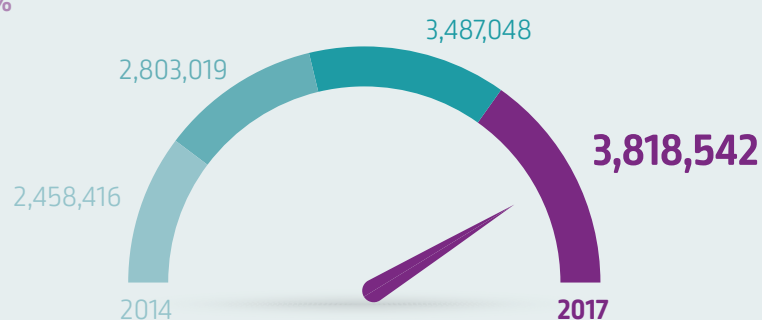
[1] The total written premium of Quálitas Controladora includes those of its automotive insurance subsidiaries and the sales of the other non-insurance subsidiaries related with the insurance processes or claim assistance.

* This amount differs from the amount reported in the 2016 Annual Report given a reclassification made with respect to the concept of credits deriving from the adoption of Solvency II.

In 2017 the insured units increased by 9.5% reaching a total of 3.8 million vehicles.

Insured Units

CAGR: 15.8%*



* Compound Annual Growth Rate

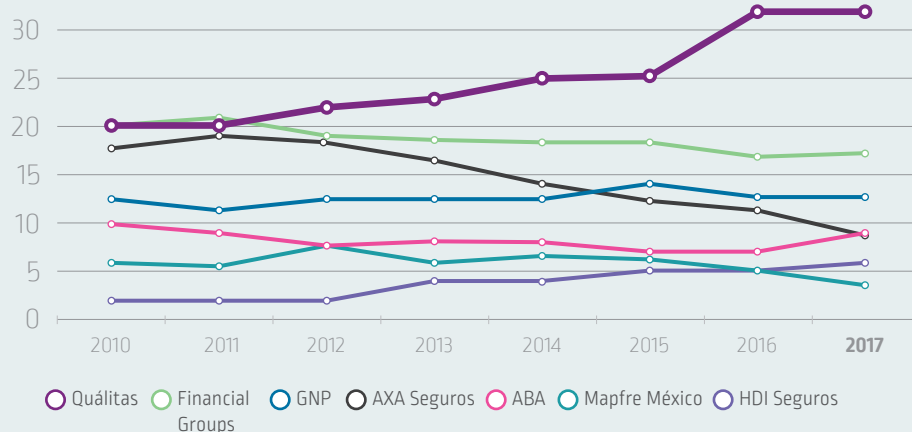
In 2017, the insurer in Mexico grew by 11.8%. It continues to represent 95% of the total written premiums. With respect to the foreign subsidiaries and considering a growth in dollars, Quálitas Insurance Company (QIC) grew by 11.7%, Costa Rica grew by 13.4% and El Salvador grew by 12.2%.

Premiums amounted to \$33,820 million pesos, representing a 12.0% increase. Quálitas remained as the leader of the Mexican market with a 31.3% market share.

Market share (%) Based on written premiums

Insurer	2010	2011	2012	2013	2014	2015	2016	2017
Quálitas	19.6	20.1	21.5	22.5	24.9	25.3	31.5	31.3
G.N.P.	12.4	11.1	12.3	12.4	12.5	14.3	12.7	12.4
ABA/ACE	9.5	8.6	7.5	7.8	7.7	7.0	6.8	9.1
AXA Seguros	17.4	18.6	18.1	16.5	14.0	12.1	10.9	8.4
HDI	1.7	1.8	1.9	3.7	4.0	5.0	4.9	5.8
Mapfre México	5.4	5.5	7.4	5.9	6.5	6.3	4.8	3.6
Others	13.9	13.5	12.4	12.8	12.2	11.8	11.6	12.4
Financial Groups	20.1	20.8	18.9	18.4	18.3	18.2	16.8	17.0
Total Market	100	100	100	100	100	100	100	100

Market Share [%]



31.3%
MARKET
SHARE IN
MEXICO

Source: Mexican Association of Insurance Companies (Asociación Mexicana de Instituciones de Seguros, AMIS as per its acronym in Spanish)

GROWTH AND PROFITABILITY

Written Premiums by Segments

	Written premiums (million of Mexican pesos)			
	2017	2016	$\Delta\$/$ 17-16	$\Delta\%$ 17-16
Individual	7,516	6,156	1,360	22%
Fleets	9,303	6,754	2,549	38%
Automotive financing institutions	14,656	15,272	(615)	(4%)
Subsidiaries	1,537	1,358	179	13%
Others	807	649	158	24%
TOTAL	33,820	30,190	3,630	12%

Note: The figures of 2016 may vary from the figures previously reported due to accounts reclassifications.

The total **written premium increased by 12%** regardless of the sales decrease of new cars in Mexico and of the adjustments in premiums, increasing in most cases, as part of the profitability strategy. However, in the breakdown by segment, the individual and fleets segments, which are mainly distributed through agents and are annual policies, reported a higher growth than the total. On the opposite side, the automotive financing institutions, which mainly issue multiannual policies and obtain higher commissions, reported a decrease.



Costs and Operating Result

As a result of the combination of sales by segment, the cost of acquisition or commissions paid to our intermediaries had a lower increase than written premium and grew less than revenues did; thus, recording a positive margin.

The most relevant cost for the company had a higher increase than earned premium. The claims cost was affected by the high level of inflation in Mexico (6.77%), by the significant increase in vehicle robberies (26.8%), volatility in the exchange rate impacting the price of vehicle spare parts, as well as meteorological and catastrophic events which caused heavy rains, hail, floods, etc. and which increased the number of reported claims.

Several **cost control** measures helped cushion the effect of the aforementioned events. Such measures include:

- Use of satellite tracking devices to control vehicle robbery and technological devices to avoid collisions
- Implementation of the “Ajuste Exprés” (Express Adjustment, a remote claims assistance without the need of a claims officer attending to the site of the accident which applies exclusively for cases that meet specific conditions)

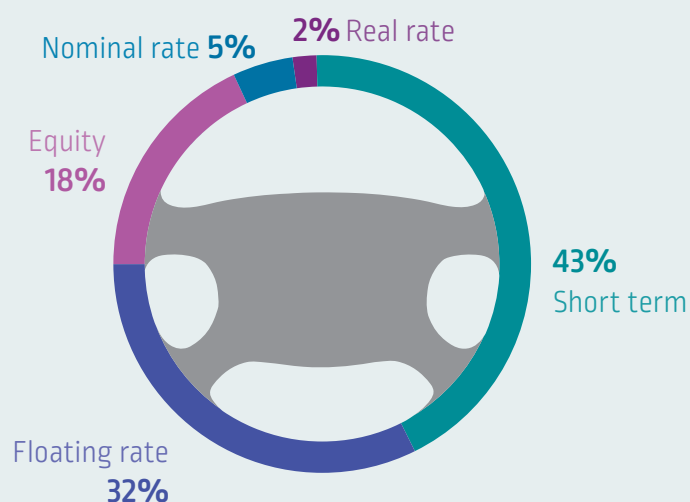
- Physical inspection requirement for insuring certain vehicles
- Negotiation of fixed-cost medical care packages with medical providers
- Repair shop certification program to guarantee service quality and competitive costs
- Chatbots or robots answering written conversations with policyholders in call center.

Our cost control and profitability strategy resulted in an operating income of \$778 million pesos, an operating ROE of 8.8%.

Financial Result

The financial assets and the yield that can be obtained from these are an essential part of the net result of property and casualty insurance companies. For Quálitas, it is extremely important to maintain a stability strategy in the portfolio of debt instruments and fundamental and long-term equity investments.

Distribution of the investment portfolio

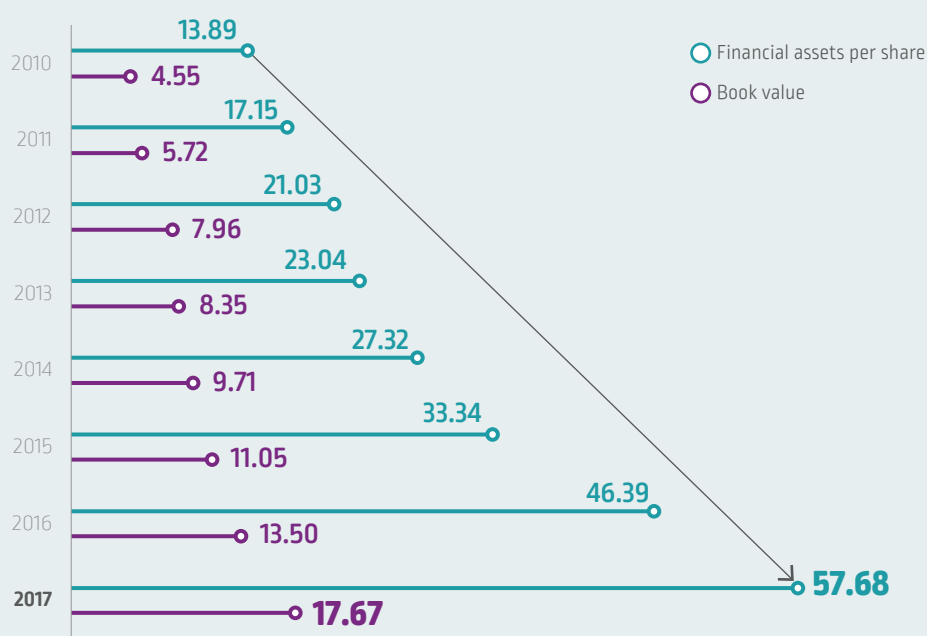


82% of the portfolio is invested in debt instruments and 18% in equity instruments, percentage lower than the 35% of the internal limit.

Throughout the year, we followed a **flexibility strategy** in which an important liquidity position was maintained in the debt portfolio to obtain benefits from movements in interest rates, mainly in Mexico.

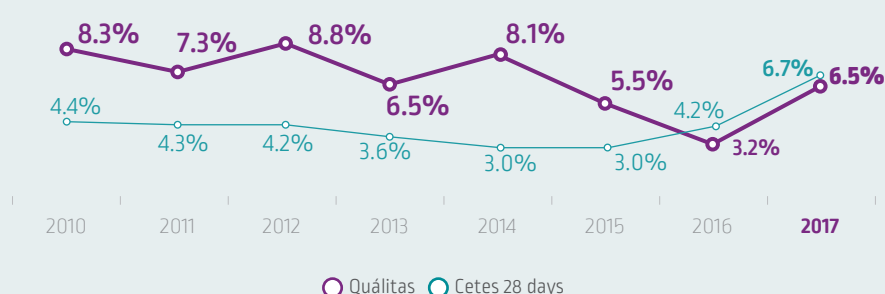
The equity position includes investments in companies listed on the Mexican Stock Exchange (BMV), the International Quotation System of such Stock Exchange, Real Estate Investment Trusts (REITs) and Development Capital Certificates (private equity).

FINANCIAL ASSETS AND BOOK VALUE PER SHARE



The growth in financial assets of \$5,081 million pesos or \$11.29 pesos per share in the year, the increase in the interest rate in Mexico of 150 basis points to close at 7.25% at year end, besides the stability strategy of the portfolio and the growth in premium surcharges, led to an increase of 121.4% in the comprehensive financing results, a financial ROE of 20.6%.

The financial surcharge is an income derived from the interest charged to the policyholders who choose to pay their policy in installments.



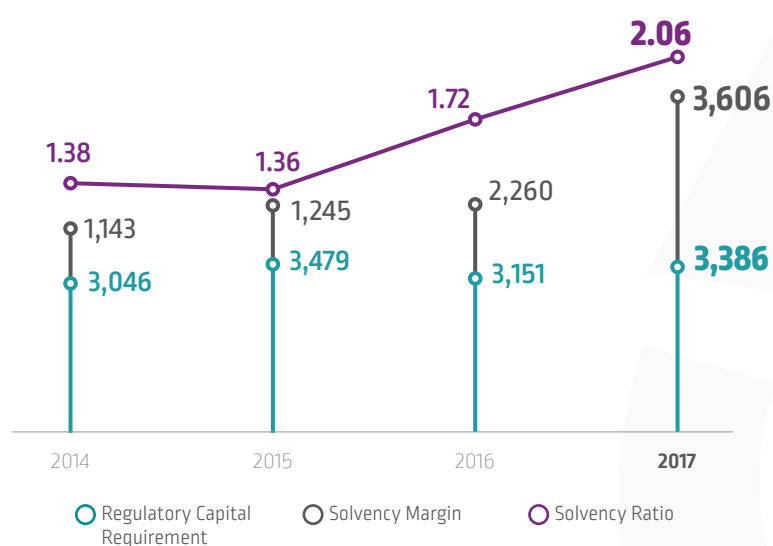
The annual return on investments was **6.5%**

Net Result

Both, the operating and financial profitability, boosted the net result to record an increase of 58.7%, leading the company to obtain a ROE of 29.4%, which means that the capital would be duplicated every 2.5 years.

Solvency Margin

Quálitas recorded a solvency margin of \$3,606 million pesos and a solvency ratio of 2.06.



OUR STOCK (BMV:Q*)

Quálitas Controladora is listed in the Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV, as per its acronym in Spanish) with a **float of 40.34%** of shares.

The market capitalization was \$16,425 million pesos, an increase of 24.4% over 2016.

In 2017, **the stock price increased 24.4%** to close at \$36.50. Such increase reflected the strong results of the company derived from a good management, a strict costs control, and a correct management of investment portfolio.

The company was also able to advance **5 positions with respect to its marketability index** achieving to be placed in the 54th position in 2017 while in 2016 it was in position 59th.

Quálitas continues to be very active in the **share buyback program operation** with the purpose of providing liquidity to the stock and establishing a benchmark price in the market. In the year, 21.7 million shares were traded to end up with an outstanding of 8.6 million shares and cash of \$37.2 million pesos. The total amount allocated for the repurchase fund is \$300 million pesos.



DISTRIBUTION OF ECONOMIC VALUE

GRI 201-1, 204-1

Value creation and its distribution are essential for the long-term development of both the company and its stakeholders in the markets in which the company operates.

Quálitas, through insurance sales and the management of the investment portfolio, obtains resources from which it **generates value**. Also, through its service and the provided assistance of claims, it further generates

economic value reaching to suppliers, employees, shareholders, the community and the government.

Finally, in order to continue operating and growing the company retains a portion of the economic value; thus, guaranteeing its permanence over time.

Generated Economic Value (million Mexican pesos)

Concept	2017	2016	Δ% 17-16
Total Revenue (GEV)	30,497	24,651	23.7%
Revenue by insurance operations	28,668	23,825	20.3%
Financing revenues (Investment portfolio and others)	1,829	826	121.4%

Distributed Economic Value (million Mexican pesos)

Concept	Stakeholder	2017	2016	Δ% 17-16
Expenses (DEV)		28,703	23,575	21.8%
Acquisition	Agents, automotive financial institutions, suppliers, employees	7,851	7,257	8.2%
Claims	Suppliers, employees	19,184	14,710	30.4%
Operation	Service offices, suppliers, employees	627	532	17.9%
Profit sharing	Employees	219	214	2.3%
Dividends	Shareholders	270	225	20.0%
Donations	Community	10	5	79.0%
Taxes	Government and authorities	544	633	(14.0%)
Retained (GEV-DEV)		1,794	1,076	66.8%

GEV: Generated Economic Value / DEV: Distributed Economic Value

We will continue generating value to all our stakeholders, being leaders in the automotive insurance market in Mexico, and strengthening our position in El Salvador, Costa Rica and United States.

03

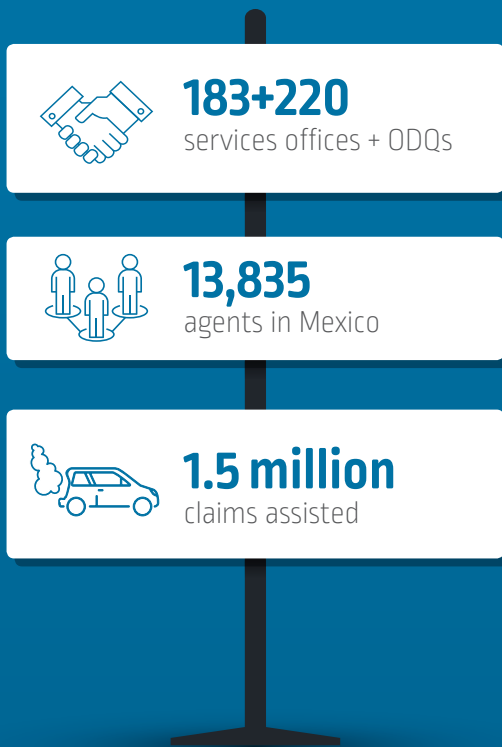
Challenges:

turning hardships into opportunities.



Challenges:

turning hardships into opportunities.



At Quálitas, we seek to promote a safety road culture among our policyholders and the general population to reduce the high number of vehicular accidents.

We create awareness through initiatives which guide and provide information on the importance of having better driving habits.

At the end of 2017 we had a total of 3,818,542 insured units in the four countries where we operate. This represented a 10% increase, vis-à-vis 2016.

GRI 102-9, 102-43, 103-2, 103-3, 416-1, FS15

This increase is the result of our focus on service excellence and the actions we undertake with our stakeholders. Each of them has a key and fundamental participation within our offer of products and services, as well as during the attention provided for the claims.

POLICYHOLDERS

Our policyholders motivate us to improve and create solutions to ensure their patrimony. To guarantee the success of our products and services, we consider it is essential that the policyholder has the precise information allowing him/her to know the product that better adapts to his/her needs.

In connection therewith, we have guidelines to ensure that the policyholder has the precise and sufficient information on the products acquired by him/her. As part of these attention guidelines, we deliver a kit containing: the policy specifying the hired coverages and limits, the General Conditions with the most relevant clauses included in the Insurance and Bond Laws and a Glossary of Terms.

Furthermore, we deliver a **Claims Attention Guide** which provides guidance on what to do in the event of a claim, a quick guide for the indemnification process and a brochure including the rights as policyholder, contractor or beneficiary of insurance.

To complement our service offer and to benefit our policyholders after a claim happens; in 2017 we launched two products:



¹ For more information over such matter, please refer to "Organizational Identity".



Substitute Car and Substitute Truck; these coverages contribute so that our clients do not have to stop doing their activities while their automobile is under repair as, in case of suffering an accident, whether involving a partial or total loss, we provide them support for renting a vehicle.

The acquisitions of these products, as well as the rest of our portfolio products, can be made through our marketing channels. These are available through our network of service offices', agents and ODQs (Quáalitas Development Offices), located in areas with low insurance penetration.

It is also possible to hire our products and services through automotive financing institutions and through the Quáalitas website. At all times during our relationship with our policyholders, our employees must comply with the **Marketing Policy and the Code of Ethics and Conduct**, which regulate our overall performance.

With the purpose of bringing us closer to less attended communities, where it is necessary to consolidate an insurance culture, in Quáalitas we offer competitive, fair, and equitable rates according to each zip code area.

In addition to providing personalized attention through our offices, we provide our customers with more advanced communication channels, such as the “Q Móvil” App, which after three years of being launched, constitutes a comprehensive service platform.

Given that the claims officer intervenes in a key moment in the relationship with our policyholder, in 2017 we updated our **Claims Officer General Policies Handbook**. The handbook contains the guidelines, policies and procedures to be followed by the claims officers to carry out the evaluation for establishing the causes of the accident and other circumstances that may influence the determination of the liability derived from an insurance contract pursuant to the Insurance and Bond Institutions Law.

Our handbook defines the profile of skills and capabilities that Quálitas’ claims officers must have, which are reinforced through our **Claims Officers Seedbed** (talent incubator), and its objective is to develop the skills for assisting an accident according to the demarcation guide and applicable regulations, in compliance with the service philosophy and the **Code of Ethics and Conduct**. The Claims School of the Quálitas University also contributes to improving the profile of the claims officer.

Given that we are committed to the continuous improvement of our services, we conduct a monthly **Comprehensive Service Survey** to our policyholders and third parties who reported a claim or carried out a procedure with us. This survey evaluates each of the services we provide: call center, claim officers, medical service, towing service, service in the repair shops or agency, compensation payment, and legal advice.

For Quálitas, it is crucial to ensure that each of our internal processes are carried out correctly, to track the experience faced by each of our policyholders and, especially, to identify the opportunity areas in certain processes that can lead us to improve the experience of our clients.

Through these actions we are more efficient, and we consolidate our purpose of service excellence with our policyholders.

26,610
SURVEYS
RECEIVED IN
2017 FROM
POLICYHOLDERS
AND THIRD
PARTIES



AGENTS

GRI 103-2, 103-3

Our agents, in addition to having the commitment to market and sell our products, they are also responsible for maintaining a solid relationship based upon the trust they convey to our policyholders through their advice and treatment.

In this way, at Quálitas we seek the improvement and optimization of our processes, maintaining a close alliance with them to offer the best service since they are a fundamental part of our business model, ensuring our success and permanence in the market.

That is the reason why in 2017, we offered the **Agents' Financial Health** course through the Quálitas University platform in order to provide tools that contribute to a better management of their resources.

We raised awareness on our new Code of Ethics and Conduct to our agents and, in this way, we conveyed our ethics and integrity philosophy to prevent corruption and conflicts of interest by promoting the transparency of our processes.

To continue with the optimal performance and training of our agents, we have the agent school within the Quálitas University. We had a participation of over 2,000 agents during 2017. In addition, within the Agent Training program, we launched 69 courses for 972 agents, which is the equivalent to 38,330 training hours.

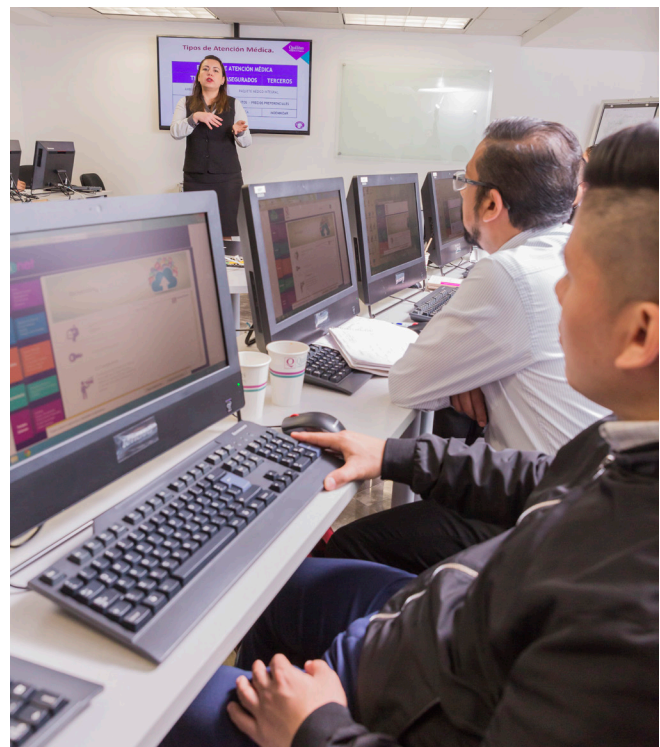
For the first time, we conducted the Agent Service Survey, so we could know the perception and opinion on the processes of our company: issuance, policy management, training, advice, commission collection, bonuses, attention, and support during an accident.

² For more information, please refer to the chapter: "04 Commitment: moving toward sustainability"

WE REACHED

25.3%

PARTICIPATION IN AGENTS' SERVICE SURVEY



Based upon the results of this survey, we were able to strengthen our relationship with our agents by attending their specific needs. The survey also allowed us to know the performance of the departments providing support and attention to this group.

SUPPLIERS

GRI 102-10, 103-2, 103-3

Our suppliers are a fundamental part of the long term relationship we seek to establish with our policyholders; therefore, they have at their disposal the necessary knowledge and tools to guarantee service excellence.

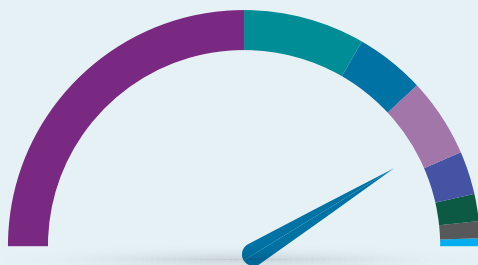
We establish relationships with suppliers who comply with our policies and guidelines, guaranteeing the value chain and complying with the requirements of our stakeholders under a continuous improvement approach.

To prevent negative impacts on labor and environmental matters, we monitor that our contracts include clear responsibilities for our suppliers, allowing us to have access to documents guaranteeing that they are acting in accordance with applicable regulations.

In 2017, we allocated \$10,392 million pesos in payments to service suppliers; 99.9% being local supplier companies, contributing to the national economy.



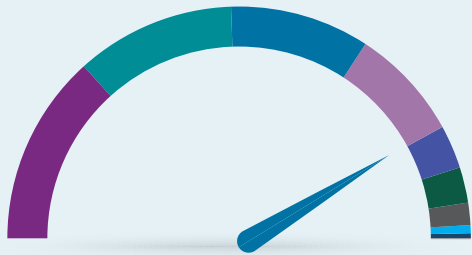
Suppliers breakdown by expenses



50% agencies
17% repair shops
10% tow trucks
10% spare parts vendors

6% medical services
4% glass companies
2% construction companies
2% others

Breakdown by type of supplier



27% agencies
23% medical services
20% repair shops
15% tow trucks
6% spare parts vendors

5% fees
3% construction companies
1% legal
0.38% glass companies
0.06% environmental protection

As part of the supplier training initiatives, in 2017 we launched the **Suppliers School**, with the purpose of raising awareness of the values and organizational philosophy of Quálitas and to reinforce the skills of our spare parts suppliers, repair shops and tow trucks.

The modules are oriented to inform, understand, and adopt the organizational philosophy of Quálitas, acquire knowledge about billing and operational processes, among others. This is an added value that allows us to have alliances and maintain a lasting relationship with our suppliers.

We have internal programs which benefit the relationship with our suppliers, for example our Automobile and Heavy Equipment Incubator program, which are provided every six months, with the objective of developing skills and competencies to effectively identify the damages presented in the structures of cars.

AUTOMOTIVE FINANCING INSTITUTIONS

One of our most important allies in the commercialization of our products and services are vehicle leasing companies, automotive finance companies and agencies.

To continue being selected by our clients, we have the **Q Agencies** portal at their disposal, as an efficient administrative management channel for collections and commission payment processes, among others.




It is worth noting that each institution has a wide range of financing plans, as well as policy options adjusted to the needs and requirements of the market.

We incorporate technologies improving the quality of our products and services in line with our constant practice of providing excellent service to strengthen a long term relationship with our clients.

INNOVATION

In order to increase the value of our products, we are constantly working on the development of devices and tools that accelerate the service and contribute to the safety of people.

We have 5 digital tools:

<p>Q Móvil App</p> 	<ul style="list-style-type: none"> · Claims report, road assistance request and emergency · Consultation and information about the policy and payment receipts · Directory of service offices · GPS tracking location of the claims officer · Location of stolen vehicles through Encontrack · Vehicle repair status
<p>Encontrack</p> 	<ul style="list-style-type: none"> · Vehicle recovery tool in case of robbery · The service has its own recovery team in strategic locations in the country · Recovery center exclusively for Quálitas · Deductible reduction in case of robbery · Unique synergy with Quálitas, a single communication and control contact
<p>Mobileye</p> 	<ul style="list-style-type: none"> · Accident prevention device · Informs the driver up to 2.7 seconds before a collision, which reduces the accident rate · Greater profitability when reducing accidents · Helps to achieve a more efficient fuel consumption · Predictive analysis

Q Agentes



- Quotation without the need of internet
- Easy tariff update
- Possibility of issuing policies online
- Reports consultation

Q 360° Portal



To accelerate the communication with our policyholders, we implemented chatbots, an artificial intelligence computer program that responds to customer concerns through text messages on our website.

To shorten response times, we designed the “Ajuste Expres” (Express Adjustment) modality. This modality provides remote accident assistance applicable to certain conditions.

EFFICIENCY IN SERVICE

In compliance with the requirements set forth by law, all our claims officers are certified by the National Insurance and Bonds Commission, which issues them a certificate to carry out their professional activities.

Compliance with the requirements of applicable regulations and the continuous improvement of Quálitas in its processes, positively impacts the quality of our services.

BENEFITS OF CERTIFIED REPAIR SHOPS







One of the initiatives we promoted was the creation of certified repair shops to provide certainty to our policyholders with respect to the quality of the repairs made on their vehicles. This year we selected several cities in Mexico to register certified and qualified repair shops with adequate facilities according to the service quality required by Quálitas.

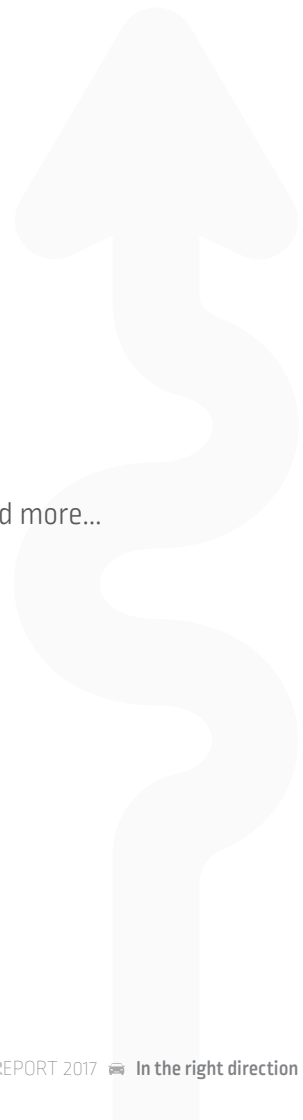
For the repair shops, this year we created the following positions:

Repair shops inspector: visits and verifies the operation of repair shops and agencies to identify matters not within the standards and to implement improvement action plans.

Supplier’s development: provides feedback to the repair shops informing improvements they could make with respect to the development of budgets, timely files, as well as guiding the supplier over billing issues.

Services of our Certified Repair Shops

-  Delivery date warranty
-  5 years warranty in: tinsmithery, paintings and more...
-  Auto cosmetic
-  Reception and delivery at your domiclie
-  Broad service hours
-  Free taxi service



ROAD SAFETY

Pursuant to data from the National Public Security System (SNSP) in Mexico more than 11,000 people die each year due to an automotive accident while thousands end up with some type of disability as a consequence of such accidents.

Deriving from this problem and as part of our initiatives, we launched the **Quálitás Road Safety Campaign**; which aims to guide those driving any vehicle, as well as to raise awareness of safety practices.

This campaign seeks to minimize the high accident rate and to generate an impact on drivers on the importance of being cautious when driving.

The information is spread through informative materials and is updated on a monthly basis, providing a different message, in addition to sending and subscribing to a newsletter with information, videos, and interesting facts on the subject³.

As part of this campaign, Quálitas, Universum and Cinema Park made an alliance to present “Tour Camino a la Seguridad” (Path to Safety Tour), the aforementioned aims to project a short film in cinemas to raise awareness among the Mexican population in order to reduce accidents.

³ For more information about Quálitas Road Safety, please refer to www.conductavialqualitas.net



Be
“**smarter**”
than your phone

To be attached to your phone can cost you your life. When walking on the street stay alert.

Pay attention and look after your life!

conductavialqualitas.com.mx

ROAD SAFETY
Quálitás
ZERO ACCIDENTS

When being behind the wheel your life and that of others are at stake.



Remain
crystal clear

Having a good vision is vital to be safe while driving. Be sure to check your windshield whippers.

conductavialqualitas.com.mx

ROAD SAFETY
Quálitás
ZERO ACCIDENTS

When being behind the wheel your life and that of others are at stake.



Pedestrians
are not equipped
with airbags

Respect the speed limit
in cities and highways.

conductavialqualitas.com.mx

ROAD SAFETY
Quálitás
ZERO ACCIDENTS

When being behind the wheel your life and that of others are at stake.

04

Commitment:

moving toward sustainability.



Commitment:

moving toward sustainability.



At Quálitas we believe that our philosophy towards excellence should be embraced by all the people that are part of the company, in order to positively impact their professional development and the quality of our services.

To ensure attracting the best talent onto our team, we implement attraction, development, and personnel retention programs such as the Talent Incubator and Quálitas University. In this way we contribute to generating attractive and stable jobs.

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

STAFF DESCRIPTION

Recognizing the contribution of employees, ensuring working conditions which promote professional development and contributing to the optimal performance of each employee, is a fundamental part of our management.

In 2017 our staff was integrated as follows:

Country	Total	Women	Men
Mexico	4,799	1,902	2,897
USA	51	23	28
Costa Rica	58	38	20
El Salvador	51	22	29

Except as otherwise indicated, all the information presented below is from Quálitas México, which is accountable for 96.6% of all the employees of the Group.

QUÁLITAS MÉXICO 2017

Workforce by age

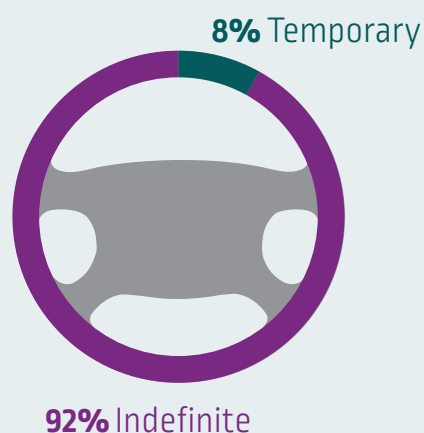


In 2017 we had **12% more personnel** than in 2016

Workforce by gender



Workforce by type of contract



Employees by age group and gender- Q MX

Age range	2017			2016			2015		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
< 30 years	750	716	1,466	632	598	1,230	449	419	868
30 - 50 years	1,088	1,999	3,087	990	1,885	2,875	937	1,803	2,740
> 50 years	64	182	246	44	138	182	47	148	195
Total by gender	1,902	2,897	4,799	1,666	2,621	4,287	1,433	2,370	3,803

Employees by professional category, age group, and the percentage they represent - Q MX 2017

Position	<30 years		30 - 50 years		>50 years		Total	
	Women	Men	Women	Men	Women	Men	% Women	% Men
Director	0	0	5	0	4	8	53	47
Assistant director	0	0	12	14	5	8	44	56
Manager	8	3	54	65	2	16	43	57
Coordinator	32	46	175	315	16	31	36	64
Analyst	481	606	730	1,551	29	109	35	65
Assistant	229	61	112	54	8	10	74	26
Total	750	716	1,088	1,999	64	182	40	60

The employees of Quálitas México work full-time. We do not have outsourced personnel in charge of direct business operations; however, we outsource auxiliary services such as cleaning, valet parking and security, totaling 270 outsourced people.

INTEGRATION OF THE BOARD OF DIRECTORS

The Board of Directors is composed of 13 Board members and two alternate members appointed by the General Shareholders' Meeting, as per the recommendation of the Corporate Practices Committee.¹

Percentage of the 13 Board members by age range and gender

¹ For more information, refer to Corporate Governance

RECRUITMENT AND TURNOVER

GRI 401-1

1,534 people joined our amazing team during 2017. At the end of December, 920 of them had signed an indefinite contract after successfully completing their three months trial period, while 250 remained in such trial period.

This year we increased by **25% our recruitment**

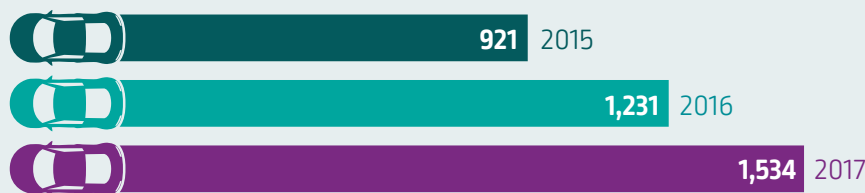
Recruitment and discharge 2017

Indicator	Total	< 30 years		30 - 50 years		> 50 years	
		Women	Men	Women	Men	Women	Men
Recruitment	1,534	446	396	291	390	4	7
Discharge	996	238	156	248	329	8	17

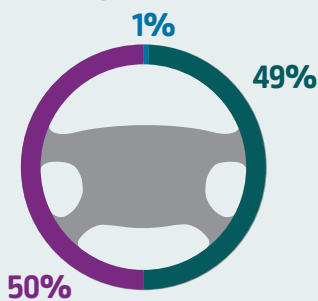
Recruitment and discharge 2016

Indicator	Total	< 30 years		30 - 50 years		> 50 years	
		Women	Men	Women	Men	Women	Men
Recruitment	1,231	346	298	232	343	3	9
Discharge	757	165	123	178	263	6	22

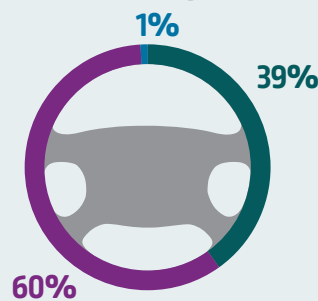
Employees recruited by year



2017 New hirings - men



2017 New hirings - women



< 30 years
30 - 50 years
> 50 years

As a result of the growth registered by the company in 2017, our workforce increased by 12%, vis-à-vis, 2016. On the other hand, the staff turnover rate, increased by three percentage points during 2017.

In Quálitas we recognize the importance of maintaining our employees, which is why we design strategies promoting the development and growth of our employees through training programs such as talent incubators, training, additional benefits from statutory benefits and various perks described throughout this chapter.

STAFF TURNOVER

	2017	2016	2015
Staff turnover rate ²	20.7%	17.7%	17.2%

In Quálitas, 59% of employees have a seniority above 2 years, highlighting the fact that 14% of our employees have more than 10 years working for the company.

The average absenteeism rate was 1.24%, which has maintained a low average rate due to the programs we offer to our employees for their physical, financial, social-occupational and mental-emotional wellbeing.

	2017	2016	2015
Absenteeism rate	1.24%	0.91%	0.69%

TRAINING

GRI 404-1

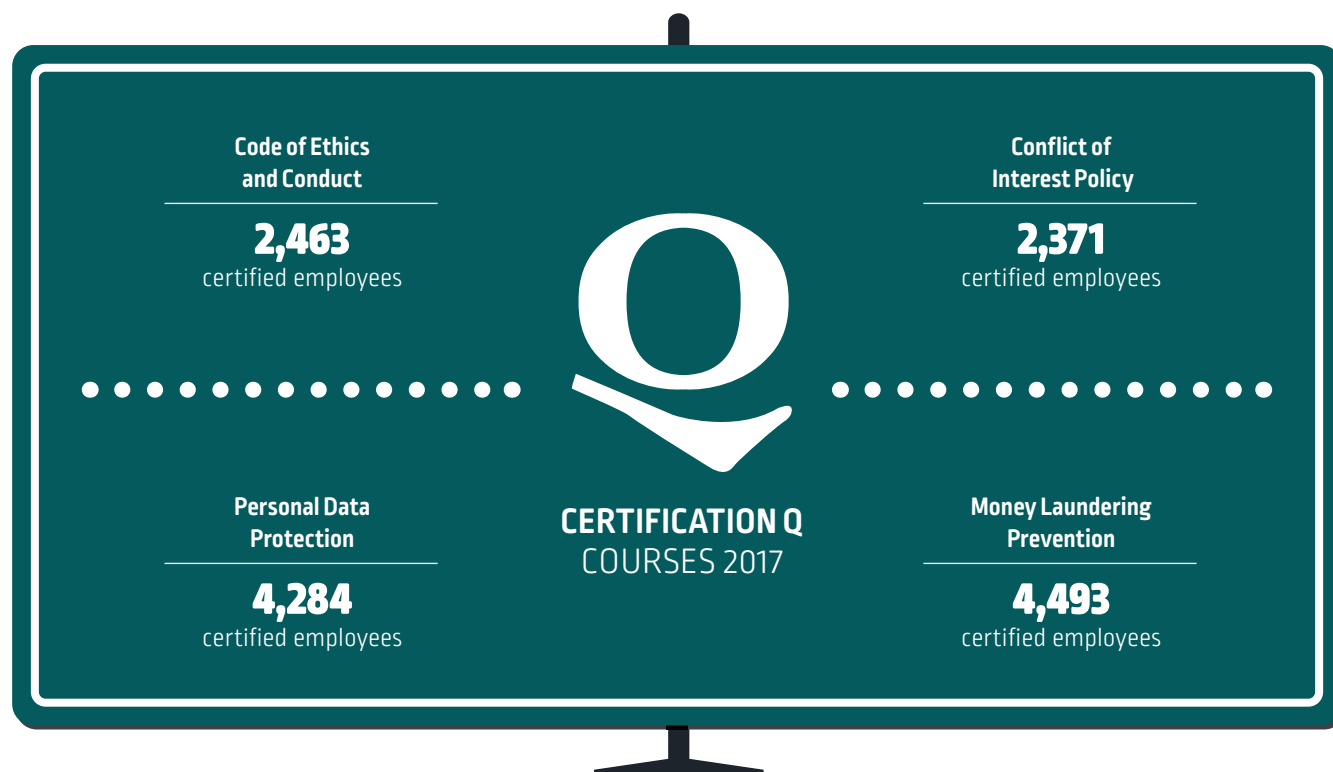
As part of our growth strategy, in 2017 we provided **296,326 hours of training** to our employees, agents, employees of service offices and suppliers. \$40.3 million pesos were invested in training, representing an amount 28% higher than the investment made in 2016.

For the employees of Quálitas México, we offered 230,290 hours of face-to-face

² The turnover ratio is calculated as follows: Discharge/(Initial employees + recruitment – discharge).

³ The absenteeism rate is calculated as follows: Number of days absent /Number of working days which should have been effective. All 4,799 employees were considered for purposes of such calculation.

and virtual training through Quálitas University, talent incubator, specific courses to develop competencies and civil protection brigades.



Total N° of training hours by labor category

Position	2017		2016	
	Face-to-face	Virtual	Face-to-face	Virtual
Directors	356	327	252	14
Assistant directors	2,193	661	651	33
Managers	4,782	2,782	566	112
Coordinators	5,257	7,314	270	323
Analysts	149,742	44,452	53,440	2,102
Assistants	3,763	8,144	107	353
TOTAL	166,093	63,680	55,286	2,937





Q CERTIFICATION

GRI 103-2, 103-3

As part of our commitment towards integrity and transparency, in 2017 we implemented the Q Certification initiative. This certification is a mechanism contributing to a comprehensive training on four topics:

- Code of Ethics and Conduct
- Money Laundering Prevention
- Personal Data Protection
- Conflict of Interest Policy

The four subjects that make up this certification program are mandatory for all our employees. The deadline for taking the Q Certification is the end of the first quarter 2018. The figure presented in this report corresponds to the compliance progress as of December 31, 2017.

This certification is extremely important for Quálitas which is evidenced by the fact that the Corporate Practices Committee monitors such certification.

In 2018 we will continue with our Q Certification program as established in our **Code of Ethics and Conduct**.

The employees of the service offices, who are not Quálitas employees, are encouraged and motivated to be voluntarily certified, resulting in 936 of them having taken the money laundering course.

QUÁLITAS UNIVERSITY

Quálitas University is the organizational development strategy which allows us to professionalize the competences of those integrating our value chain, according to the objectives and needs of the business. This excellent initiative is available to the employees of the company, the collaborators of our business partners, agents, and, as of 2017, for our suppliers.

After two years of having launched **Quálitas University**, the results have been highly satisfactory showing exponential benefits. As of December 31, we have 82 available courses while having the participation of 6,835 students.

Among the employees, the person who had a working relationship with Quálitas during 2017 and who attended and/or accredited at least one course was considered a Quálitas University participant.

1,741 new participants
in Quálitas University in 2017⁴

Number of participants of Quálitas University

Audience	Participants	No. of Hours
Employees		
Mexico	5,125	68,975
Costa Rica	56	308
El Salvador	40	115
Agents	702	15,420
Employees of service offices	901	11,302
Suppliers	11	11
Total	6,835	96,131

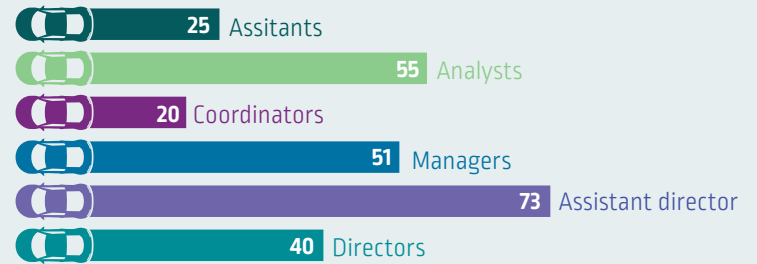
We are happy to share that in 2017 we launched the **Suppliers School** with the purpose of sharing the organizational values and philosophy of Quálitas, and strengthening working skills of the spare parts suppliers, repair shops and tow trucks.

⁴ Includes employees, agents, service offices employees and suppliers.

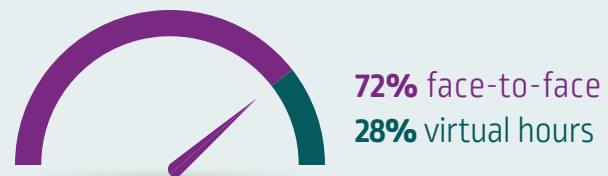
Quálitas University



Average training hours by position





Percentage by type of training





TALENT INCUBATOR

The talent incubator is the instrument guaranteeing that our staff has specific skills according to their organizational functions. Adapting to the business needs, in addition to the claim officer and cabin incubators, in 2017 we offered four new incubators for lawyers, claims coordinators, valuator, and heavy equipment.

During the year we had 311 participants in our talent incubators.



Lawyers Incubator
Develop skills for claims assistance pursuant to the new criminal accusatory system and Quálitas service philosophy.
Approximate length: 141 hours



Claims Officers Incubator
Develop skills for claims assistance pursuant to the demarcation guide and the applicable regulations, always complying with the service philosophy and the Code of Ethics and Conduct.
Approximate length: 472 hours




Call Center Incubator
Develop necessary capabilities to provide excellent telephone assistance to our policyholders.
Approximate length: 170 hours

Claims Coordinator Incubator
Develop competencies for assisting and monitoring claims.
Approximate length: 100 hours

Valuator Incubator
Develop skills for the correct and timely appraisal of damages.
Approximate length: 269 hours




Heavy Equipment Incubator
Develop competencies for the correct and timely appraisal of heavy equipment damages, in compliance with service and cost standards.
Approximate length: 220 hours

COURSES FOR THE DEVELOPMENT OF SPECIFIC COMPETENCIES

GRI 404-2

In furtherance to the aforementioned programs, during the year we offered 155 specific courses to develop competences and skills considering different thematic lines covering the requirements of different competences, specialization levels and positions to tackle the needs of the business.

Among these courses we highlight the Telephone etiquette, Service workshop, Receptionist workshop and Communication workshop. In 2018 we will continue working on strengthening our training programs pursuant to our organizational culture.

TRAINING FOR THE CIVIL PROTECTION BRIGADES

It is extremely important to protect the physical integrity of our employees and those visiting our facilities.

We have 150 volunteers that conform 10 Civil Protection Brigades.

In 2017, training of the Protection Brigades was reinforced through specialized courses and workshops taught by an expert. In total 1,572 hours of face-to-face training was provided about the following topics: first aid, protection and combat against fires and evacuation and communication in the Mexico City, Guadalajara, and Monterrey offices.

We recognize the work carried out by the volunteers with their effort, support, and guidance in emergency situations. Knowing that we have a prepared team gives us security and comfort.

1,572 training hours were taught to the Civil Protection Brigades



CAREER DEVELOPMENT

GRI 102-36, 102-37, 404-3

The performance of the directors and sub-directors is supervised by the CEO considering the result and fulfillment of their strategic projects linked to their compensation.

With respect to the performance evaluation, in 2017 the leaders of each department were invited to evaluate the performance of their team's assessing skills, commitment, efficiency and attitude.

In Quálitas, the employee promotions are defined by fulfilling certain criteria related with level of education, experience, performance, skills, knowledge, attitude, and, in some cases, certifications.

We promote the development of our employees recognizing their talent, commitment, and results. During the year, 333 people had a promotion, 55% of those were women and 45% men. Furthermore, 317 of our employees had the opportunity to acquire new knowledge and face new challenges by making a lateral move; 41% of those employees were women while 59% were men.

In Quálitas compensation is established based upon three criteria:

- 1) The mean of the insurance sector
- 2) The analysis of profiles within the company, ensuring equality among similar positions
- 3) The adjustments associated with the result of the performance assessment

WORK ENVIRONMENT SURVEY

We want to offer a favorable work environment for our employees that motivates them to generate a sense of belonging to the company. This is the reason why we conduct a yearly Work Environment Survey, with the purpose of knowing the labor environment in Quálitas.

To improve the results obtained in this survey, in 2017 an external provider was selected to carry out this study. The results are confidential.



We recognize talent,
commitment and results

During the year, 4,242 employees were invited to answer the survey. We obtained 77% participation. This survey is fundamental since, based upon the results, we take actions to improve our work environment.



EMPLOYEES' WELFARE AND BENEFITS

GRI 401-2

With the firm purpose of contributing to a better quality of life, our employees with indefinite contracts are granted additional benefits than those required by law; we grant them life insurance, purchase option of automobile policies with preferential discounts, among others.

Furthermore, our employees, regardless of their type of contract, have maternity or paternity leave as set forth by law.

The goal of our welfare program is to promote healthy lifestyles among our employees through the Welfare Program, which consist of four areas: physical, financial, social-labor, and emotional health.

4,236
first-care and
 preventive
 care medical
 consultations

To promote **physical wellbeing**, we grant major medical insurance for all our employees.

During 2017 we continued implementing preventive activities such as health days in our Mexico City offices, first care consultations and preventive care through our medical service for employees, 50% subsidy in certain gyms and physical activation classes (yoga and functional training) in our offices in Valle, Ajusco, San Ángel, and San Jerónimo.

We aim to contribute to the **financial wellbeing** of our employees by fostering a savings and financial education culture. We have a savings account (caja de ahorro) which provides ordinary and housing loans at preferential rates to its members. Furthermore, we provide assistance for funeral expenses and purchase of school supplies.

We have an alliance with a financial institution with more than 35 years of experience in investments, to offer Quálitas employees an option to invest through a digital platform. We implemented the "How to invest your money?" campaign in 3 offices in the metropolitan area and had the participation of 43 employees.

We have lactation rooms offering a comfortable and private space for those employees needing such facilities.

We carry out reforestation activities in different areas of the country with employees and their families volunteering to contribute to the environment. We have 1,200 participants in Mexico City, 100 in Guadalajara and 85 in Monterrey.

We also carry out reforestation activities with agents and their families. 550 people participated in the reforestation activities in León, Guadalajara, Oaxaca, and Puebla.

At the end of 2017, **the savings account had 3,994 members,** which represents **83% of our total workforce**



We have a summer program allowing our employees' children to attend our offices, perform various learning tasks and carry out activities helping the community.

We know that **emotional wellbeing** is very important which is why we have the program **"Ajusta tus emociones"** (Adjust your emotions), in which, through a third-party, our employees can receive emotional, financial, and legal advice via telephone and in a totally confidential way. If the situation requires it, they can request face-to-face sessions with a specialist.



MEDICAL INSURANCE FOR:

100%
EMPLOYEES

Corporate Governance

GRI 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-26, 102-27, 102-28, 102-29, 102-30, 102-31, 102-33, 102-35, 102-36, 102-37, 405-1

At Quálitas we have a Corporate Governance system guaranteeing the company's permanence over time, through strategic, ethical, and transparent management.

STRUCTURE OF THE GOVERNANCE BODY

Pursuant to the Insurance and Bond Institutions Law, the Board of Directors is responsible for the implementation and monitoring of our Corporate Governance. **The Board of Directors** is integrated by 13 Board members, of which 10 are independent having an average of 6 years of seniority in our Board. Furthermore, we have 2 alternate Board members (related members).


































The Board of Directors is chaired by Mr. Joaquín Brockman Lozano, as voted by the Board, who is also one of the founding shareholders having vast knowledge of the company and the industry.



The Board protects the shareholders' interests, prevents conflict of interest and promotes the social responsible operation of the business.

BOARD OF DIRECTORS

COMMITTEES

	QUÁLITAS CONTROLADORA	AUDIT	CORPORATE PRACTICES	SOCIAL RESPONSIBILITY	INVESTMENT, FINANCE AND PLANNING	OPERATIONS	REINSURANCE
Joaquín Brockman Lozano ¹							
Wilfrido Javier Castillo Sánchez Mejorada							
María del Pilar Moreno Alanís							
Juan Enrique Murguía Pozzi							
Fernando Jacinto Velarde Muro							
Juan Felipe Sottill Achutegui							
Juan Marco Gutiérrez Wanless							
Harald Feldhaus Herrmann							
Juan Orozco y Gómez Portugal							
Raúl Alejandro Jiménez-Bonnet García							
Mauricio Domenge Gaudry							
Christian Alejandro Pedemonte del Castillo							
Madeleine Marthe Claude Brémond Santacruz							
Noah Daniel Couttolenc Brockmann							
Wilfrido Javier Castillo Miranda Olea							

 Related Member Independent Member Alternate Member Chairman Vice Chairman¹Founding Partner and Executive President.

BOARD OF DIRECTORS

Joaquín Brockman Lozano

Joaquín Brockman Lozano is the founding partner of Quálitas and Chairman of the Board of Quálitas Controladora since 2008. He was the Chief Executive Officer of Quálitas Compañía de Seguros from 1994 through March 2016, he currently serves as Executive President, equivalent to CEO, of Quálitas Controladora. He has an extensive experience in the insurance industry in Mexico.

In the early 70's he worked at Seguros America and from 1974 to 1991 he worked at Brockmann and Schuh, the largest insurance broker in Mexico at the time. From 1989 to 1991 he acted as National President of AMASFAC. He is currently member of the Board of Directors of Grupo Financiero Aserta, Servicios Financieros Comunitarios (Fincomún) and Grupo Beta San Miguel.

Joaquín Brockman holds a degree in Business Administration from Universidad Anáhuac, a Diploma in Senior Executive Management from IPADE and a Diploma in Risk and Insurance from the College of Insurance in New York City.

Wilfrido Javier Castillo Sánchez Mejorada

Wilfrido Javier Castillo Sánchez Mejorada is one of the founding partners of Quálitas and member of the Board since 2008. He is Vice-chairman of the Board since 2016. He acted as CFO from 1996 to July 2014, and he is currently the Head of Investments and Investor Relations.

Prior co-founding Quálitas, he held various management positions in Mexico's financial sector, including several brokerage firms. He is an active member of the College of Public Accountants of Mexico, in which he served as President from 1982 to 1984.

He is member of the Board of Directors of Corporación Inmobiliaria Vesta, Grupo Financiero Aserta and Maxcom Telecomunicaciones. Wilfrido Castillo holds a degree in Accounting from the Universidad Nacional Autónoma de México.

Juan Enrique Murguía Pozzi

Juan Enrique Murguía Pozzi is member of the Board since 2008. He has extensive experience in finance, particularly in insurance and bonding.

He has held various positions in the Mexican financial sector including Afianzadora Insurgentes, Grupo Financiero Serfin, Seguros Serfin and Afianzadora Serfin, Afore Garante, and in Murguía Consultores, Agente de Seguros y de Fianzas.

Currently, he serves as Chairman of the Board of Sociedad Financiera Popular Fincomún, Servicios Financieros Comunitarios and Grupo Financiero Aserta. He is currently President of the Advisory Council of Nacional Financiera in Mexico City.

Juan Murgía holds a lawyer degree from the Escuela Libre de Derecho and has a Diploma in Senior Executive Management from IPADE.

Harald Feldhaus Herrmann

Harald Feldhaus Herrmann is member of the Board since 2008. He has extensive experience in the Insurance Industry. He was Chairman of the Board of Brockmann and Schuh, Servicios Actuariales and from Reinmex. He was Chairman of Marsh&McLennan Companies Latin America. He is currently a Consultant and he is also member of the Board at Hoteles Cityexpress, SAFE-Data Resources and Fondo para la Paz (NGO).

Harald Feldhaus holds a degree in Actuarial Science from the Universidad Nacional Autónoma de México and a Diploma in Top Management from the IPADE Business School.

Juan Orozco y Gómez Portugal

Juan Orozco y Gómez Portugal is member of the Board since 2008. He has extensive experience in the industrial and insurance sectors. He was CEO of Spicer, Seguros La Comercial, DESC Sociedad de Fomento Industrial, currently KUO, Seguros América, and Seguros Interamericana.

He was Deputy Managing Director of Banco Nacional de México, being responsible for the Industries and Insurance area. Currently, he serves as Chairman of Grupo Esal. He is also the Chairman of Spee Dee and member of the Board of Grupo Financiero Aserta, Fincomún and he also serves as Chairman and member of various philanthropic institutions.

Juan Orozco holds a degree in Public Accounting from the Universidad Nacional Autónoma de México and a Diploma in Senior Management from the IPADE Business School AD-2 and with a Diploma in Liberal and Social Economic Model from Universidad Menéndez y Pelayo de Santander, Spain.

Raúl Alejandro Jiménez-Bonnet García

Raúl Alejandro Jiménez-Bonnet García is member of the Board since 2008. He has extensive experience in the financial sector, serving in several institutions such as Bank of America and ING Groep. He has been board member of several companies in the industrial and services sectors. Since 1998 he has been Managing Partner of Dymax, a company specialized in financial consulting in M&A.

Raúl Jiménez-Bonnet holds a degree in Industrial Design from the Universidad Iberoamericana and a Master's degree in Business Administration from Boston College.

Mauricio Domenge Gaudry

Mauricio Domenge Gaudry is member of the Board since 2008. His experience is related with debt and investments of complex financial schemes for large infrastructure projects. In 1979 he joined NM Rothschild & Sons Limited (England) a company where he worked for 25 years developing financial models, services agreements, tariff schemes, concessions and foreign investments in countries such as United Kingdom, Spain, Colombia, Chile, and Mexico.

He is currently a consultant of project finance, mainly related with energy, and he participates in several boards of financial companies. He also serves as member of the credit and investment committees of such companies.

He has been a board member in brokerage firms, mortgage, financial, and banking companies both, in Mexico and abroad.

Currently, he is Board member of Anteris Capital Venture Lending, S. de R.L. de C.V. and of Altum CP, S.A.P.I. de C.V. SOFOM, E.N.R.

Juan Marco Gutiérrez Wanless

Juan Marco Gutiérrez Wanless is a member of the Board since 2012. He was CEO of Grupo KUO and Pegaso. He was also Deputy Director of Promecap and Telefónica Móviles. He is founding member of Anteris Capital and since 2015 he has been acting as a member of the Board of Directors and of the Audit and Corporate Practices Committees at UNIFIN.

Juan Marco Gutiérrez holds a degree in Industrial Engineering from the Universidad Anáhuac and MBA studies from the ITAM.

Juan Felipe Sottit Achutegui

Juan Felipe Sottit Achutegui is member of the Board since 2008. He was partner of Ascentia, a financial consulting firm since 2002 up until 2009 and he is currently the CFO of Corporación Inmobiliaria Vesta.

Juan Sottit graduated in Industrial Engineering from the Universidad Anáhuac and has a Master's degree in Business Administration from Harvard Business School.

Fernando Jacinto Velarde Muro

Fernando Jacinto Velarde Muro is member of the Board since 2012. He was the CEO of Invermexico Casa de Bolsa and Deputy Managing Director of Casa de Bolsa Inverlat. From 1991 to 1992 he was partner of Finser and he is currently the Managing Partner of F.J. Asesores.

Fernando Velarde holds a degree in Accounting from the Escuela Bancaria y Comercial and a postgraduate degree from the Instituto Brasileiro de Mercado de Capitais.

Christian Alejandro Pedemonte del Castillo

Christian Alejandro Pedemonte is a member of the Board since 2013. He has over 30 years of professional experience, building his career on the commercial banking and investment banking.

He served 24 years in Rothschild, where his work included management and implementation of projects, M&A, financial restructuring, project financing, privatization and foreign investment, being the representative in Mexico of the bank NM Rothschild & Sons for over a decade.

Christian Pedemonte holds a degree in Business Administration from the Universidad Iberoamericana and he is specialized in Finance. He currently leads the M&A and Corporate Finances area of BNP Paribas in Mexico. He is also member of the Board and of the Executive Committee of The American British Cowdray Medical Center IAP and of the patronage of Fundación Casa Alianza México IAP.

María del Pilar Moreno Alanís

María del Pilar Moreno Alanís is a member of the Board since 2016. She has 27 years of experience in the automobile insurance industry. She is currently the Technical Director of the company. Before rejoining Quálitas in 2014, she worked as Technical Director for the individual cars segment at Grupo Nacional Provincial. She worked from 2002 to 2012 at Quálitas, where her last position was Underwriting and Special Businesses Director.

She worked from 1991 to 2001 at Seguros Monterrey New York Life. Throughout her career she has worked in the technical department, both in Reserves and Products, Support to Service Offices, Underwriting and in Special Businesses.

María del Pilar Moreno has a degree in Actuarial Science from the Universidad Anáhuac and a Master's Degree in Mathematical Methods in Finance from the same institution.

Madeleine Marthe Claude Brémond Santacruz

Madeleine Brémond Santacruz is a member of the Board since 2016. She has vast experience in the consumer goods and service sectors, as well as in tourism. She is currently Vice Chairman of the Board of El Puerto de Liverpool and Tobanis (Holding). She also participates in the Board of Invex, Hoteles y Condominios and Compañía Hotelera de Guadalajara.

She has been actively involved in various philanthropic institutions such as Fundación Pierre Brémond, the Board of Trustees of the French-Mexican-Swiss and Belgian Association of Beneficence, in addition to being Vice Chariman of the French Alliance of Mexico and of the Board of Trustees of the National Museum of Anthropology.

Madeleine Brémond has a degree in Business Administration from the Universidad Anáhuac.

Alternates

Wilfrido Javier Castillo Miranda Olea

Wilfrido Javier Castillo Miranda Olea is an alternate member of the Board since 2008. He has more than 15 years of experience in Quálitas Compañía de Seguros being involved in several departments at the company until he was appointed member of the Investment Committee and the Board of Directors. He has extensive experience in the financial sector, having worked in BBVA Bancomer and in Grupo Financiero Ve Por Más.

He is currently a financial advisor and his specialization fields are valuation, corporate finances and risks. He is a member of the board at Maxcom (telecom) and Altum Capital (credit). He forms part of the board of trustees of ProEducación, with special interest in impact measuring.

Wilfrido Castillo is an Engineer from Universidad Iberoamericana, holds an MBA from Politecnico di Milano and a Master in Operations Research from Cornell University.

Noah Couttolenc Brockmann

Noah Daniel Couttolenc Brockmann is an alternate member of the Board since 2015. He has vast experience in the financial and insurance fields.

He is currently the CEO of Quálitas Compañía de Seguros. Before joining Quálitas he was CEO at DXN Express and he worked as Financial and Administration Deputy Director at Opcipres. From 2001 to 2008 he worked at Quálitas where his last position was Financial Deputy Director. Previously he worked as Corporate Business Manager at Deloitte.

Noah Couttolenc holds a degree in Business Administration from the Universidad Anáhuac and an MBA from the Notre Dame University.



The board members are appointed by the General Shareholders' Meeting, based upon the recommendation of the Corporate Practices Committee. They have renewable annual terms. When they are proposed to be appointed, their experience, skills and capabilities are reviewed to determine if they could fulfill their fiduciary duties and responsibilities, without conflicts of interest.

To add value to the **Board of Directors' meetings**, the board members participate in training sessions with respect to the environment in which Quálitas operates.

In 2017, the Senior Director of Sovereign Ratings of Latin America, the Director of Public Finance Ratings, as well as the Director of Ratings of Insurance Institutions of the rating agency S&P Global Ratings were present with the purpose of giving a talk about the qualification and perspective of Mexico, of the insurance sector, in addition of the review of the capital model and the rating methodology.

In addition of appointing the CEO and the senior management of the company, the Board protects the interests of the shareholders, prevents conflicts of interest and promotes the socially responsible operation of the business.

The company is analyzing best practices to evaluate the performance of the Board members. Currently, the assessment is mainly based on assistance and active participation at the Board and Committees meetings.

In addition to their legal responsibilities, the committees are required to present their periodic performance reports to the Board of Directors.

COMMITTEES

In order to fully comply with its responsibilities, the Board of Directors relies on 6 advisory committees, 2 of which have been established in accordance with applicable regulations and which are fully integrated by independent members; four have been designed pursuant to the strategic needs of Quálitas.

<p>AUDIT COMMITTEE</p>	<p>Integrated solely by the Independent Board members with vast accounting and financial experience.</p> <hr/> <p>Duties Oversees the regulatory and internal guidelines compliance by Quálitas. In the event of failures to comply with the aforementioned, it carries out the corresponding investigations. It also designates and evaluates the independent auditor and analyzes the financial information of the company. Supervises that Top Management complies with the resolutions of the Shareholders' Meeting.</p> <hr/> <p>Frequency of the meetings: Monthly</p>	<p>Chairman · Fernando Jacinto Velarde Muro – since 2013</p> <hr/> <p>Members · Mauricio Domenge Gaudry – since 2013 · Christian Alejandro Pedemonte del Castillo – since 2017</p>
<p>CORPORATE PRACTICES COMMITTEE</p>	<p>Integrated solely by the Independent Board members.</p> <hr/> <p>Duties Support the Board of Director with the management, supervision, and execution of the administrative operations. Suggests to the Board about the CEO's and other top management's compensation. Informs the Board about operations with related parties.</p> <hr/> <p>Frequency of the meetings: Monthly</p>	<p>Chairman · Mauricio Domenge Gaudry – since 2015</p> <hr/> <p>Members · Christian Alejandro Pedemonte del Castillo – desde 2013 · Fernando Jacinto Velarde Muro – since 2017</p>

<p>SOCIAL RESPONSIBILITY COMMITTEE</p>	<p>Duties Defines commitments and activities to be materialized in value creation for stakeholders. Monitor and measure, through indicators, the advancement and fulfillment of the commitments made. Promote an insurance culture in Mexico. Promote initiatives for reducing accidents in public roads.</p>	<p>Chairman · Juan Orozco y Gómez Portugal – since 2014</p> <hr/> <p>Members · Joaquín Brockman Lozano – since 2014 · Wilfrido Castillo Sánchez Mejorada – since 2014 · Fernando Jacinto Velarde Muro – since 2015 · Noah Daniel Couttolenc Brockmann – since 2016</p>
<p>Frequency of the meetings: Bimonthly</p>		
<p>INVESTMENT, FINANCE AND PLANNING COMMITTEE</p>	<p>Duties Evaluates and suggests investment policies pursuant to the organizational vision. Establishes guidelines for the strategic planning of the company. Maintains a balanced investment portfolio pursuant to the authorized investment regime and applicable regulations. Gives an opinion on the budget's assumptions and monitors the budget. Identifies risk factors and evaluates policies to manage them.</p>	<p>Chairman · Wilfrido Javier Castillo Sánchez Mejorada – since 2013</p> <hr/> <p>Members · Joaquín Brockman Lozano – since 2013 · Juan Marco Gutiérrez Wanless – since 2013 · Christian Alejandro Pedemonte del Castillo – since 2017 · Wilfrido Javier Castillo Miranda Olea – since 2013 · Noah Daniel Couttolenc Brockmann – since 2015</p>
<p>Frequency of the meetings: Monthly</p>		
<p>OPERATIONS COMMITTEE</p>	<p>Duties Advises the Top Management in establishing strategies and actions to optimize efficiency and quality of the company's operations. Assists in establishing the business plan and comprehensive strategy to guarantee the continued and improved development of the Group.</p>	<p>Chairman · Joaquín Brockman Lozano – since 2016</p> <hr/> <p>Members · Wilfrido Javier Castillo Sánchez Mejorada – desde 2016 · Harald Feldhaus Herrmann – since 2016 · Juan Enrique Murguía Pozzi – since 2016 · Juan Orozco y Gómez Portugal – desde 2016 · Noah Daniel Couttolenc Brockmann – since 2016</p>
<p>Frequency of the meetings: Monthly</p>		

REINSURANCE COMMITTEE*	<p>Duties Proposes objectives and policies to contract, monitor, assess, and manage reinsurance operations. Establishes mechanisms to monitor and assess the reinsurance policies. Informs on the results of the operation and of the corrective measures implemented to correct deviations.</p>	<p>Chairman · Noah Daniel Couttolenc Brockmann – since 2016</p>
	<p>Frequency of the meetings: Quarterly</p>	<p>Member and Alternate Chairman · María del Pilar Moreno Alanís – since 2016</p>

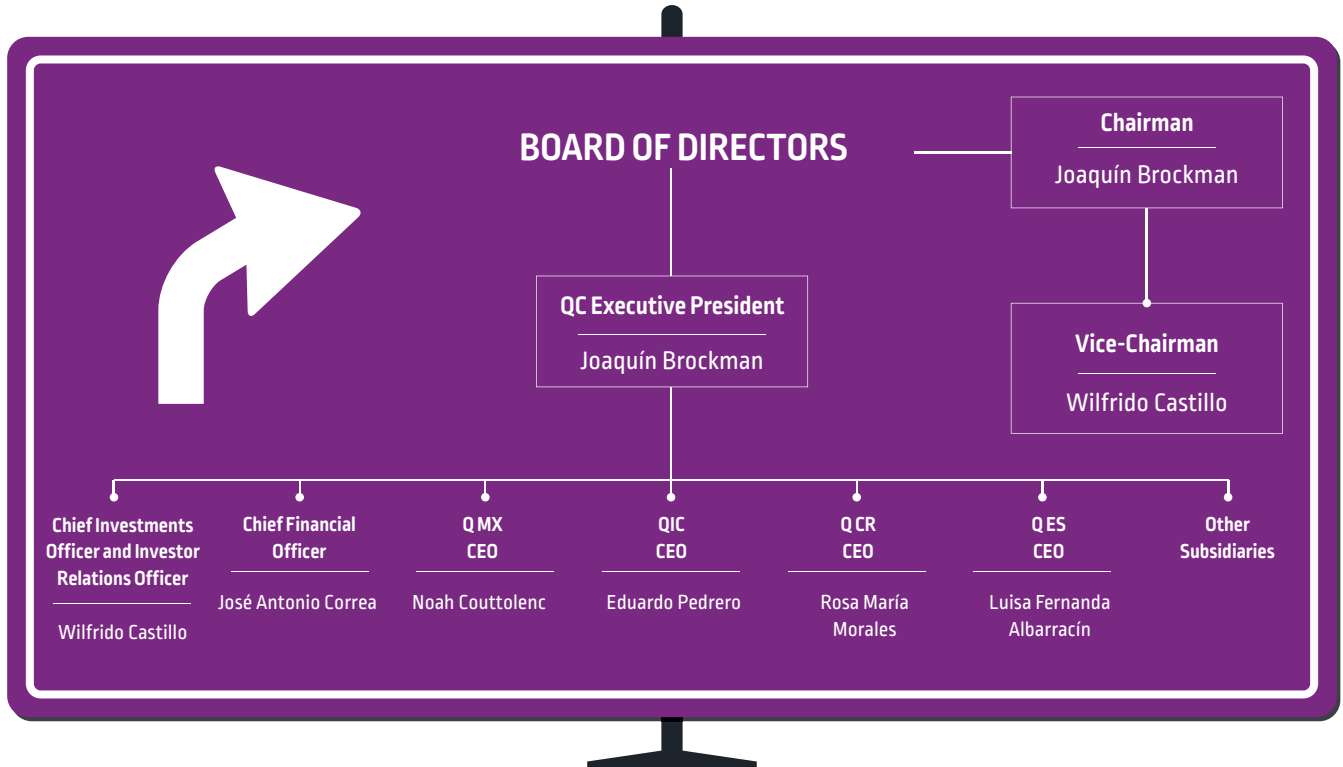
Additionally, the Corporate Practices Committee and the **Board of Directors** propose to the General Ordinary Shareholders' Meeting the compensations for the directors and members of the Audit and Corporate Practices Committees, which are approved by the Shareholders' Meeting. Details with respect to the compensation paid to board members can be found in the Annual Report submitted to the Mexican Stock Exchange².

To generate an excellence operation, we have a management team with the highest standards of honorability, technical quality, and professional experience in their respective areas, being responsible for carrying out the daily operation.

* Note: The Operations Committee held meetings exclusively for Quálitas México until early 2016, date when it initiated activities for Quálitas Controladora.

² https://www.bmv.com.mx/es/emisoras/informacionfinanciera/Q-7790-CGEN_CAPIT

MANAGEMENT TEAM



ETHICS AND INTEGRITY

GRI 102-16, 102-17, 102-25, 102-34, 103-2, 103-3, 205-1, 205-2, 412-2

In the meeting held in October 2017, the Board of Directors approved the new **Code of Ethics and Conduct** of Quálitas whose objective is to regulate the behavior of employees and, to the extent applicable, to the different interest groups forming the company, through their alignment with the values, the Conflict of Interest Policy, and the operating regulations of the company.

This document establishes that, regardless of their activity or geographic location, all the board members, employees, representatives, and collaborators of Quálitas, must have knowledge over such Code.

We are leaders because **the values we share**

Honesty, Equity, Responsibility, Transparency, Respect to human dignity, Cordiality, Solidarity and Loyalty.

Know our new **Code of Ethics and Conduct.**

[Click here](#)

Live it and be part of our philosophy!

Before releasing the **Code of Ethics and Conduct**, in the last quarter of the year a campaign was carried out to promote the Code, coupled with the training sessions conducted through Quálitas University. The Quálitas DNA campaign was implemented for disseminating the values and the new Code of Ethics and Conduct.

DNA Quálitas is a four-phase campaign to be implemented over 10 months. The phases are: preventive, informative, reinforcing, and maintenance stages.

In 2017, 2,463 employees were trained in the new **Code of Ethics and Conduct** through **Quálitas University**, and 478 new employees were trained in it through induction courses.

We sent an e-mail to all our suppliers and agents to inform them about our updated **Code of Ethics and Conduct**. Our goal is to convey our philosophy of ethics and integrity in the value chain.

WHISTLE-BLOWER CHANNELS

The complaints for violations to the Code of Ethics and Conduct can be made through e-mail, and in early 2018 a telephone line and an electronic portal which will operate 24 hours a day will be available for such purpose. The complaints can be anonymous. It should be noted that Quálitas enabled **Q Transparencia**, a new Whistleblower Channel operated by an independent third party, to report anomalies or illegalities observed in the company³.

Any employee who conducts its business in violation to our Code of Ethics and Conduct, will be subject to disciplinary measures that may extend to the termination of the employment relationship and/or legal action. The Ethics Committee is the responsible body for monitoring cases of violations to such Code.

ANTI-CORRUPTION

To face corruption risks, Quálitas has an Anti-corruption Principles and Mechanisms Policy. In the year, 4,493 employees of the company were trained on this topic.

94%
OF THE EMPLOYEES
OF QUÁLITAS
MÉXICO WERE
TRAINED IN MONEY
LAUNDERING
PREVENTION

³ For more information with respect to the Whistle-blower Channel, please refer to the subchapter "Ethics and transparent actions"

N° of employees trained in anti-corruption matters (Money Laundering Prevention)

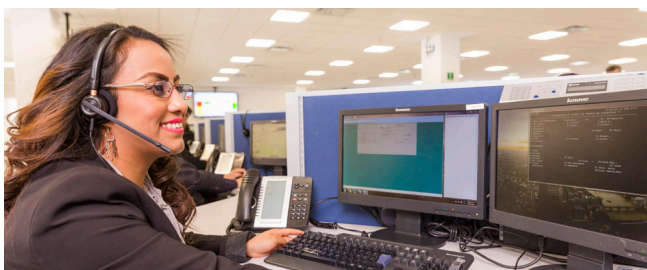
Position	2017	2016
Director	16	14
Assistant director	34	33
Manager	132	112
Coordinator	588	567
Analyst	3,306	2,615
Assistant	417	353
Total	4,493	3,694

Furthermore, we enabled e-mail communication campaigns to keep the employees of service offices informed about anti-corruption policies and procedures.

We are aware that to maintain our commitment to fight corruption, it is important to address issues such as the Money Laundering Prevention, as well as to have a Conflict of Interest Policy. At the end of the year, 4,493 employees accredited the Money Laundering Prevention course, while 4,284 employees accredited the Personal Data Protection course and 2,371 employees accredited the Conflict of Interest Policy course⁴.

The Corporate Practices Committee is the responsible governance body for preventing conflicts of interests. Such committee reports to the Board through a quarterly report.

Our goal is to adopt the best practices allowing us to maintain an integral performance, consolidating the level of confidence our stakeholders have in the company.



⁴ For more information with respect to the employees' training, please refer to the chapter 04 "Commitment: moving toward sustainability", section "Certification Q".



Contribution to the Sustainable Development Goals

GRI 102-12

Since the presentation of the 2030 Agenda of the United Nations, Quálitas announced its commitment towards the Sustainable Development Goals. For us, contributing to the economic, environmental, and social development is part of the daily management of our business model and our sustainability strategy.

In Quálitas we consider that through our products and services, the efficiency of our operations, and the external initiatives implemented by us, we contribute to the welfare of society.

In a manner, the private sector cooperates with the fulfillment of the goals of the SDGs, among others, by creating sources of employment with equal opportunities, promoting healthy lifestyles among their employees or by developing infrastructure in the communities surrounding their operations.

In 2016, Quálitas conducted an analysis allowing us to identify that the Company directly contributes to SDG 3 and SDG 4, which refer to Good Health and Well-Being, as well as Quality Education.



SDG 3 GOOD HEALTH AND WELL-BEING

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



There are several goals established by the United Nations to improve the health and well-being of society. Two of them are related to our strategy of better driving behavior and a culture of preventing accidents.

On one hand, goal 3.6 seeks to **halve the number of deaths and injuries from road traffic accidents by 2020**, while goal 3.5 seeks to strengthen **the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol**.

To contribute to these goals, we have the **Qualitas Road Safety Program** which, through various digital platforms, communication campaigns, events and seminars, aims to disseminate messages raising awareness among policyholders, claim officers and general population about the importance of driving with responsibility to reduce the high levels of accidents, damage, injuries, and death of those using public roads.

Our messages seek to raise awareness about the main causes of road accidents, involving drivers,

pedestrians, public transport passengers, cyclists, and motorcyclists, such as driving exceeding the speed limits, driving under the influence of addictive substances, being distracted or failing to respect road signals.

Quálitas Road Safety Campaign has a **microsite**¹, through which we diffuse recommendations and informational materials to our employees, agents, policyholders, and general public to develop better driving habits, avoiding risky practices.

The microsite also offers a subscription option to a newsletter to receive periodic information with respect to such topic.

Additionally, during 2017 we sent a monthly e-mail to over 12,000 agents and all our employees to spread the importance of driving responsibly while diffusing the transit regulation and the importance of complying with it.

Quálitas and Universum held the **Automotive Risk Prevention** event to avoid accidents and save lives.

Students and representatives from 26 media assisted the event hosted at the Science Museum of the UNAM, which included a simulation for extracting people from two collapsed vehicles. Through this exercise, those present witnessed the risks that passengers have when suffering an accident.

The Rescue Team of the Asociación Mexicana de Rescate Urbano y Extracción Vehicular complemented the exercise with a talk. Pancho Name, champion of the Portugal Rally in the WRC3 category (2017) and spokesperson for Quálitas,

provided recommendations on how to drive more safely.

During 2017, "**Defensive Driving**" techniques were also shared in approximately 1,200 events with our cargo transport policyholders and their operators in various locations in Mexico. An average of 20 people attended each talk.

Furthermore, we participated in two exhibitions organized by la Asociación Mexicana de Agentes de Seguros y Fianzas (AMASFAC) to raise awareness about the importance of prevention and road safety to more than 600 children.



¹ www.conductavialqualitas.net

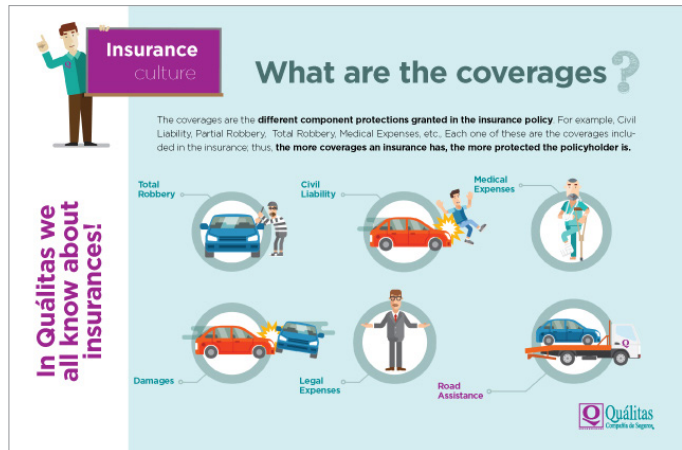
It is noteworthy to state that these actions also contribute to the **"Decade of Action for Road Safety"**², a plan officially proclaimed at the first World Ministerial Conference on Road Safety, held in Moscow in 2009, whose goal is to reduce the figures of fatalities in traffic accidents worldwide by 50% for the period 2011-2020.

Another effort within this SDG is to **promote healthy lifestyles among our employees** to fight excess overweight and obesity, conditions associated with diabetes and cardiovascular diseases, bone and muscle disorders and some types of cancer³.

As part of the communication and diffusion of the Wellbeing Program, we conduct informational e-mail campaigns providing recommendations for preventing diseases. We also organize Health Day for our employees where they can assist preventive medical assessments.

It is noteworthy that every Quálitas employee has social security, which contributes to the goal of universal health coverage of SDG 3.

Moreover, we protect the physical integrity of our employees and those visiting our facilities by continuously training our 10 **Civil Protection Brigades integrated by volunteering employees**. The trainings consist of specialized courses and workshops hosted by an expert third party.



² This plan was proclaimed in 2009 at the First Global Ministerial Conference on Road Safety in Moscow, which was a global movement called by the UN to which Mexico adhered at the commencement of the decade, recognizing that deaths caused by road accidents represent a silent epidemic causing 24 thousand yearly deaths, being the 7th country with more deaths for this cause (http://conapra.salud.gob.mx/Interior/decenio_accion_SV.html)

³ <https://www.gob.mx/issste/articulos/la-obesidad-en-mexico>

To **promote the insurance culture** and raise awareness among the population about the importance of being insured, we conduct several communication campaigns in alliance with National Commission for the Protection and Defense of Financial Services Users (Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros, CONDUSEF as per its acronym in Spanish) through radio, printed play games for children and advertorials.

It is noteworthy that training actions on road safety culture, the prevention of accidents and the insurance culture also contributes to SDG 4. This, since, through those activities, theoretical and practical knowledge which are necessary to promote the adoption of sustainable lifestyles, are shared.

SDG 4 QUALITY EDUCATION

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



With respect to education, target 4.4 seeks **to increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.**

To contribute to this target, in Quálitas we offer training opportunities and continuous learning to employees to improve their skills and promote their career development through courses, workshops, Talent Incubators and the schools of Quálitas University.

In addition to training skills related to their job positions, in 2017 we conducted a financial education and economic welfare campaign for employees. In such campaign, the savings culture was promoted and encouraged through the **Quálitas Savings Account.**

Additionally, in some offices located in Mexico City, we hosted seminars to employees about How to invest your money? which consisted in an introduction to investments in the Mexican Stock Exchange.

Quálitas University's training initiatives are not only for our employees, rather, they extend to our value chain, including service office employees, agents and suppliers. This tool promotes continuous quality education. The chapter Commitment: moving toward sustainability; includes a more detailed description of the training and development initiatives of Quálitas.

About our report

GRI 102-32, 102-50, 102-51, 102-52, 102-53, 102-54

We are proud to present for second consecutive year our Integrated Annual Report "In the right direction" as a channel to communicate the procedure, actions and impacts of our financial and non-financial performance during the period comprised as of January 1st to December 31st, 2017. This report has been prepared in accordance with the Essential option of the GRI Standards.

Additionally, we considered the contents of the GRI supplement for the financial services sector that are linked to the issues that were determined to be relevant.

For the first year, our report is subject to external verification by an independent third party. This testimony report is attached.

This report also constitutes the Communication on Progress (COP) of the company with respect to our commitments of the UN Global Compact. To evidence our commitment to contribute to the implementation of the SDGs, we have included in the report the most relevant contributions of the company to achieve these goals.

This report presents the performance of Quálitas, the results, and achievements of the year derived from our strategy on economic, social, and environmental issues. We include data from previous years to allow a better analysis and; thus, see the progress made in several items.

The scope of the information presented corresponds to Quálitas Controladora and the operations of its subsidiaries in Mexico, United States, Costa Rica and

El Salvador. Within the chapters, the information may vary with respect to the aforementioned scope. Changes in such scope are informed throughout each topic.

The Executive President, jointly with the Social Responsibility Committee carries out an internal validation regarding the contents presented in the integrated annual report; guaranteeing the inclusion of relevant topics for the different stakeholders of Quálitas.



For more information about our processes, products, and performance, please visit www.qualitas.com.mx; for any comments regarding the information presented, please contact:

Investor Relations /
Corporate Social Responsibility at:

+5255 1555 6103

+5255 5481 8547



DEFINITION OF CONTENTS AND THEIR COVERAGE

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

Within the framework of being an organization committed to sustainability topics and adherence to international guidelines, in 2016 we conducted an analysis of relevant topics applying the Global Reporting Initiative (GRI) standards, through the process of defining Relevant Topics by considering the current context of sustainability and the issues of our sector.

The purpose of this analysis was to identify the topics which reflect the most significant economic, environmental and social impacts which could influence the decisions of our stakeholders; considering said impacts within an internal and external coverage.

The process consisted in the following key stages having a methodological approach:

Review and Identification

Company's approach	Stakeholders perspective
<p>Analysis of corporate documents, including the Code of Ethics and Conduct and some of the major policies, among others.</p>	<p>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.</p>
<p>Interviews with Quálitas Controladora's executives.</p>	<p>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</p>

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

PRIORITIZATION AND VALIDATION

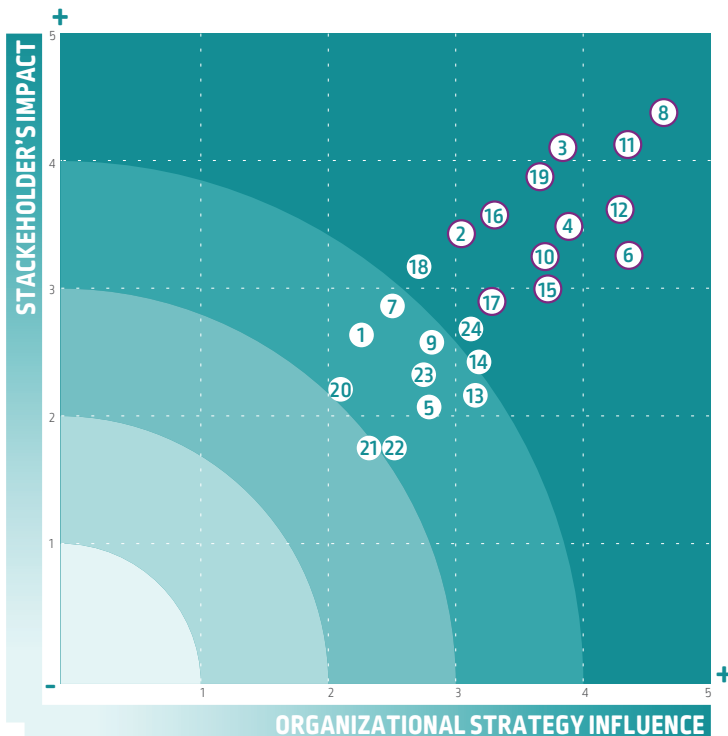
Once the potentially significant topics list was defined, we carried out a quantitative analysis over such topics considering their impact and influence over the operations, the strategic perspective of the company and the approach of stakeholders, through:

Review and Identification

Company's approach	Stakeholders perspective
Level of commitment by the interviewed executives towards the various topics	Direct query through a focus group of agents and interviews to automotive financials with which we operate Indirect query through interviews of employees in charge of the relationship with suppliers and policyholders

The result deriving from the prioritization was schematized in the following relevant topics matrix:

RELEVANT TOPICS MATRIX



The relevant topics were validated by the Social Responsibility Committee.

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	Insured availability for entire population
6	4.2	3.3	Relationship with agents
7	2.7	2.8	Insured personal data protection
8	4.4	4.4	Costume 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 y 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.)

MOST RELEVANT THEME

SCORE 4.4
CUSTOMER SERVICE

The relevant topics were validated by the Social Responsibility Committee, which are linked with the external limits, set forth below:

Relevant Topics	External Limits (coverage)
Attraction and retention of employees	NA
Employees training and career development	IT Suppliers and training
Legal compliance	Agents
	Service offices' owners
Ethics, transparency, and anticorruption	Agents
	Service offices' owners
Risk management	Agents
	Service offices' owners
Innovation and operational efficiency	Agents
	Service offices' owners
Market and brand positioning	Service suppliers for policyholders (medical, legal, tow truck, repair shops)
	Agents
	Service offices' owners
Relationship with agents	Service suppliers for policyholders (medical, legal, tow truck, repair shops)
Relationship with suppliers	Service offices' owners
Economic results	NA
	Agents
	Service offices' owners
Customer service	Agents
	Service offices' owners
	Service suppliers for policyholders (medical, legal, tow truck, repair shops)

NA: Not applicable



**Independent Verification Letter of the Consolidated Annual Report 2017
"In the right direction" of Quálitas Controladora, S.A.B. de C.V.**

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

You are informed that Redes Sociales en Línea Timberlan carried out the independent and impartial verification of the Consolidated Annual Report 2017 "In the right direction" of Quálitas Controladora. Based on internal processes and according to international methodologies, the following is declared:

Scope

The scope of our work consisted in an exhaustive review of the processes of preparing the report, compiling and controlling of Quálitas' information. The integrity and quality of the published data were evaluated.

A limited verification of the content of this report was developed, validating the methodological compliance of the material issues of the company in **accordance with the essential option of the GRI Standards and the sectorial supplement: financial services.**

The correct application of all the contents stated in the GRI index table were analyzed and the veracity, traceability and reliability of the following indicators were corroborated:

102-17	205-2	404-2	FS15
102-20	302-1	405-1	FS16
201-1	401-1	412-2	
204-1	404-1	419-1	

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

Responsibilities

Quálitas is responsible for the preparation and presentation of the report. Our commitment is to issue objective opinions of the disseminated content taking as reference: Ethical Principles of Independence of ISAE 3000; and *The external assurance of sustainability reporting* of GRI.

Activities for the verification

Our verification process covered the following activities:

- Interviews with departments that own the information.
- Understanding of information management processes and visualization of control systems.
- Verification of qualitative and quantitative information through visual and documentation evidence of the aforementioned indicators.
- Analysis and comparison of reports from past years regarding the information presented.
- Consultation of electronic evidence: Web page of Quálitas Controladora and those related to the verification of information published in the Report.



Conclusion

We believe that the validation evidence is accurate and adequate so that there is no factor that leads us to conclude that the processes of obtaining and validating information are not effective and that they do not comply with the principles of *traceability, precision, clarity and reliability* of visual evidence and documentary of the contents of the GRI Standard.

Recommendations

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

Declaration of independence and competence of Redes Sociales LT

Redes Sociales employees have the level of competence necessary to verify the compliance with standards used in the preparation of Sustainability Reports, so they can issue a professional opinion of non-financial information reports, complying with the principles of independence, integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. In no case our declaration of verification can be understood as an audit report and therefore no responsibility is assumed for the systems and processes of management and internal control from which the information is obtained. This Letter of Verification is issued on April, 6th two thousand and eighteen and is valid as long as there are no subsequent and substantial modifications to the Quálitas Controladora's 2017 Consolidated Annual Report.

Alma Paulina Garduño Arellano

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

Pico Sorata 180, Jardines en la Montaña,
Tlalpan, C.P. 14210, CDMX.

T. (55) 54 46 74 84

paulina@redsociales.com

April 6, 2018

GRI Index of Content

GRI 102-55

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GRI 102-2	Activities, brands, products, and services	10	
GRI 102-3	Location of headquarters	Back cover	
GRI 102-4	Location of operations	10	
GRI 102-5	Ownership and legal form	10	
GRI 102-6	Markets served	10	
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GRI 102-9	Supply chain	51	
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GRI 102-11	Precautionary principle or approach	36	
GRI 102-12	External initiatives	92	
GRI 102-13	Membership of associations	28	
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GRI 102-14	Statement from senior decision-maker	3, 22	
GRI 102-15	Key impacts, risks, and opportunities	3, 36	
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	8, 31, 89	Principle 10
GRI 102-17	Mechanisms for advice and concerns about ethics	31, 89	Principle 10
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Standard	Content	Page/ Statement	UN Global Compact Principle
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GRI 102-33	Communicating critical concerns	78	
GRI 102-34	Nature and total number of critical concerns	89	
GRI 102-35	Remuneration policies	78	
GRI 102-36	Process for determining remuneration	74, 78	
GRI 102-37	Stakeholders' involvement in remuneration	74, 78	
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	25	
		We back-up all the communication between the employees of Quálitas to ensure compliance with labor rights and obligations and to consider the expectations and interests of the employees.	
GRI 102-41	Collective bargaining agreements		Principle 3
GRI 102-42	Identifying and selecting stakeholders	25	
GRI 102-43	Approach to stakeholder engagement	25, 51	
GRI 102-44	Key topics and concerns raised	25	
Reporting practice			
GRI 102-45	Entities included in the consolidated financial statements	10	
GRI 102-46	Defining report content and topic boundaries	99	
GRI 102-47	List of material topics	99	
		No restatements of the information included within the annual report are presented with respect to the nature of the business, calculation method of indicators, mergers and acquisitions.	
GRI 102-48	Restatements of information		
		There are no changes with respect to the presentation period of the annual report, relevant topics and boundaries.	
GRI 102-49	Changes in reporting		
GRI 102-50	Reporting period	97	
GRI 102-51	Date of most recent report	April 2017.	

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GRI 102-55	GRI Context Index	105	
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GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	63	
GRI 103-3	Evaluation of the management approach	63	
GRI 401: Employment 2016			
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GRI 405: Diversity and equal opportunity 2016			
GRI-405-1	Diversity of governance bodies and employees	63, 78	Principle 6
EMPLOYEES TRAINING AND CAREER DEVELOPMENT			
GRI 103-1	Explanation of the material topic and its Boundary	99	
GRI 103-2	The management approach and its components	63, 69	
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GRI 404: Training and education 2016			
GRI-404-1	Average hours of training per year per employee	67	Principle 6
GRI-404-2	Programs for upgrading employee skills and transition assistance programs	72	
GRI-404-3	Percentage of employees receiving regular performance and career development reviews	74	Principle 6
LEGAL COMPLIANCE			
GRI 103-1	Explanation of the material topic and its Boundary	99	
GRI 103-2	The management approach and its components	36	
GRI 103-3	Evaluation of the management approach	36	
GRI 206: Anticompetitive behavior 2016			
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	36	
GRI 307: Environmental compliance 2016			
GRI 307-1	Non-compliance with environmental laws and regulations	36	Principle 8
GRI 417: Marketing and labeling 2016			
GRI 417-1	Requirements for product and service information and labeling	20	
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	In 2017, there were no cases or breach identified related to our services and marketing communications.	
GRI 417-3	Incidents of non-compliance concerning marketing communications		

Standard	Content	Page/ Statement	UN Global Compact Principle
GRI 419: Socioeconomic compliance 2016			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	In 2017 Quálitas had three monetary penalties imposed by CONDUSEF for the total amount of \$64,760 MXN. Two of them for not informing on time regarding the constitution of the specific technical reserve and one for not presenting an initial report within the conciliatory process.	
FINANCIAL EDUCATION AND INSURANCE CULTURE			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	19	
GRI 103-3	Evaluation of the management approach	19	
Disclosures for the financial services sector			
FS13	Access points in low-populated or economically disadvantaged areas by type	19	
FS14	Initiatives to improve access to financial services for disadvantaged people	19	
FS16	Initiatives for improving the financial culture for type of beneficiary	28	
ETHICS, TRANSPARENCY, AND ANTICORRUPTION			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	89	Principles: 1, 2, 3, 4, 5, 6 and 10
GRI 103-3	Evaluation of the management approach	89	
GRI 205: Anticorruption 2016			
GRI 205-1	Operations assessed for risks related to corruption	89	Principle 10
GRI 205-2	Communication and training about anti-corruption policies and procedures	89	
RISK MANAGEMENT			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	36	Principles: 1, 2, 4, 5, 6 and 10
GRI 103-3	Evaluation of the management approach	36	
GRI 412: Human Rights assessment 2016			
GRI 412-2	Employee training on human rights policies or procedures	89	Principle 1
INNOVATION AND OPERATIONAL EFFICIENCY			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	33	Principles: 7, 8 and 9
GRI 103-3	Evaluation of the management approach	33	

Standard	Content	Page / Statement	UN Global Compact Principle
GRI 302: Energy 2016			
GRI 302-1	Energy consumption within the organization	33	Principles: 7 and 8
GRI 416: Customer health and safety 2016			
GRI 416-1	Assessment of the health and safety impacts of product and service categories	51	
BRAND AND MARKET POSITIONING			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	10	
GRI 103-3	Evaluation of the management approach	10	
Disclosures for the Financial Services Sector			
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	39	
RELATIONSHIP WITH AGENTS			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	54	
GRI 103-3	Evaluation of the management approach	54	
RELATIONSHIP WITH SUPPLIERS			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	55	
GRI 103-3	Evaluation of the management approach	55	
GRI 204: Procurement practices 2016			
GRI-204-1	Proportion of spending on local suppliers	47	
ECONOMIC RESULTS			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	40	
GRI 103-3	Evaluation of the management approach	40	
GRI 201: Economic performance 2016			
GRI 201-1	Direct economic value generated and distributed	47	
GRI 201-4	Financial assistance received from government	In Quálitas we do not receive financial support from the Federal, State or local government.	
CLIENT SERVICE			
GRI 103-1	Explanation of the material topic and its boundary	99	
GRI 103-2	The management approach and its components	51	
GRI 103-3	Evaluation of the management approach	51	
Disclosures for the Financial Services Sector			
FS15	Policies for the fair design and sale of financial products and services	51	



MEMBER OF

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Sustainability Indices**

In Collaboration with RobecoSAM 

CONTACTS

Corporate Social Responsibility

T. +5255 5481 8547

Investor Relations

T. +5255 1555 6103

GRI 102-1, 102-3



www.qualitas.com.mx

Quálitas Controladora, S.A.B. de C.V.
Av. San Jerónimo 478, Álvaro Obregón, Jardines del Pedregal, 01900 Ciudad de México.