



# **SHARED PROSPERITY**

GROWING WITH YOU

GRUPO ELEKTRA, SUSTAINABILITY REPORT 2018

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# 2018 HIGHLIGHTS

102-7, 201-1

Ps. 103.52 billion in consolidated revenues for Grupo Elektra at the close of 2018

More than Ps. 173.3 million allocated by Grupo Elektra in 2018 to support actions by Fundación Azteca

Close to 17.5 million toys donated to needy children

25% of the energy consumed by Grupo Elektra comes from renewable sources

More than Ps. 325,000 invested in prizes for winners of the “*Limpiemos Nuestro México*” challenge in 2018

Close to 11.2 million people benefited in Mexico and 169,432 in Latin America, from Banco Azteca’s *Aprende y Crece* (Learn and Grow) financial education program

82,668 Grupo Elektra employees

Opening of the fifth Italika assembly line at Ensamblika



# GRUPO ELEKTRA: GROWING WITH YOU

102-1, 102-2, 102-5

Grupo Elektra, S.A.B. de C.V., is the leading financial services and specialty retail firm in Latin America, and the largest supplier of short-term non-bank loans in the United States.

The Group promotes shared prosperity through two businesses that contribute to the progress of millions of families, bringing them access to affordable merchandise and world-class financial services.

102-4

| Grupo Elektra   |  |
|---|--|
| <p><b>Retail Business</b></p> <p>For more than six decades, Grupo Elektra has applied its experience in this business to serving millions of families through affordable high-quality merchandise that supports inclusive prosperity and a better quality of life.</p> <p>The commercial business includes the Elektra store formats, present in Mexico, Guatemala, Honduras, Panama and Peru; Salinas y Rocha, in Mexico; and the Italika brand in Mexico and Latin America.</p> | <p><b>Financial Business</b></p> <p>Grupo Elektra works for inclusive prosperity by offering financial products and services to millions of families in segments of the population that are under-served by traditional institutions. It does so through financial products that effectively meet its clients' needs, and through cutting-edge technology that ensures the highest quality service.</p> <p>Its businesses are Banco Azteca, Advance America, Afore Azteca, Seguros Azteca y Punto Casa de Bolsa. The financial business is present in Mexico, Guatemala, Honduras, El Salvador, Panama, Peru and the United States.</p> <p>These offer deposit services, micro-finance and other loans, life and property insurance, retirement fund management and investments.</p> |

102-7

7,269 points of contact for Grupo Elektra

4,630 points of contact for Grupo Elektra in Mexico

639 points of contact for Grupo Elektra in Central and South America

2,000 points of contact for Grupo Elektra in the United States

102-2, 102-6, 102-7

Among the products and services offered by this business are:

### Products

- Electronics
- Major appliances
- Small household appliances
- Furniture
- Motorcycles (Italika)
- Automotive and ironmongery
- Car batteries
- Cell phones
- Computers
- Mattresses
- Entertainment systems
- Fashion goods and accessories
- Beauty and personal care
- Sports
- Traveling
- Movies, Music and Books
- E-commerce

### Servicios

- Wire transfers
- Extended guarantees
- Air time
- Long distance
- Mobile Virtual Network Operation (MVNO)

## RETAIL BUSINESS

### ELEKTRA STORES



[www.elektra.com.mx](http://www.elektra.com.mx)

One of our main channels to clients. Every store has a Banco Azteca branch.

1,284 points of contact.

1,113 points of contact in Mexico.

171 points of contact in Latin America.

15 distribution centers: 9 in Mexico and 6 in Central and South America.

### SALINAS Y ROCHA



It makes available world-class goods to millions of Mexican families; every store has a Banco Azteca module.

44 points of contact in Mexico.

### ITALIKA



[www.italika.mx](http://www.italika.mx)

Marca de motocicletas que permite a los clientes ser más eficientes en sus actividades diarias, a través del acceso a un medio de transporte propio, cómodo, confiable y divertido.

More than 3,600 sales outlets.

30 proprietary agencies and 120 Italika concessionaires in Mexico.

700 Italika Service Centers (CESIT) in Mexico, and 190 in Central and South America.

Around a 60% market share in Mexico.



Among the products and services, it offers are:

- Consumer credit
- Personal loans
- Commercial loans
- Savings accounts
- Term deposits
- Debit cards
- Credit cards
- Insurance (Life, Casualty, Medical and Liability)
- Retirement fund management (AFORE)
- Credit information
- Lease-financing
- Secured loans
- Short-term non-bank loans
- Group loans

## FINANCIAL BUSINESS

### BANCO AZTECA



[www.bancoazteca.com.mx](http://www.bancoazteca.com.mx)

Mexico's second largest bank in terms of the number of points of contact with clients. For more than 15 years it has been committed to financial inclusiveness, offering easy-to-use products and services in order to incorporate people underserved by traditional banking into the formal financial system. Through a comprehensive array of non-bank services, it complements its financial products through Seguros Azteca, Afore Azteca, Presta Prenda, Micronegocio Azteca and Dinero Express.

4,000 points of contact;  
1,328 in Elektra and Salinas y Rocha stores



Among its products and financing channels are:

- Credimax Efectivo
- Credimax Consumo
- Micronegocio Azteca Tradicional (traditional micro-business)
- Micronegocio Azteca Mujer (Women)
- Empresario Azteca
- Tarjeta Azteca -card for use of the Credimax line of credit-
- Remittances
- Foreign currency
- Guardadito
- Guardadito Cheques
- Guardadito Kids
- Guardadito VAS
- Business debit card
- Payroll loans
- Inversión Azteca
- Inversión Azteca Creciente
- Inversión Azteca Plazo
- Inversión Azteca Intereses Adelantados
- Presta Prenda, a pawnbroking business
- Interbank Electronic Payment System
- Digital Banking

### ADVANCE AMERICA



[www.advanceamerica.net](http://www.advanceamerica.net)

A leading supplier of short-term non-bank loans in the United States, focusing on working class families. Offers comfortable and affordable credit options for consumers whose needs are not being met by traditional financial institutions. Its products are:

- Title loans
- Installment loans
- Payday loans

2,000 points of contact in 28 of the United States



## AFORE AZTECA

[www.aforeazteca.com.mx](http://www.aforeazteca.com.mx)



Offers high-quality retirement fund management options through Grupo Elektra's extensive distribution network. It offers the following products and services:

- Registering an individual retirement account
- Transferring existing individual retirement accounts
- Account statement, balance and activity lookup
- Update account holder data
- Generating account holder files
- Voluntary savings deposit
- Voluntary savings withdrawal
- Partial withdrawal for unemployment (IMSS)
- Partial withdrawal for unemployment (ISSSTE)
- Marriage expense support (IMSS)
- Account separation
- Account unification
- SAR 92 Resource Unification (old retirement savings system)
- Total withdrawal for Pension and IMSS Denial
- Total ISSSTE balance withdrawal

## SEGUROS AZTECA

[www.segurosazteca.com.mx](http://www.segurosazteca.com.mx)



Seguros Azteca was created in 2003 to serve a segment of the population that had previously been excluded by the insurance industry, while Seguros Azteca Daños was created in 2006 to provide auto insurance to the same market. It offers solutions providing effective production to clients according to their needs, at affordable prices in Mexico and Latin America.

Seguros Azteca offers Life, Accident and Medical insurance, the latter encompassing Personal Accident and Major Medical Insurance; while Seguros Azteca Daños operates Auto Insurance, Fire, Civil Liability and Professional Risk, Maritime and Vehicle Insurance, as well as Catastrophic Risk and Miscellaneous.

## PUNTO CASA DE BOLSA

[www.puntocasadebolsa.mx](http://www.puntocasadebolsa.mx)



Promotes investment as a tool for savings and wellbeing, simplifying financial market concepts with excellent service. Its business units are:

- Private investment. Personalized consulting and investment portfolios consistent with the profile and goals of each investor, through market trading.
- Institutional Promotion. Services such as:
  - › Boutique trading; optimum, efficient market trading.
  - › Analysis of hedging and custom-designed reports.

- › Strategy, with projections on trends and market flows, trading ideas and special reports.
- › One on One, bringing clients a closer look at the best Mexican and foreign firms.
- Investment banking: Focused on consulting, structuring and placement of:
  - › Securities Certificates and Stock Offerings to the investing public
  - › Private Equity
  - › Financial Transactions.



# OUR LEADERS' VISION

102-14, 102-15

In 2018, Grupo Elektra continued to pursue its unwavering purpose of promoting inclusive prosperity through solid creation of economic, social and environmental value, strengthening the wellbeing and progress of millions of families in Mexico, the United States, Central and South America.

In 2018, Grupo Elektra continued to pursue its unwavering purpose of promoting inclusive prosperity through solid creation of economic, social and environmental value, strengthening the wellbeing and progress of millions of families in Mexico, the United States, Central and South America.

We generated considerable economic value by offering world-class merchandise and cutting-edge financial services that effectively meet the needs of a growing number of families in the communities where we operate.

As a result, consolidated revenues for Grupo Elektra grew 9% last year, driven by a 10% rise in revenues in the financial business, and 7% in the retail business. The company's EBITDA increased 8% in the same period.

Banco Azteca was key to the strong performance of financial revenues, in the context of fast-changing loan and deposit balances, as well as solid asset quality, which was reflected in a declining loan delinquency rate.

The Bank was also a key player in Mexico's financial inclusiveness effort, with more than 14 million active deposit accounts, which can open with as little as one peso and charge no ac-

count management fees. This number of accounts is particularly significant in a country with 32 million households.

Banco Azteca has also been a basic force in regional progress, which is evident in a study by Bankable Frontier Associates, which found that in the locations where the Bank is present in Peru, seven years after the start of operations, the likelihood of being unemployed was 12% lower, and the likelihood of living in poverty was also 12% lower,



than in similar regions without Banco Azteca branches.

As for the Elektra Stores, firm performance was the result of solid strategies that significantly improve customers' shopping experience, with optimum service and the most competitive conditions in the market.

Sales in the retail business got an additional boost from the startup of a new store format with a larger sales floor area, which includes an extensive array of merchandise and services, serving an increasing number of shoppers. At the same time, omnichannel operations through our e-shop at [www.elektra.com.mx](http://www.elektra.com.mx), where thousands of products are sold at unbeatable prices, from any device and at any time, contributed further to the business' performance.

Italika motorcycles were another fundamental factor in merchandise sales growth, fueled by state-of-the-art models that provide a fuel-efficient, innovative transportation



The social value Grupo Elektra generates is embodied in our more than 82,000 employees, who express rising levels of job satisfaction and wellbeing.

Additionally, the company decisively supports actions that improve conditions for society at large, through programs like *Esperanza Azteca*, benefiting more than 17,000 needy children through participation in symphony orchestras and choruses, encouraging values like discipline and teamwork; and *Plantel Azteca*, offering high school and preparatory technical education to 2,100 underprivileged students with outstanding academic performance, under full scholarships.

The company also supports *La Ciudad de las Ideas* (the City of Ideas), *Caminos de la Libertad* (Paths to Freedom) and *Kybernus*, initiatives that promote freedom and the dissemination of knowledge, while seeking to create environments that allow for development and a better future.



Grupo Elektra contributes with *Un Nuevo Bosque* (A New Forest) and *Limpiemos Nuestro México* (Let's Clean up our Mexico), which aim to preserve the environment for future generations. We also encourage the rational use of natural resources in our value chain and uses energy that is more environmentally friendly. The Company's use of renewable energy now accounts for 25% of its total consumption, and we are working to gradually increase this proportion.

Finally, we support *Arte & Cultura Grupo Salinas*, which helps preserve Mexico's cultural heritage and publicize the work of our artists, our history, identity and values.

Grupo Elektra is firmly convinced of the need to step up these activities in coming years and contribute increasingly to the wellbeing of millions of families, and to protect the environment.

The information presented in this Sustainability Report reflects our commitment to the 10 Principles of the United Nations Global Compact and its 17 Sustainable Development Goals. Through this report, we express our determination to support and develop these principles within our sphere of influence.

**Alejandro Valenzuela del Río** / CEO of Banco Azteca  
**Fabrice J. Deceliere Márquez** / CEO of Elektra Stores  
**Manuel Gómez Palacio Pin** / CEO of Italika





# THE VALUE OF SUSTAINABILITY

## SUSTAINABILITY MANAGEMENT

### Historia de valor

| Grupo Elektra |  |
|---------------|--|
| 1906          | Benjamín Salinas y Cía. furniture factory founded in Monterrey, Mexico   |
| 1950          | Foundation of Elektra, engaged in the manufacture of radios and later televisions.   |
| 1988          | <i>Vive sin Drogas</i> (Drug-Free Living) campaign is launched, promoting healthy, addition-free life choices, especially for youth.   |
| 1993          | The company goes public on the Mexican Stock Exchange  |
| 1996          | First “Juguetón” toy drive is held, distributing 15,000 toys to needy children.<br><br>Elektra Stores starts up operations in Latin America with the opening of four stores in Guatemala.  |
| 1997          | Creation of Fundación Azteca, to put into action the social and environmental responsibility programs Grupo Salinas believes in. Since its founding we have touched and improved the lives of millions of people, connecting society’s most pressing problems and needs with organizations and people willing to help.<br><br>Startup of Plantel Azteca, or Azteca Campus, a mixed private school that provides high school and preparatory school degrees to needy Mexican youth with high academic performance, providing a comprehensive, quality education with values and technical excellence. |
| 1999          | U.N. recognizes Fundación Azteca with the Civil Society Medal for its <i>Vive sin Drogas</i> (Drug-Free Living) campaign.<br><br>Start of operations at Banco Azteca with the simultaneous opening of more than 800 branches located in Elektra, Salinas y Rocha and Bodega de Remates stores.   |
| 2002          | First “Azteca Movement” is held, a campaign for shared social and environmental responsibility, in which society is invited to contribute directly to charitable organizations across Mexico. Ps. 11 million were raised to benefit the Transplants Foundation, supporting cornea transplants for 716 people.<br><br>First edition of “Un Nuevo Bosque” (A New Forest) is published, an ecological journal that conveys Grupo Salinas and TV Azteca’s commitment to generating environmental value.  |
| 2003          | Start of operations at Afore Azteca, a retirement fund manager.  |



|             |   |
|-------------|---|
| <b>2004</b> | <p>Launch of the “Azteca Entrepreneur” program.</p> <p>Italika starts operations.</p> <p>Seguros Azteca begins operations.</p>  |
| <b>2005</b> | <p>Elektra Stores and Banco Azteca begin operations in Panama.</p>  |
| <b>2006</b> | <p>First edition of the “Donativo Hormiga” (every little bit helps) program, channeling donations to various charitable organizations.</p>  |
| <b>2007</b> | <p>Banco Azteca begins operating in Guatemala with 75 points of sale and nationwide coverage.</p> <p>Startup of Banco Azteca Honduras.</p>  |
| <b>2008</b> | <p>Banco Azteca starts operations in Peru.</p> <p>Opening of Ensamblika, Italika’s assembly plant.</p> <p>Creation of the Energy and Environment Area of Grupo Salinas, to improve energy efficiency and measure environmental impact.</p> <p>Fundación Azteca Guatemala is created to provide social project support to the neediest segments of its population.</p>   |
| <b>2009</b> | <p>Banco Azteca is recognized as one of the 20 best companies in Mexico in terms of its technological innovations, according to Information Week.</p> <p>Banco Azteca begins operations in El Salvador.</p> <p>Launch of the <i>Limpiemos Nuestro México</i> (Let’s Clean Up Our Mexico) campaign, in which 1,055,000 volunteers came together into 20,000 brigades to collect and separate 3,500 metric tons of trash.</p> <p>Launch of the Esperanza Azteca Symphony Orchestra, a program that works to improve the lives of needy children and youth through music.</p> <p>Creation of the Energy Management System (SIGEN) to measure the carbon footprint.</p>   |
| <b>2010</b> | <p>Grupo Salinas is awarded the National Electrical Energy Savings Prize.</p>   |
| <b>2011</b> | <p>Expansion of Italika’s distribution network in Mexico through new channels, like stores and prestigious supermarkets.</p>  |
| <b>2012</b> | <p>Opening of Punto Casa de Bolsa, a brokerage firm with the highest standards of client security and efficiency.</p> <p>Grupo Salinas begins using renewable wind energy.</p> <p>The first local “Azteca Movement” is carried out, with the aim of supporting 32 different causes across the country every year.</p>   |
| <b>2013</b> | <p>Publication of the first Grupo Elektra Sustainability Report.</p>  |
| <b>2014</b> | <p>Grupo Elektra is included in the S&amp;P/Mexican Stock Exchange Sustainable Stock Index (IPC Sustentable).</p> <p>Launch of the first phase of the <i>Aprende y Crece</i> (Learn and Grow) financial education and microbusiness program at Banco Azteca.</p> <p>Banco Azteca is recognized by the World Bank for improving the economy of people at the Bottom of the Pyramid.</p> <p>First report to the National Emissions Registry (RENE) as established in the General Law on Climate Change: an annual report on carbon dioxide (CO2) and greenhouse gas (GHG) emissions in support of the international commitments assumed by Mexico: to reduce emissions by 30% by 2025, and by 50% by 2050.</p> <p>Start of use of renewable geothermal energy at Grupo Salinas.</p> |

|             |   |
|-------------|---|
| <b>2015</b> | <p>Grupo Elektra creates the Personal Data Committee, complying with self-regulatory guidelines established by the federal government in Mexico and the directives of the Mexican Accreditation Entity, Normalización y Certificación Electrónica, S.C. (NYCE) and the National Institute for Transparency, Information Access and Protection of Personal Data (INAI).</p> <p>Italika obtains the Socially Responsible Company (ESR®) distinction from The Mexican Center for Philanthropy (CEMEFI) and the Alliance for Social Responsibility (AliaRSE) for the first time.</p> <p>Launch of the Aprende y Crece (Learn and Grow) website in Mexico and Peru.</p> <p>Aprende y Crece (Learn and Grow) is launched in Guatemala.</p> <p>Italika creates a Corporate Social Responsibility Committee.</p> <p>Azteca Movement receives the CIRT prize for the best social campaign in Mexico.</p> |
| <b>2016</b> | <p>Grupo Elektra earns the “Family Responsible Company” from the Ministry of Labor and Social Planning.</p> <p>Banco Azteca Guatemala is distinguished for the second year in a row as a Great Place to Work, recognizing the equality of life it offers its employees.</p> <p>Aprende y Crece (Learn and Grow) is launched in El Salvador and Honduras.</p> <p>Banco Azteca launches its first credit card, called Oro Garantizada.</p> <p>Elektra Stores signs an agreement with the Federal Consumer Protection Agency (PROFECO) in order to apply best retail practices at the company’s points of contact with customers.</p> <p>Launch of the “Italika Racing” project, to create a sports platform that helps identify talent and train high-yield pilots for national and international motorbike racing.</p>   |
| <b>2017</b> | <p>Grupo Elektra is recognized for “Best Corporate Governance” by Capital Finance International Awards (CFIco), a program that identifies and distinguishes organizations and people who had value to society.</p> <p>Elektra Stores and Banco Azteca obtain the ESR® Distinction from CEMEFI and AliaRSE for the first time.</p> <p>15<sup>th</sup> anniversary of Banco Azteca.</p> <p>Banco Azteca becomes the top banking accessibility force in Peru, El Salvador and Honduras, according to prospecting studies by Equifax.</p> <p>Movimiento Azteca holds its 100<sup>th</sup> campaign, to benefit families whose homes were lost or damaged in the September earthquakes.</p> <p>Launch of a new website for Elektra Stores; start of an omnichannel strategy to offer clients and accessible site.</p>  |
| <b>2018</b> | <p>Renewal of Personal Data Protection certification after passing an audit by Normalización y Certificación NYCE, S.C.</p> <p>Grupo Salinas companies receive “Grupo Salinas ARCO Rights Procedure System” issued by Normalización y Certificación NYCE, S.C., a certification agency accredited by the Mexican Accreditation Authority (EMA).</p> <p>Grupo Elektra receives Great Place to Work (GPTW) certification following the results of a workplace environment survey.</p> <p>Close to 11.2 million people benefit in Mexico, and 169,432 in Latin America, from the <i>Aprende y Crece</i> (Learn and Grow) Financial Education program.</p>  |



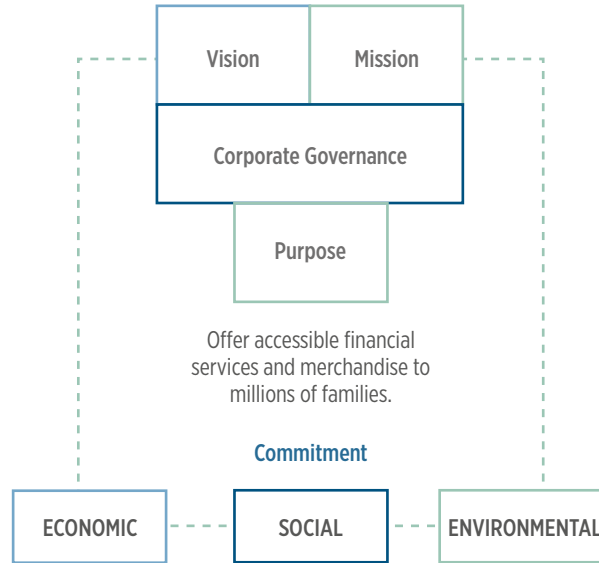
## Value Creation Model

102-40, 102-42, 102-43

Principle 1, 3



Grupo Elektra is constantly working to determine and strengthen the action lines that address it towards the long-term value generation between all the stakeholders whom it's associated. In keeping with the ethical and corporate principles for which it is known, the Group have built a value creation model grounded in a win-win philosophy that promotes inclusive prosperity in all the countries where it operates.



How?

| Retail Business   | Financial Business  |
|---|---|
| <p>Product offering:</p> <ul style="list-style-type: none"> <li>• Electronics</li> <li>• Major appliances</li> <li>• Small household appliances</li> <li>• Furniture</li> <li>• Cell phones</li> <li>• Motorcycles</li> <li>• Computers</li> <li>• Wire transfers</li> </ul> <p>Of world-class that promote the well-being and progress of the communities where it operates.</p> | <p>Financial services offering:</p> <ul style="list-style-type: none"> <li>• Deposits</li> <li>• Microfinance and other loans</li> <li>• Investments</li> <li>• Life and damage insurance</li> <li>• Retirement fund management</li> </ul> <p>Focused on underserved segments by traditional banks.</p> |

| Who benefits?    | Through what?   | With what results?   |
|------------------|---|--|
| <b>Investors</b> | <ul style="list-style-type: none"> <li>• Timely, useful information</li> <li>• Risk management and Business continuity</li> <li>• Solid, profitable results</li> <li>• Higher return on their investment</li> </ul>                           | <ul style="list-style-type: none"> <li>• Confidence</li> <li>• Reinvestment</li> <li>• Growing equity</li> </ul>   |
| <b>Employees</b> | <ul style="list-style-type: none"> <li>• Job security</li> <li>• Competitive benefits</li> <li>• Better quality of life for them and their families</li> <li>• Comprehensive advancement</li> <li>• Occupational health and safety</li> </ul> | <ul style="list-style-type: none"> <li>• Reduced turnover index</li> <li>• Increased retention index</li> <li>• Employee satisfaction</li> <li>• Recognition as one of the best places to work</li> <li>• Reduced work-related accidents</li> </ul>  |
| <b>Customers</b> | <ul style="list-style-type: none"> <li>• Financial and digital inclusion</li> <li>• Business Continuity</li> <li>• Quality Products and Services</li> <li>• Customer satisfaction</li> </ul>  | <ul style="list-style-type: none"> <li>• Customer loyalty</li> <li>• Stronger brand value</li> <li>• Continuing leadership in Latin America as financial service supplier and specialty retailer</li> <li>• Development of local economy and stability in household consumption</li> </ul> |
| <b>Suppliers</b> | <ul style="list-style-type: none"> <li>• Fair competition</li> <li>• Transparent selection process</li> <li>• Supplier evaluations</li> <li>• Hiring of local suppliers</li> </ul>  | <ul style="list-style-type: none"> <li>• Supplier loyalty</li> <li>• Quality inputs</li> <li>• Ethical standards and social and environmental commitment</li> <li>• Stronger long-term, mutually beneficial commercial relationships</li> <li>• Development of local economies</li> </ul>  |

| Who benefits?                  | Through what?   | With what results?  |
|--------------------------------|---|---|
| <b>Authorities</b>             | <ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Cooperation with authorities (social and highway safety programs)</li> <li>• Prompt submission of required information</li> <li>• Anti-corruption practices</li> <li>• On-time tax payments</li> </ul> | <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Development of social programs</li> <li>• Infrastructure investment</li> <li>• Elimination of corruption</li> </ul>  |
| <b>Competitors</b>             | <ul style="list-style-type: none"> <li>• Free, ethical competition in the market</li> <li>• Communication with industry participants</li> <li>• Participation in work groups to modify highway safety standards</li> </ul>  | <ul style="list-style-type: none"> <li>• Access to high quality products and services for the public</li> <li>• Competitive pricing</li> <li>• Improved standards in financial services, product quality and highway safety</li> </ul>                                    |
| <b>Communities</b>             | <ul style="list-style-type: none"> <li>• Jobs</li> <li>• Programs that support freedom, equal opportunity, leadership and financial education</li> <li>• Respect for highway safety laws</li> </ul>   | <ul style="list-style-type: none"> <li>• Development of local economies</li> <li>• Empowerment of society's capacities</li> <li>• Higher return on household income</li> <li>• Greater awareness of savings and prevention</li> <li>• Safer roads and highways</li> </ul> |
| <b>Nonprofit organizations</b> | <ul style="list-style-type: none"> <li>• Support for social development causes that organizations lead, through Fundación Azteca</li> <li>• Fundraising and forwarding of funding to social programs</li> </ul>   | <ul style="list-style-type: none"> <li>• Encourages a climate more open to progress</li> <li>• Support for the neediest</li> </ul>  |
| <b>Environment</b>             | <ul style="list-style-type: none"> <li>• Resource optimization and efficiency</li> <li>• Use of renewable energy, mainly wind</li> <li>• Clean spaces, waste management</li> </ul>  | <ul style="list-style-type: none"> <li>• Reduced electricity and water consumption</li> <li>• Reduced atmospheric emissions and waste generation</li> <li>• Environmental preservation and reforestation</li> </ul>   |

In 2018, Elektra Stores and Banco Azteca were awarded the Socially Responsible Company (ESR®) distinction from the Mexican Center for Philanthropy for the second year in a row, and Italika for the fourth year in a row, in recognition of their efforts to generate economic, social and environmental value and encourage inclusive prosperity. This success has translated into a stronger sense of pride and belonging among employees.

## Elektra Stores and Banco Azteca were awarded the ESR® Distinction for the second time in 2018.

## Italika received its fourth consecutive ESR® Distinction.

102-12

Grupo Salinas –the group of companies to which Grupo Elektra belongs– has an unshakable commitment to creating economic, social and environmental value, and in 2018 it once again affirmed the principles of the United Nations Global Compact, the world's largest initiative to promote corporate sustainability through 10 principles that promote respect for human rights, dignified labor practices, environmental protection and anti-corruption. Throughout this report we identify the general parameters for fulfilling these 10 principles and they are indicated at the opening of each section or program description.

Furthermore, in keeping with the 2030 Agenda proposed by the U.N., Grupo Salinas and Grupo Elektra have joined forces to support the pursuit of the 17 Sustainable Development Goals (SDG). In 2018 we worked to identify the SDG that contribute to actions taken by Fundación Azteca and by the Group.



## Sustainable Development Goals (SDG)

| SDG   | Goal   | SDG   | Goal   |
|---|--|---|--|
|    | End poverty in all its forms everywhere  |    | Reduce inequality within and among countries   |
|    | End hunger, achieve food security and improved nutrition and promote sustainable agriculture                         |    | Make cities and human settlements inclusive, safe, resilient and sustainable   |
|    | Ensure healthy lives and promote well-being for all at all ages  |    | Ensure sustainable consumption and production patterns   |
|    | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all                 |    | Take urgent action to combat climate change and its impacts  |
|    | Achieve gender equality and empower all women and girls  |    | Conserve and sustainably use the oceans, seas and marine resources for sustainable development   |
|    | Ensure availability and sustainable management of water and sanitation for all                                       |    | Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss |
|   | Ensure access to affordable, reliable, sustainable and modern energy for all   |   | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels            |
|  | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all |  | Strengthen the means of implementation and revitalize the global partnership for sustainable development   |
|  | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation            |   |  |

## The 10 Principles of the UN Global Compact

### HUMAN RIGHTS

#### Principle 1.

Businesses should support and respect the protection of internationally proclaimed human rights.

#### Principle 2.

Businesses should make sure that they are not complicit in human rights abuses.

### LABOUR

#### Principle 3.

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

#### Principle 4.

Businesses should uphold the elimination of all forms of forced and compulsory labour.

#### Principle 5.

Businesses should uphold the effective abolition of child labour.

#### Principle 6.

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

#### Principle 7.

Businesses should support a precautionary approach to environmental challenges.

#### Principle 8.

Businesses should undertake initiatives to promote greater environmental responsibility.

#### Principle 9.

Businesses should encourage the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

#### Principle 10.

Businesses should work against corruption in all its forms, including extortion and bribery.

The information presented in this Sustainability Report reflects our commitment to the 10 Principles of the UN Global Compact, as well as to the 17 Sustainable Development Goals. Through this communication, we express the determined intention to support and develop these principles within our sphere of influence.

## MATERIALITY

102-43

In 2018, Grupo Elektra continued its work on issues that affect its operations, and areas in which its operations affect others. Based on the previous year's materiality study, and with the help of an independent consultant, we opened a dialogue with two stakeholder groups –employees and suppliers– in order to validate the material aspects for the 2018-2019 period.

The sample was made up of the following:

- 333 Grupo Elektra employees (Corporate Offices)
- 313 Geografía employees
- 220 suppliers

The survey consisted of two sections:

- Questions about stakeholders' opinion about the issues and their relationship with the company, in qualitative terms.
- Questions asking for a quantitative evaluation of the relevant issues identified in the 2017 materiality study.

102-34

The main results of this exercise were as follows:

40% of those surveyed considered constant training as the issue on which Grupo Elektra should focus its efforts.

35% of participating employees say the most important issue for them is job security.

### Employees

The two results are interrelated, because survey respondents say that training and strengthening of their knowledge is a key factor for working better, directly affecting their certainty in keeping their jobs. And when they feel they have a stable job, they feel like they have opportunities to grow in other aspects.

When we questioned employees about the issue they feel is most relevant for their overall development:

82% of mentions reference training and reinforcement of knowledge on products and services offered to clients, because they believe this is fundamental for providing quality service to customers and helping generate a better value proposition.

42% of mentions reference training in Values and the Code of Ethics, saying that principled behavior generates a healthy working environment, promotes teamwork and supports the achievement of common goals.

42% of mentions reference training in occupational health and safety, because they believe that having a safe workspace ensures optimum conditions for better productivity.

| Issues of major relevance                                  | Dimension     | Issues of minor relevance |
|--|---------------|---------------------------|
| Products and services development / product responsibility | Economic      | Financial issues          |
| Waste management   | Environmental | Energy eco-efficiency     |
| Human capital development                                  | Social        | Requirements to suppliers |

### Suppliers

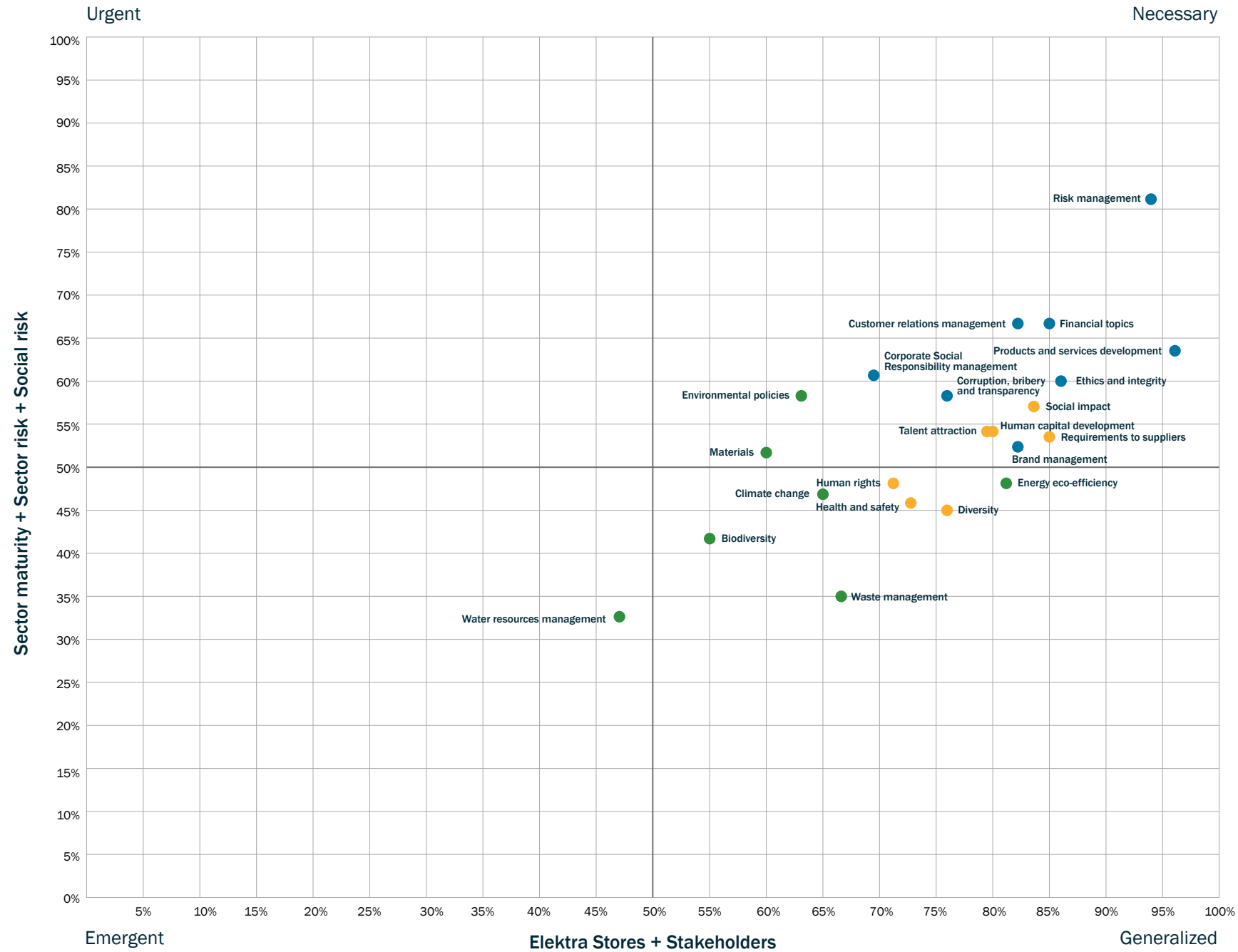
76% say their companies have programs and action in place dealing environmental and labor issues, human rights, community support, anti-corruption, free trade and free competition issues, as well as regulatory compliance.

| Issues of major relevance      | Dimension     | Issues of minor relevance |
|--------------------------------|---------------|---------------------------|
| Ethics and integrity           | Economic      | Risk management           |
| Waste management               | Environmental | Biodiversity              |
| Occupational health and safety | Social        | Social impact             |

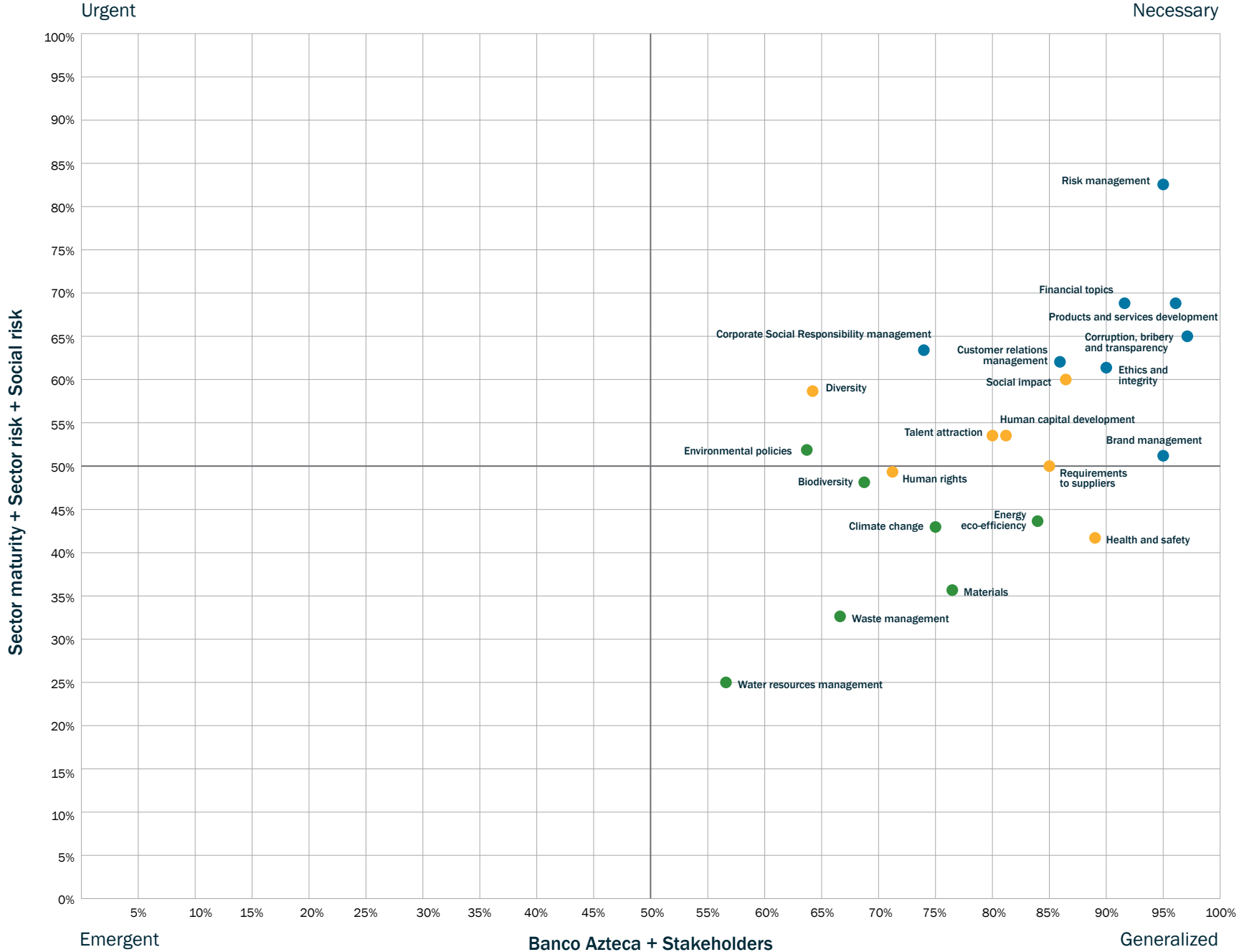
46% of suppliers surveyed believe Grupo Elektra has influenced their company in adopting this type of program.



## Material aspects for Elektra Stores

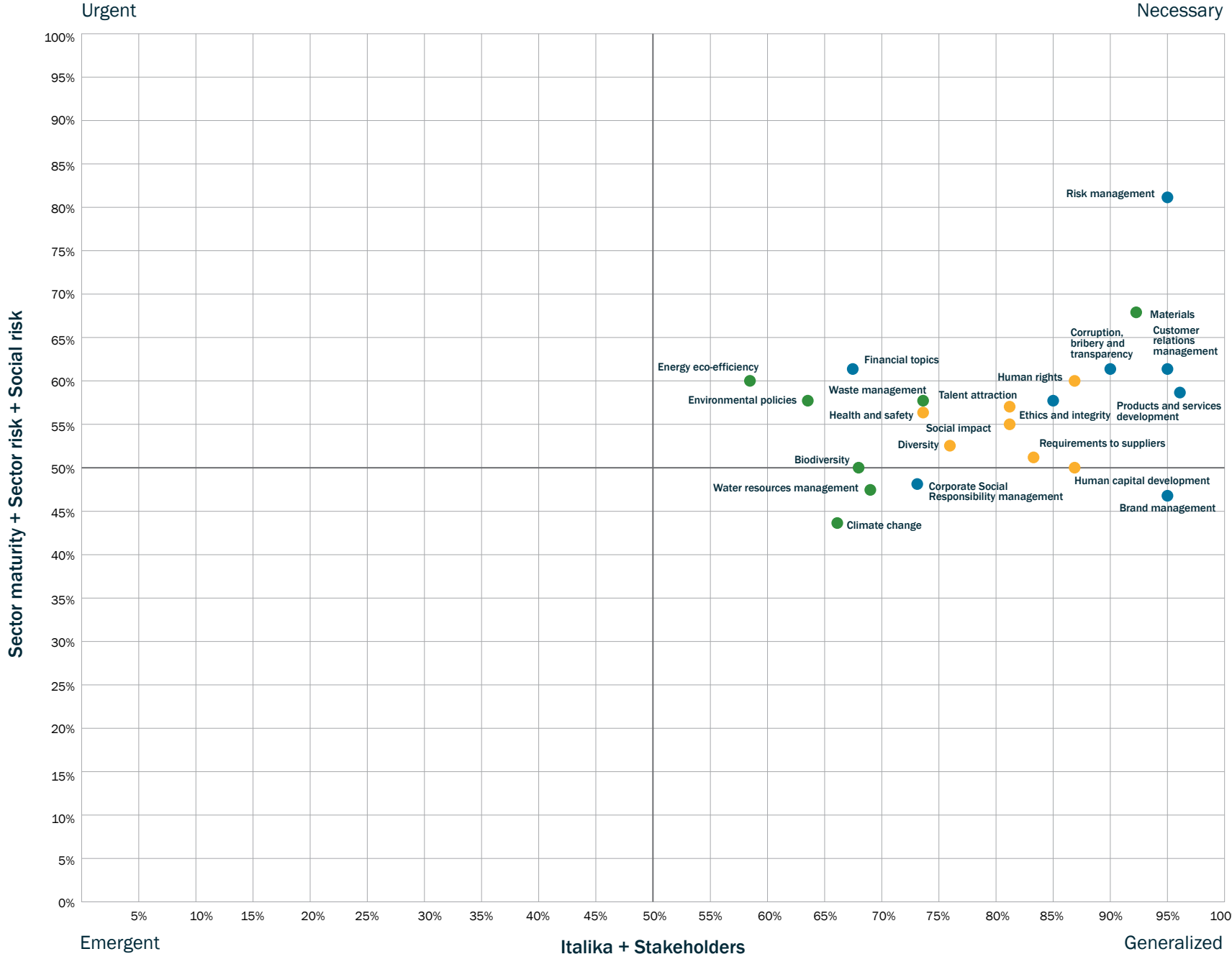


**Material aspects  
for Banco Azteca**





# Material aspects for Italka



Having validated the material aspects for Grupo Elektra in 2018-2019 through this dialogue with employees and suppliers, these issues were reviewed and translated into Global Reporting Initiative (GRI) standard terms, as follows:

102-46, 102-47

| Material topics  | Company/<br>Companies | Topic-specific Standards                              |
|--|-----------------------|---|
| Corporate Social Responsibility management                 | ● ●                   | GRI 102: General Disclosures > Organizational profile |
|  |                       | GRI 102: General Disclosures > Ethics and Integrity   |
|  |                       | GRI 102: General Disclosures > Strategy               |
| Risk management  | ● ● ●                 | GRI 102: General Disclosures > Organizational profile |
|  |                       | GRI 102: General Disclosures > Governance             |
| Ethics and integrity                                       | ● ● ●                 | GRI 102: General Disclosures > Ethics and Integrity   |
| Corruption, bribery and transparency                       | ● ● ●                 | GRI 205: Anti-corruption                              |
|  |                       | GRI 206: Anti-competitive Behavior                    |
|  |                       | GRI 415: Public Policy                                |
| Brand management   | ● ●                   | GRI 102: General Disclosures > Organizational profile |
| Financial topics   | ● ● ●                 | GRI 102: General Disclosures > Organizational profile |
|  |                       | GRI 201: Economic Performance                         |
| Products and services development / product responsibility | ● ● ●                 | GRI 416: Customer Health and Safety                   |
|  |                       | GRI 417: Marketing and Labeling                       |
|  |                       | GRI 419: Socioeconomic Compliance                     |
| Customer relations management                              | ● ● ●                 | GRI 416: Customer Health and Safety                   |
|  |                       | GRI 417: Marketing and Labeling                       |
|  |                       | GRI 418: Customer Privacy                             |
| Environmental policies / Environmental management system   | ● ● ●                 | GRI 302: Energy                                       |
|  |                       | GRI 307: Environmental Compliance                     |

| Material topics                 | Company/<br>Companies | Topic-specific Standards                                  |
|---------------------------------|-----------------------|---|
| Materials                       | ● ●                   | GRI 301: Materials  |
| Biodiversity                    | ●                     | GRI 304: Biodiversity                                     |
| Waste management                | ●                     | GRI 306: Effluents and Waste                              |
| Talent attraction and retention | ● ● ●                 | GRI 102: General Disclosures > Organizational profile     |
|                                 |                       | GRI 401: Employment                                       |
| Human capital development       | ● ● ●                 | GRI 404: Training and Education                           |
| Diversity and equal opportunity | ● ●                   | GRI 405: Diversity and Equal Opportunity                  |
| Occupational health and safety  | ●                     | GRI 403: Occupational Health and Safety                   |
| Social impact                   | ● ● ●                 | GRI 413: Local Communities                                |
|                                 |                       | GRI 203: Indirect Economic Impacts                        |
|                                 |                       | GRI 406: Non-discrimination                               |
| Human rights                    | ● ●                   | GRI 407: Freedom of Association and Collective Bargaining |
|                                 |                       | GRI 408: Child Labor                                      |
|                                 |                       | GRI 409: Forced of Compulsory Labor                       |
|                                 |                       | GRI 412: Human Rights Assessment                          |
| Requirements to suppliers       | ● ● ●                 | GRI 102: General Disclosures > Organizational profile     |
|                                 |                       | GRI 204: Procurement Practices                            |
|                                 |                       | GRI 308: Supplier Environmental Assessment                |
|                                 |                       | GRI 414: Supplier Social Assessment                       |

- Material topic for Elektra Stores
- Material topic for Banco Azteca
- Material topic for Italika

## INDUSTRY ENGAGEMENT

GRI 206, 415: 103-1, 103-2, 103-3

102-13, FS12

In order to promote shared prosperity, Grupo Elektra conveys its commitment to society by engaging actively and continuously with various industry chambers and associations that encourage ethical, sustainable operations, based on healthy competition, sharing best industry practices and promoting the supply of better products and services for customers. These organizations include:

### Elektra Stores

In 2018, the agreement signed in 2016 between Elektra Stores and the Federal Consumer Protection Agency (PROFECO) remained in force. This year efforts focused on fixing store price-setters to comply with PROFECO standards and protect consumers by guaranteeing that sale prices are real, based on transparent and accurate communication and advertising

## Banco Azteca

### Mexico

- Mexican Bankers' Association (ABM)
- Mexican Insurance Institutions' Association (AMIS)
- Mexican Retirement Fund Managers' Association (AMAFORE)
- Mexican Securities Industry Association (AMIB)
- Mexican Financial Institutions Union (UNIFIMEX)
- Inter-American Development Bank - Multilateral Investment Fund (IDB-MIF)
- Mexican Finance Executive Institute (IMEF)
- American Chamber of Commerce of Mexico (AMCHAM)

### United States

- Community Financial Services Association of America (CFSA)

### El Salvador

- Salvadoran Bank Association (ABANSA)

### Honduras

- Honduran Association of Banking Institutions (AHIBA)

### Guatemala

- Guatemalan Bank Association (ABG)

### Panama

- Panamanian Bank Association

### Peru

- Peruvian Bankers' Association (ASBANC)

## Italika



Italika is actively involved in various issues involving mobility, highway safety, and defense of Mexican drivers through various organizations. Some of these efforts and groups are:

- Mexican Highway Community (CVMX)
- Mobility Advisory Council for the Benito Juárez Delegation
- Comprehensive Road Safety Program for Mexico City
- Mobility Commission to the Mexico City legislature
- Project to draft an Official Standard for Motorcycle Helmets

Italika has been an outstanding contributor in the joint development of the first manual for best environmental practices and motorcycle driving in Mexico, published on SEMARNAT's website at [www.semarnat.gob.mx](http://www.semarnat.gob.mx), 2015; ISBN: 978-607-8246-80-9.



In addition to these groups or initiatives, Italika also took part in the following in 2018:

- Worked alongside government authorities providing specific technical knowledge and technical cooperation in drafting a new NOM-048 standard (SEMARNAT).
- Technical support for programs with various educational institutions: Instituto Politécnico Nacional (IPN), Instituto Tecnológico de Toluca (ITT), Universidad Autónoma Metropolitana (UAM), Universidad Nacional Autónoma de México (UNAM). Our relationship with these institutions focuses on jointly developing methods for evaluation and testing of various motorcycle components and complete vehicles.





# ECONOMIC VALUE



102-7, 201-1

| Financial indicators                        | 2017      | 2018      | % Change 2018 vs. 2017 |
|---|-----------|-----------|------------------------|
| Consolidated revenues                       | \$94,979  | \$103,522 | 9%                     |
| • Financial Business Revenues               | \$59,366  | \$65,533  | 10%                    |
| • Retail Business Revenues                  | \$35,614  | \$37,989  | 7%                     |
| Operating expense                           | \$40,982  | \$45,589  | 11%                    |
| Operating income                            | \$14,177  | \$15,039  | 6%                     |
| Total assets                                | \$235,407 | \$277,389 | 18%                    |
| Cash and cash equivalents                   | \$25,607  | \$105,065 | 310%                   |
| Total liabilities                           | \$165,190 | \$192,817 | 17%                    |
| Shareholders' equity                        | \$70,217  | \$84,572  | 20%                    |
| Property, plant & equipment and intangibles | \$4,687   | \$6,674   | 42%                    |

Note. Figures in millions of pesos.

| Economic value generated |           | Economic value distributed |          | Economic value retained |          |
|--------------------------|-----------|----------------------------|----------|-------------------------|----------|
| 2017                     | 2018      | 2017                       | 2018     | 2017                    | 2018     |
| \$94,979                 | \$103,522 | \$78,225                   | \$85,372 | \$16,754                | \$18,150 |
| 9%                       |           | 9%                         |          | 8%                      |          |

Note. Figures in millions of pesos.

Ps. 103.52 billion pesos in revenues as of the close of 2018.

# PROSPERITY TOWARD DEVELOPMENT

GRI 201: 103-1, 103-2, 103-3

Grupo Elektra kept up a brisk pace of growth in 2018, reflected in a 9% growth in consolidated revenues.

Banco Azteca was a determining factor in Grupo Elektra's positive performance, with more than 15 million deposit accounts in Mexico, which is significant considering the country has close to 32 million households.

Revenues from Grupo Elektra's commercial business grew 7% in 2018, the result of various strategies to generate a superior shopping experience through world-class merchandise, optimum customer service and the most competitive conditions. These strategies were bolstered by omnichannel operations, through the online store [www.elektra.com.mx](http://www.elektra.com.mx), where thousands of products can be purchased from any device and at any time.

Italika strengthened its commitment to provide safe, fuel-efficient and affordable transport that helps owners substantially lower their commuting times, selling more than 600,000 motorcycles in Mexico, Guatemala, Honduras, Panama and Peru, translating into a market share of more than 60% in Mexico.

As of December 31, 2018, traditional deposits with Banco Azteca in Mexico totaled Ps. 120.83 billion, 13% higher than the year before, while the loan portfolio rose 8% in the same period, ending the year at Ps. 122.18 billion, supporting the well-being and progress of thousands of Mexican families.



Grupo Elektra has a series of key indicators for evaluating its economic performance, among them:

- Consolidated revenues in the retail and financial businesses
- Consolidated operating income
- Economic value retained

It also analyzes the performance of its two businesses through a variety of indicators:

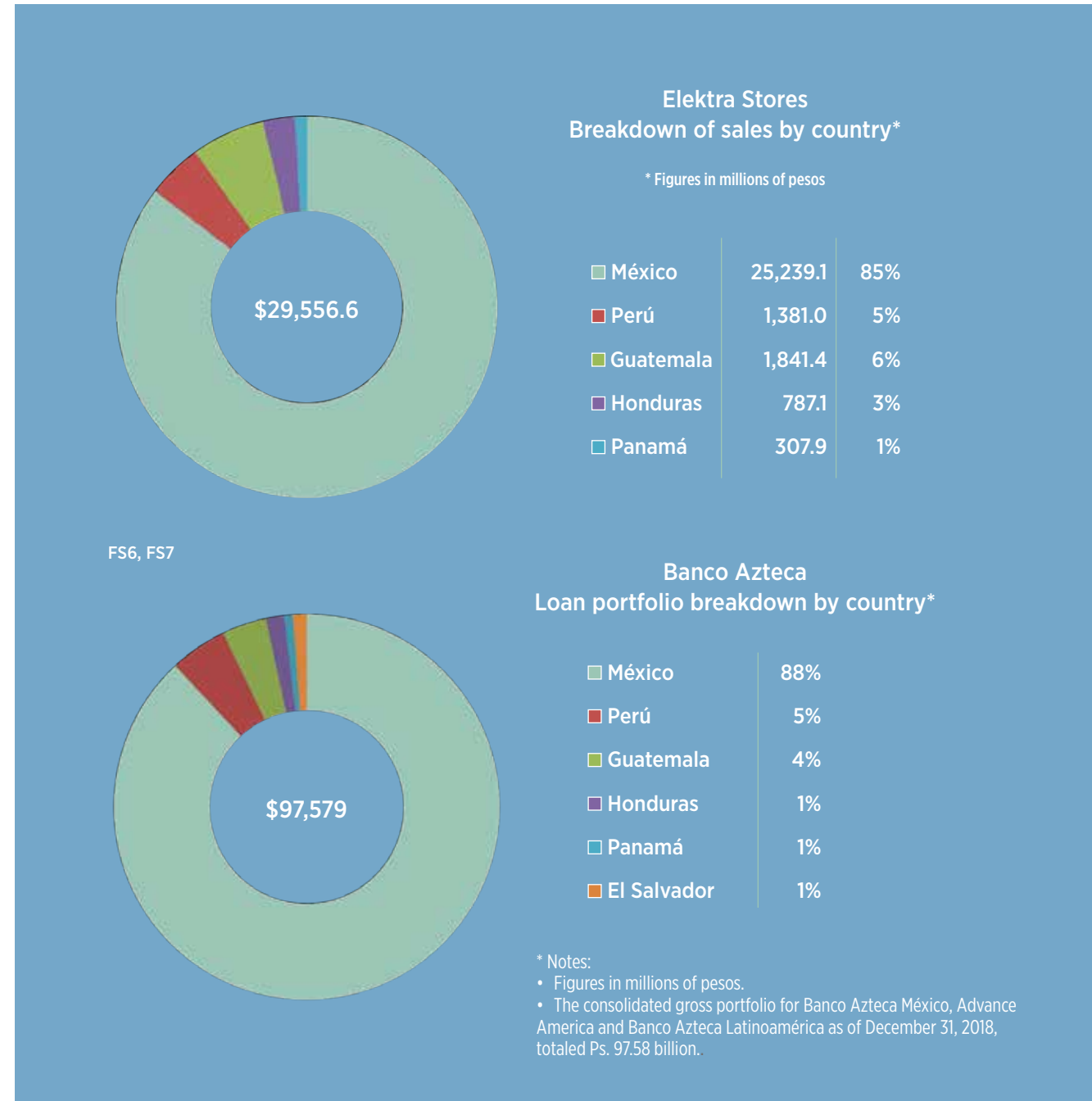
- Retail business: Expansion, category performance, constant training and performance of store team
- Financial business: Growth in deposits, loan portfolio, loan delinquency, training and performance of branch team, as well as Collections Department investigators and staff.

Grupo Elektra has a series of internal control systems in all critical areas of its operations, which include:

- Store operations: cash sales, store payments, etc.
- Treasury: revenue and expense control, bank reconciliations, store funding, etc.

- Wire transfers: control of cash receipts and payments
- Research, lending and collections
- Deposits: Cash count of Guardadito and investment files
- Cash management: Cash count and deposit to centralized account
- Inventory handling: receipt, transfer and dispatch of merchandise
- Fixed asset control: commissioning, decommissioning, fixed-asset inventories, etc.
- Payroll, workforce monitoring, salary and benefit processing and payment, etc.
- Operating expense: avoid waste and encourage austerity
- Customer service: image, product availability and staffing
- AFORE: membership and services
- Insurance.

**Ps. 37.99 billion pesos in revenues for the retail business in 2018, a 7% increase over fiscal year 2017.**



Ps. 120.83 billion in traditional deposits with Banco Azteca in Mexico, 13% higher than the year before.

Ps. 122.18 billion in loans by Banco Azteca in México, an 8% growth over 2017.

Ps. 15.75 billion increase in deposits at Banco Azteca, 15% higher than the year before. Total deposits reached Ps. 122.83 billion.

12.5% growth in traditional deposits at Banco Azteca, 4.8 percentage points higher than the growth reported in the previous year.

Ps. 369 million increase in total deposits with Banco Azteca in Latin America, a 6% increase compared to the previous year, totaling Ps. 6.88 billion.

Ps. 60.51 billion pesos in total accumulated credit on the Tarjeta Azteca; Ps. 4.62 billion in 2018.

12% growth in loan placement over the preceding year; 10% increase in the loan portfolio balance in 2018.

Ps. 1.08 billion in portfolio and more than 170,000 clients through the micro-business loan program at the close of 2018.

1.38 million new clients for Afore Azteca; a 44% increase in the client base and a 28% rise in assets under management.

Ps. 74.54 billion pesos managed by Afore Azteca in Mexico, out of a total of Ps. 3.33 trillion pesos overall; giving it a 2.2% market share in assets under management.



Seguros Azteca Daños wrote more than Ps. 500 million pesos in new special policies with private companies.

Seguros Azteca and Seguros Azteca Daños wrote a total of Ps. 2.35 billion and Ps. 913 million pesos in premiums, respectively, as of the close of 2018.

Seguros Azteca and Seguros Azteca Daños had close to 4.5 million and 175,555 policies current, respectively, at the close of 2018.

More than Ps. 234.61 billion pesos insured by Seguros Azteca at the close of 2018.

More than Ps. 98.50 billion pesos insured by Seguros Azteca Daños at the close of 2018.

Punto Casa de Bolsa placed the real-estate investment trust EDUCA –the largest REIT in Mexico last year– for Ps. 9.43 billion pesos.

More than Ps. 1.07 billion traded by Punto Casa de Bolsa (private equity division) on the capital markets.

\$Ps. 9 million pesos in revenues from brokerage activity at Punto Casa de Bolsa (institutional sales division).

7 debt placements by Punto Casa de Bolsa (Investment Banking division).

437 new brokerage contracts for Punto Casa de Bolsa at the close of 2018.

Ps. 5.5 million pesos invested in technological innovation at Italika Service Centers.





## RESPONSIBLE VISION

The experience and know-how of Grupo Elektra's leaders are the bedrock of this company's commitment to sustainability, with the combined growth of the Group, its talent, and millions of families, as well as its initiatives toward shared prosperity.



### CONSEJO DE ADMINISTRACIÓN

102-18, 102-22, 102-23, 102-24

In 2018, The Board of Directors of Grupo Elektra was made up of 10 members, three of them independent (30%). All of the Directors were regular members, and were appointed and/or ratified by the General Ordinary Shareholders' meeting to hold their position for terms of one year. The following is a list of Board Members for 2018.

#### Duties of the Board

102-19, 102-26, 102-31

The Board of Directors and the General Management meet regularly—at least once a quarter—to address policies, strategies and procedures for managing the business, progress against targets and goals, as well as values, vision, mission and

| Name                                       | Title   | Board member since | Age |
|--|---|--------------------|-----|
| Ricardo Benjamín Salinas Pliego            | Chairman of the Board of Grupo Elektra                          | 1993               | 63  |
| Hugo Salinas Price                         | Honorary Chairman of Grupo Elektra                              | 1993               | 87  |
| Pedro Padilla Longoria                     | CEO of Grupo Salinas  | 1993               | 53  |
| Guillermo Eduardo Salinas Pliego           | President of Grupo Avalanz                                      | 1993               | 59  |
| Roberto Servitje Achutegui*                | President of Grupo Altex, S.C.                                  | 2000               | 65  |
| Luis Jorge Echarte Fernández               | Vice President of International Relations, Grupo Salinas        | 2003               | 74  |
| Joaquín Arrangoiz Orvañanos                | General Director of Sales and Business Relations, Grupo Salinas | 2008               | 62  |
| Hugo Salinas Sada                          | CEO of Tiendas Neto   | 2017               | 33  |
| Héctor Marcelino Gómez Velasco y Sanromán* | Chairman of the Board of Grupo Netec                            | 2010               | 61  |
| Gonzalo Brockmann García*                  | President of Best Western Hotels in Mexico                      | 2010               | 65  |

\* Independent board member.

For more information about the board of Directors of Grupo Elektra and its members, visit the webpage <http://www.grupoelektra.com.mx/es/consejo-de-administracion>

purpose, and to identify areas those that may need to be brought up to date in keeping with the internal, national and international climate.

Some of the main functions of the Board of Directors are:

- To establish general strategies for the operation of the company and the corporations that it controls.
- To supervise the management and operation of the company and the corporations it controls, considering their

relevance to the company's financial, administrative and legal situation, and the performance of their executives.

- To ratify –with the opinion of the committee concerned– policies, appointments, operations, guidelines and strategic transactions by the organization.
- To submit all necessary legal information to the General Shareholders' Meeting held at the end of each fiscal year.
- To monitor the primary risks to which the company and its corporations are exposed, which have been identified based on the

The members of Grupo Elektra's Board of Directors have held their posts for an average of 17 years.



information presented by the Chief Executive Officer, the Risk Committee, the Audit Committee and the Comprehensive Risk Management Unit.

- To approve policies on reporting and communications with shareholders and the market, as well as between board members and senior management, in keeping with the company's bylaws.
- To decide on actions to be taken to remedy any irregularities the Board is aware of, and to implement the necessary corrective measures.
- To establish the terms and conditions under which the Chief Executive Officer carries out his duties, under a legal obligation to execute the agreements of the Board of Directors.
- To order that the Chief Executive Officer publish the material events of which the Board is aware, with due regard to the obligations that fall to the Chief Executive Officer under article 44, section V of the Securities Market Act

102-21, 102-27

To ensure full understanding and accurate decision-making by the Board of Directors on any economic, social and environmental matter relevant to Grupo Elektra, every point addressed in the meeting is explained in detail to all of its members, who may at any moment:

- Request information from the company and the corporations that it controls as is reasonably necessary for making decisions.
- Ask that key executives and others, including external auditors be present to contribute information useful for making decisions by the Board.
- Postpone meetings of the Board of Directors when there is insufficient information to make a decision.
- Deliberate and vote, with the exclusive presence –if the Board so desires– of its members and Secretary, and/or any expert in the issue to be discussed.

## Committees

102-22

The Board of Directors is supported by two Committees:

### Audit Committee

This committee is made up of three outside board members, and is in charge of:

- Reviewing:
  - › Internal financial control systems
  - › Procedures for financial reporting
  - › Activities and independence of internal and external auditors
- Evaluating internal control policies and systems at Grupo Elektra.
- Receiving reports on transactions with related parties.

In 2018, the Audit Committee had the following members:

| Name                               | Type        | Member since | Age |
|------------------------------------|-------------|--------------|-----|
| Gonzalo Brockmann García           | Independent | 2010         | 63  |
| Marcelino Gómez Velasco y Sanromán | Independent | 2010         | 61  |
| Roberto Servitje Achutegui         | Independent | 2010         | 65  |

## Corporate Practices Committee

Made up of two independent members and one related member. Its duties are:

- To be informed of:
  - › Grupo Elektra investment policies
  - › The use of company assets
- Approve and supervise the Capex budget
- Provide an opinion on the performance of key executives

The Corporate Practices committee consists of the following members::

| Name                       | Type        | Member since | Age |
|----------------------------|-------------|--------------|-----|
| Gonzalo Brockmann García   | Independent | 2010         | 63  |
| Roberto Servitje Achutegui | Independent | 2010         | 65  |
| Guillermo Salinas Pliego   | Related     | 2010         | 59  |

In 2018, Grupo Elektra was advised by Roberto Servitje Achutegui –an outside members– as financial expert in support of both Committees.

Additionally, in October 2018, the Board of Directors approved the creation of the Integrity Committee, which will start up operations in 2019. Among this committee's duties are:

- Designing, structuring, implementing, executing and evaluating an Ethics, Integrity and Compliance Program.
- Ensuring that Grupo Elektra transactions and businesses are conducted based on ethics, integrity and transparency.
- Developing an anti-corruption training program for executives and employees.
- Addressing and resolving ethics, integrity and compliance issues, including any breaches of the Program and imposition of the necessary sanctions.
- Controlling, overseeing and auditing the Ethics, Integrity and Compliance Program and approving any modifications or adjustments to it.

The committee consists of three members: José Alberto Balbuena Balbuena, Javier Arturo Ferrer Báez and Norma Lorena Contreras Cordero.

## MANAGEMENT TEAM

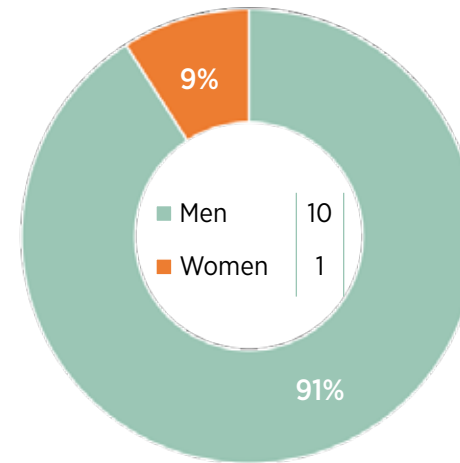
102-10, 102-19, 102-20

Grupo Elektra's management team has extensive experience in managing various business areas. In 2018, senior management was as follows:

| Name                                    | Title  |
|---|--|
| Alejandro Valenzuela del Rio            | CEO of Banco Azteca  |
| Fabrice Jack Deceliere Márquez          | CEO of Elektra Stores  |
| Luis Niño de Rivera Lajous              | Vice Chairman of the Board of the Directors of Banco Azteca                  |
| Adriana de la Puente Martínez de Castro | General Director of Wellness, Communication and Integration at Grupo Salinas |
| Manuel González Palomo                  | Vice President of Systems  |
| James A. Ovenden                        | CEO of Advance America   |
| Gabriel Alfonso Roqueñí Rello           | Chief Legal Officer and Secretary of the Board of Grupo Elektra              |
| Manuel Delgado Forey                    | Chief Financial and Administrative Officer of Grupo Elektra                  |
| Rodrigo Pliego Abraham                  | Chief Financial and Administrative Officer of Grupo Salinas                  |
| Alejandro Vargas Durán                  | Vice Chairman of the Board "B" of Banco Azteca                               |
| Eduardo Benigno Parra Ruiz              | CEO of Afore Azteca  |
| Christian J. Carstens Álvarez           | CEO of Seguros Azteca and Seguros Azteca Daños                               |
| José Abraham Garfias                    | CEO of Punto Casa de Bolsa   |

GRI 405, 406: 103-1, 103-2, 103-3  
405-1

Breakdown of Grupo Elektra management team by gender



Notwithstanding the figures shown above, Grupo Elektra is serious about its workplace inclusion policy and prioritizes meritocracy, through adjustments in the inclusive work model and empowerment of its people and corporate governance bodies through access to education, training and orientation. The Group stresses professional advancement as a direct result of merit, talent, effort, competence or specific aptitude for a given job, without any regard to religion, sex, political preference or other factors.

102-10

## Italika

### Operating structure

Italika has six Area Departments:

- Marketing
- Operations
- Customer experience and brand
- Administration and finance
- Human resources
- Technology and innovation

It also has three committees –Budget, Product and Executive– to guarantee proper operation of the company. These involve the participation of 30 employees from the Product Development, Post-Sale E-Commerce, Supermarkets, Italika in Elektra, Proprietary Agencies, Distributorships, Marketing, Ensamblika, LAM and Quality areas.

In 2018 an Executive Committee was created to serve as a decision-making center. This group, together with regular meetings to review the various aspects, is the key channel for managing the company's strategy.

## COMPENSATION FOR BOARD MEMBERS AND KEY EXECUTIVES

102-35, 102-36, 102-37

In 2018, the total amount allocated for board member compensation (including the Chairman of the Board), key executives of the corporation and individuals considered related parties, in return for services rendered, was approximately Ps. 3.18 billion.

This amount was determined on the basis of the services rendered, the company's achievements in its daily operations, and the events that improved its financial structure, as well as its success at generating present and future savings on the financial cost of Grupo Elektra's resources. Variable compensation was authorized by the Corporate Practices Committee and the Board of Directors. The Company does not provide any benefits for Board Members at the end of their term.

## STAKEHOLDER CONSULTATION AND FEEDBACK

102-19

The Board of Directors delegates, monitors and evaluates the actions and goals of the Chief Executive Officer through two mechanisms:

- Quarterly or extraordinary meetings of the Board with key executives and/or any other person involved, to address priority matters.
- Regular meetings of the auxiliary committees with key executives and/or any other person involved.

102-33, 102-34

In addition to these formal meetings, Board Members, committee members and key executives are in constant communication regarding issues that require monitoring or which have been transmitted by stakeholders, through meetings, calls, videoconferencing, text messaging and other media. The Board of Directors thus identifies, evaluates and responds to the needs and expectations of its stakeholders regarding the company and its performance.

102-28

As part of this process, the board undergoes a self-evaluation on the quality of its performance. This is carried out by the Chairman of the Audit and Corporate Practices Committees, and presented in the Annual Ordinary Shareholder's meeting as the Board's report on its operations and activities.

## CONFLICTS OF INTEREST

102-25

The Code of Ethics contains certain guidelines for board members and senior executives, governing the operations of Grupo Elektra and promoting honesty within the organization. These guidelines state that decisions and actions must inevitably aim at the greatest benefit for the company, independently of personal relations and benefits, and to guarantee this, Grupo Elektra has a number of mechanisms and procedures in place.

Since 2004, the Board of Directors has a policy on Related Party Transactions, which imposes restrictions and establishes approvals that must be obtained before carrying out any transaction with affiliates, and provides for internal and external controls and sanctions in the event of a breach of this policy.

The Audit Committee is responsible for overseeing transactions with related parties, and it also conducts an independent investigation of whether they are pertinent to the business and whether they are carried out under terms as fair and favorable to the company as would be arrived at in similar transactions with an unrelated third party.

The Corporate Practices Committee must provide an annual report of any dispensations granted for members of the Board, members of senior management or company representatives to pursue business opportunities for themselves, or which might benefit some other party related to the company or to corporations controlled by the company or in which it wields significant influence.

## RISK MANAGEMENT

102-15, 102-29, 102-30, 102-31, FS2

Grupo Elektra has a solid process for comprehensive risk management, characterized by a conservative stance for prudently managing its balance sheet and operations in order to guarantee the best use of its equity and capital investment.



Generally speaking, Grupo Elektra works to mitigate the risks that affect its capacity to respond to certain issues:

- Expanding the product portfolio with innovative options for its customers' wellbeing and progress
- Expanding the scope of its operations in Mexico and achieving optimum development.
- Increasing employees' sense of identity and belonging and thus reducing employee turnover.
- Improving quality of life in the communities where we operate and supporting the programs of Fundación Azteca.
- Promoting eco-efficiency and energy savings in all the facilities of its business units.
- Promoting financial inclusion and adapting to the needs of the customers we serve.
- Facilitate access to credit for entrepreneurs.
- Promoting the product portfolio comprehensively through Digital Banking
- Standardizing services in Banco Azteca's branch network.

Risk management applies to all of the Group's business units, but clearly it is most prevalent in the financial business, due to the activities this area carries out, focusing on banking intermediation through consumer credit and a funding strategy sustained by traditional deposits. This approach means that the institution conducts transactions in prudent and non-speculative manner, in order to ensure the efficient assignment of resources toward the placement of credit.

Banco Azteca faces four types of risk:

- Credit risk
- Liquidity risk
- Market risk
- Operating risk

Banco Azteca has adopted a robust set of controls to keep these risks from materializing and deter or mitigate their impact, all in keeping with institutional guidelines and the applicable legislation, as well as best practices developed nationally and internationally. Some of these instruments are:

- Policies and Procedure Manuals: These describe the goals, processes and methodologies used to manage risk in financial institutions.



- Information on risk management goals and results: available for the investing public and the general public in financial statements and corporate webpages.

Furthermore, for each financial risk, specialized measurement and management tools have been devised, including credit scoring models, the Basel methodology, the procedures established in the Unified Banking Circular issued by the National Banking and Securities Commission, internal models for rating expected loss, reserves and capital in the weekly billing consumer portfolio, asset valuation, parametric ratings, risk exposure estimation and statistical methodologies.

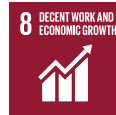
The results of these tools were evaluated in the Risk Committee meeting in February 2018. In the same meeting, the annual audit review was presented and the fiscal-year 2017 results presented (Article 76) by an independent expert, and the following qualitative risk management aspects were discussed.

- Goals, guidelines and policies approved by the Board
- Organization and conformation of the Comprehensive Risk Management Unit.
- Sufficiency of information processing systems.
- Information sources.
- Modification of measurement models.

- Approval and functioning of measurement models.
- Modification of risk exposure and tolerance limits.
- Internal comptrollership.
- Comprehensive Risk Management duties and activities.
- Observance of the risk assessment model.
- Internal and/or external reviews and checks of management methodologies.
- Frequency, timeliness, completeness and quality of risk reports.
- Comparison of risk estimates with observed results.

## COMPREHENSIVE RISK MANAGEMENT UNIT

### Principio 1



Among the instruments Banco Azteca uses to prevent the risks inherent to its operations from materializing is the Comprehensive Risk Management Unit, whose mission is “to serve as a strategic business partner, helping the bank to meet its goals, ensuring and maximizing return on its shareholders’ equity and preserving its clients’ investments and savings, in compliance with the legal and regulatory framework of comprehensive risk management.” With this, and together with the rest of the company, it seeks to turn risks into opportunities.

To guarantee efficient performance of the comprehensive risk management process, the Unit has established a set of specific goals, as follows:

- Promote a culture of comprehensive risk management in order to efficiently apply prudential policies and procedures.
- Institute a clear organizational structure for the correct dissemination and application

of the Manual of Comprehensive Risk Management Policies and Procedures.

- Have solid practices in the area of comprehensive risk management, consistent with the criteria of national authorities and international recommendations.
- Make available the tools needed to identify, measure, oversee, limit, control, inform and disclose the various types of quantifiable and non-quantifiable risks from a comprehensive perspective, consistent with the institutional mission and the business strategy developed by the Board of Directors.

The main advances of achievements in risk management in 2018 were the following:

- Definition and implementation of a new structure for the risk management area.
- Evaluation and recalibration of credit scoring models used in origination.
- Development of a Behavior Score model to automate campaigns, raise clients’ credit limits, improve the repurchase of existing clients and administer the current loan portfolio.
- Review, update and improvement of risk management manuals, standards and policies.

- Strengthening of relations with authorities their perceptions toward Banco Azteca in terms of comprehensive risk management, including the National Banking and Securities Commission (CNBV), Banco de México (Banxico), the Ministry of Finance and Public Credit (SHCP), the Institute for the Protection of Bank Savings (IPAB) and the National Commission for the Protection and Defense of Financial Service Users (CONDUSEF).
- Development and strengthening of risk management culture.

The priority strategic lines of action for Banco Azteca in 2019, to address the risk to which it is exposed, are:

- Increase the quality of the new client portfolio and repurchase loans (consumer, Italika, and others).
- Expedite and improve decision-making regarding risk.
- Improve customer ratings through a Customer Data Platform methodology.
- Innovate for improving the high-risk customer assessment process (financial rescue).





## BUSINESS CONTINUITY

Principios 7 y 8



Banco Azteca’s risk area has Business Continuity controls and processes, a Disaster Recovery and a Civil Defense plan, in response to climate-change related events, applicable throughout Mexico and Latin America. These plans focus mainly key scenarios of unavailability as defined by the National Banking and Securities Commission and the Unified Banking Circular

Annex 67 (Minimum Requirements for Business Continuity Plans).

In the event of a contingency, the Business Continuity Plan provides for prompt action to protect the safety of employees and to recover buildings, furniture and equipment, systems and telecommunications, valuables, ATMs, files and customers.

102-11, 201-2

Banco Azteca has preventive reserves for catastrophic risks, which cover:

- Earthquake and/or volcanic eruption; to be used to settle obligations stemming

from earthquake insurance retained risk; it is cumulative and can only be applied to claims, and upon authorization by the National Insurance and Bonding Commission (CNSF).

- Hurricanes and other extreme weather-related risks, which covers obligations taken on by the company under hurricane and flood risk insurance; it is cumulative and can only be applied to claims, and upon authorization by the CNSF.

These reserves are increased by adding any funds released from the ongoing risk reserve for unearned premiums retained from the earthquake and/or volcanic eruption and hurricane and flood risk branches, respectively, and with the capitalization of financial proceeds. The balance of these reserves is capped at an amount determined by a technical procedure established by the CNSF.

In 2018, Banco Azteca’s Business Continuity System advanced on a number of fronts:

- Development and authorization of the Business Impact and Risk Analysis Methodology.
- With the restructuring of Banco Azteca, the Business Continuity team was structured in keeping with best practices.

- The Business Continuity team was trained in the use of the FACT24 contingency tool for triggering alarms either for testing or actual emergencies.

- An audit and update of information from the Interbank Payment System in Dollars (known as SPID), as required by Banxico.
- Testing and update of the emergency personnel directly in the Treasury, AFORE and Collections areas, in order to identify possible operating impacts, define action plans and follow up on activities with each area head.

- Visits to branches to review “What to do in an Emergency” guides, and check with brand managers and assistant managers on how well these guides will work in various scenarios, like systems or technological failure, flooding, social unrest or earthquakes. Each branch was asked to draft an emergency response checklist and a list of affected employees, and a support process.

Furthermore, the Business Continuity Team was active in dealing with various emergency situations, such as:

- Damage to ATMs
- Flooding in Sinaloa
- Hurricane Rosa in Baja California
- Widespread demonstrations commemorating the 50th anniversary of the Tlatelolco massacre
- Hurricane Michael in Quintana Roo
- Hurricane Willa/Tropical Storm Vicente in Sinaloa
- Water system shutdown, Mexico City
- SPEI cyberattack, in which the central bank disconnected several banks from the central bank transfer payment system and asked them to use the “Alternative SPEI Transaction Client” procedure; and documentation of this emergency procedure.

## AUDIT

FS9

Principios 1 y 2



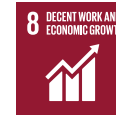
In the February 2018 meeting of the Risk Committee, the annual Audit review and the fiscal-year 2017 results (Article 76) were presented. The

audit was conducted by an independent expert, which reviews the following qualitative risk management aspects:

- Goals, guidelines and policies approved by the Board
- Organization and conformation of the Comprehensive Risk Management Unit.
- Sufficiency of information processing systems.
- Information sources.
- Modification of measurement models.
- Approval and functioning of measurement models.
- Modification of risk exposure and tolerance limits.
- Internal comptrollership.
- Comprehensive Risk Management duties and activities.
- Observance of the risk assessment model.
- Internal and/or external reviews and checks of management methodologies.
- Frequency, timeliness, completeness and quality of risk reports.
- Comparison of risk estimates with observed results.

The auditors’ conclusion was as follows: “based on the documentation reviewed, the status of risk management at the company can be considered adequate in consideration of the institution’s risk appetite.”

## CYBERSECURITY



Grupo Elektra has an important instrument for managing security: The Data Security Office (DSO). Its purpose is to establish institutional guidelines, policies and practices on data security, applicable to all Grupo Salinas business units as well as anyone who directly or indirectly provides professional services to these companies.

The DSO manages the design and implementation of the Grupo Salinas Security Model, which takes into account:

- Management of system access
- Security for apps and databases
- Network
- Data security compliance
- Creation of a culture of security
- Perimeter security protection

The DSO uses various technologies, in keeping with the cybersecurity control model:

- Hacker prevention systems
- Tools for protecting computer equipment and devices
- Event cross-referencing system

The mission of the DSO is to protect Grupo Salinas’ data and information assets against events that might affect their integrity, confidentiality and availability, generating value for its business units.

- File integrity verification tools
- State-of-the-art security monitoring equipment
- Perimeter and app-level protection equipment
- Blocking and prevention of database attacks
- Identity management technology for system access.





The DSO evaluates the effectiveness of these tools through a specialized area called the DSO Lab, which is in charge of analyzing new technologies, fine-tuning and optimizing implementation, and comparing new technologies in use around the world with those currently being used within the Group.

The DSO reports the following achievements for 2018:

- Implementation and migration of a process for authenticating apps through a new cutting-edge system access management technology.

- Activation of more than 25,000 employees for the use of dual-factor identification (digital token).
- Increased security through management of passwords for users with special privileges using a digital vault, followed by passwords for communication equipment, servers, databases and apps.

The DSO's goals for 2019 are:

- Reduce the risk of cyberfraud to avoid economic losses and impact on Grupo Salinas companies.
- Integrate a cybersecurity model for the

Group into its digital transformation model, adapted to its vision and development model, so that it can create flexible, secure products.

- Minimize the risks associated with managing users with special system access and their passwords.

In addition, Banco Azteca's Business continuity area is working on an institutional action plan focused on preventing cyber-attacks, in keeping with the cybersecurity obligations imposed by the National Banking and Securities Commission (CNBV), article 164, Responsibilities of General Management. Work will therefore focus on

developing measures to ensure that the institution's transactions and operations are consistent with the Internal Control System, by adopting, among others, the following measures:

- Protecting the integrity and proper maintenance of technological infrastructure including automated data processing systems and telecommunications networks.
- Ensuring that data security procedures, organizational structures and policies appropriate to the institution are followed.



# INTEGRITY AND CULTURE

102-16  
Principios 1, 2, 4 y 6

Grupo Elektra is known as a responsible, reliable company, one that acts on the basis of solid values and ethical principles to generate inclusive prosperity.

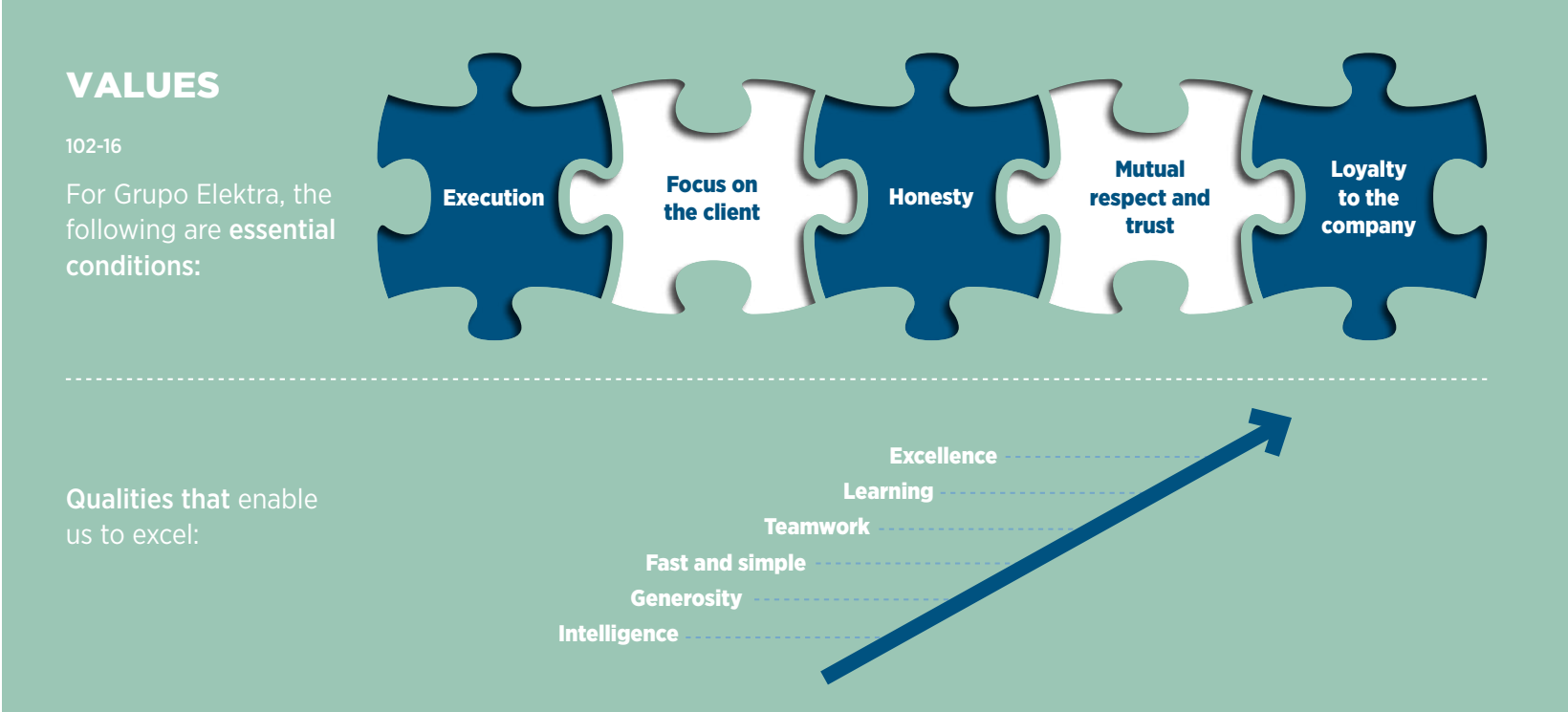


In 2018, the Group continued the process of transforming and strengthening corporate culture, the distinguishing trait that guarantees its companies' authenticity in terms of value generation for their stakeholders.

Banco Azteca thus fosters a culture of excellence, a primordial aspect of how it defines itself inside and out, made up of a set of expectations and standards of conduct that guide employees about the best way to do their jobs and interact with each other.

## CODE OF ETHICS

102-16  
For Grupo Salinas –the set of companies to which Grupo Elektra belongs– the Code of Ethics is a basic instrument for promoting the highest standards of honesty, integrity and compliance with legislation in all activities by the board members



and senior management of Grupo Elektra and its companies.

Among the issues addressed in the Code are ethical handling of conflicts of interest, culture of legality, environmental responsibility, and clear, sufficient, transparent, fair, precise and timely information in the documents issued by various operations areas of the companies that make up Grupo Salinas, aimed at all its stakeholders.

102-26  
The Code of Ethics is reviewed each year by senior management in a meeting of the Social Responsibility Committee of Grupo Salinas and each of its companies, according to the actions they are involved in, for example as a Socially Responsible Company (ESR®), which is a distinction given to Elektra Stores, Banco Azteca and Italika. In this way, the companies of Grupo Elektra redefine their principles and values.

## 16,473 Elektra Stores employees took courses on ethical issues through online training in 2018

82,365 hours of training given to Elektra Stores employees about discrimination.

1,529 Banco Azteca employees trained in ethical question; 8,938 hours of training given.

### FAIR COMPETITION

GRI 206: 103-1, 103-2

For Grupo Elektra, the guiding document regarding fair competition is the Federal Economic Competition Law and its regulations. These regulatory instruments establish the importance of promoting, protecting and guaranteeing free and open economic competition, rejecting monopolistic practices or barriers that stand in the way of the efficient operation of the markets.

### ANTI-CORRUPTION

GRI 205: 103-1, 103-2, 103-3  
102-26

Grupo Elektra is convinced that it is possible to do business ethically, honestly and responsibly, so having anti-corruption measures in place is

highly important for the group, as is compliance with laws like the Federal Law on Prevention and Identification of Transactions with Illegal Resources and its secondary regulations.

In October 2018, Grupo Elektra's Board of Directors established three key actions for encouraging ethical conduct by everyone who is a part of the group:

- Ratification of the principle of "Ethical Business Conduct and Zero Tolerance for Bribery and Corruption."
- Approval of creation of an autonomous intermediate management body called the Integrity Committee.
- Instructing the Integrity Committee on the design, creation and implementation of the Ethics, Integrity and Compliance

Program, which will address best national and international practices on anti-corruption and bribery, based on an analysis and evaluation of the corruption risks that might affect the company and its operations.

The Integrity Committee is responsible for:

- Designing, structuring, implementing, executing and evaluating the Ethics, Integrity and Compliance Program.
- Ascertaining that Grupo Elektra operations and businesses are conducted in an ethical, honest and transparent manner.
- Addressing and resolving any matter relating to the company's Integrity Program, including any violations or necessary sanctions.

The committee must present an annual report to the Board of Directors on the status of the Programs' operation and functioning, as well as continuous improvement measures.

205-1

In 2018, 100% of Italika's operations in Mexico and 10% in Latin America were evaluated for anti-corruption and MLP processes.

The Integrity Committee is made up of three members designated by the Shareholders in their annual meeting, with the support of the Chief Compliance Officer in executing and applying anti-corruption policies.

For Italika, establishing principles, general guidelines, policies and procedures for legal compliance with anti-corruption and money-laundering prevention laws, as well as training its employees, are important processes, because they represent a set of instruments that make it possible to anticipate and detect such illicit activities, such as the monthly cross-check of company billing against the accounting records. In 2018, Italika continued this evaluation process in both Mexico and the rest of the countries in Latin America, identified an area of opportunity in the incorporation of new up-to-date processes to keep up with the brisk growth of this business.



16,473 Elektra Stores employees received anti-corruption training in 2018.

## MONEY-LAUNDERING PREVENTION (MLP)

Money-laundering and terrorism financing have economic and financial impacts at every level and in the medium and long term they can damage the social fabric and erode family and social wealth. Among other effects, these situations permit organized crime to build their logistical and operating capacity, generate corruption and weaken public institutions, even distort the movement of the markets.

For Banco Azteca, preventing money-laundering and terrorism financing is a priority, as is complying with laws on these matters. The institution is responsible for identifying resources of legal and illegal origin in order to prevent them from being used to finance terrorism in Mexico and Latin America or to support criminal groups.

To do so, Banco Azteca has a Global Illegal Financing Prevention Unit committed to promptly and

1,972 Banco Azteca employees trained in anticorruption processes in 2018, a total of 6,153 hours of training given.

fully discharging its obligations stemming from local laws and international standards, efficiently and based on the highest quality standards, in order to minimize the risk of the institution in Mexico and Latin America being used as a channel for illegal transactions or to finance terrorism, and thus to protect its shareholders' equity and provide the best attention to clients and users.

Banco Azteca's Global Illegal Financing Prevention Unit has created a Prevention of Money-Laundering and Terrorism Financing (PMLTF) unit, which uses a risk-based approach and applies international standards and local guidelines to ensure compliance with the United States Bank Secrecy Act. The program consists of five pillars:

- Internal controls
- Compliance officer
- Independent review
- Training
- Identification of final beneficiaries

Furthermore, to guarantee that the institution's goals are met, Banco Aztec has a robust set of internal policies, all of them available on the corporate webpage and to all employees, even members of the governance bodies. These are:

- The Code of Conduct
- Manual on Money-Laundering and Terrorism Financing Prevention
- Guide on Operation and Treatment of Alerts
- Know Your Client/Employee/Vendor Policy

Employees also have access to various tools aimed at compliance that allow both analysts in the MLP area and personnel in branch offices to play the appropriate role in the prevention process:

- Suspicious Transaction Button/Unusual Transaction Button as a first line of defense

and, at bank branches, when the transaction is performed

- MLP monitoring system for tracking alerts
- Analysis of unusual transactions and identification of suspicious transactions.
- Client and user risk matrix
- Review of internal and internal blacklists.
- Due diligence client procedure, including those that fall under the reinforced system, clients defined as Politically Exposed Persons (PEP), suppliers, counterparties and employees
- Solid corporate governance structure.

## CONOCIMIENTO DEL CLIENTE

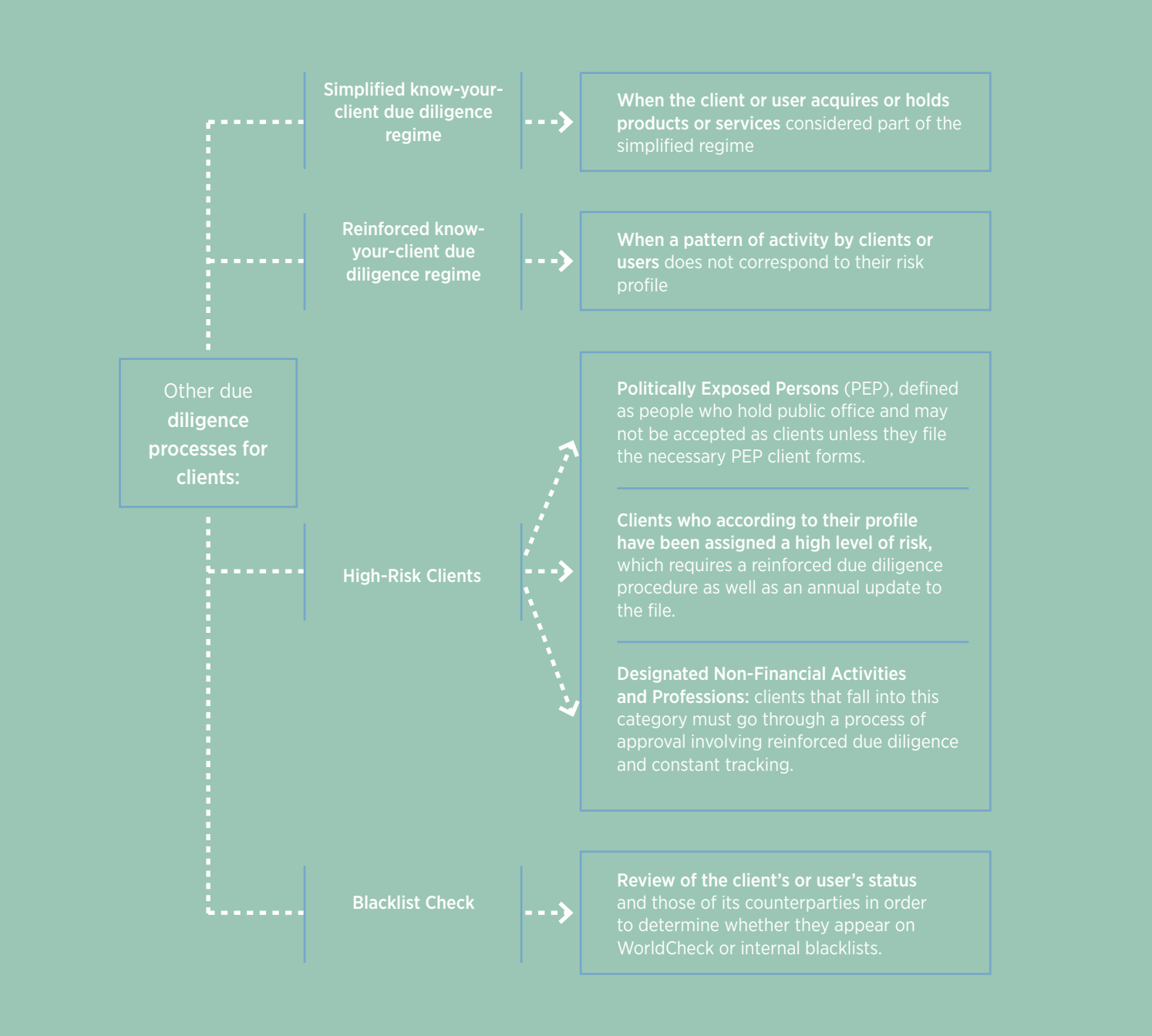
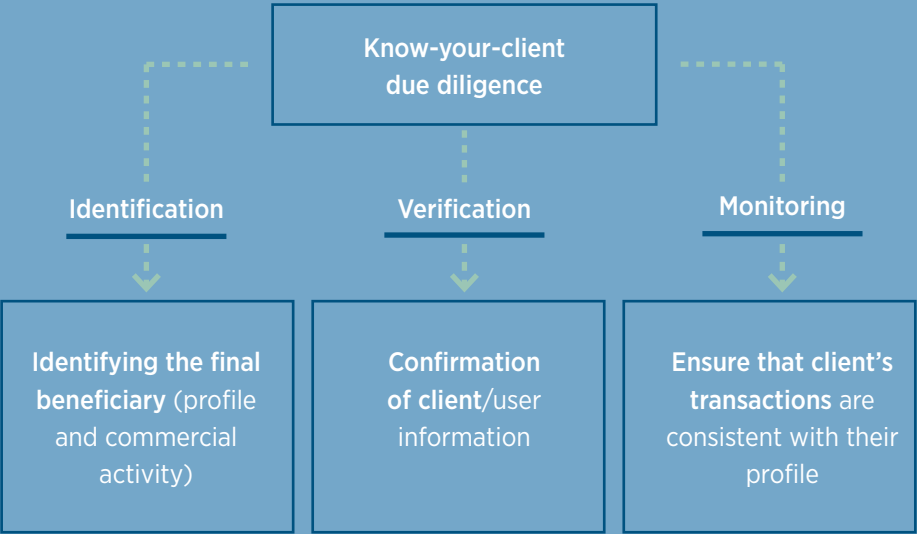
Deciding whether to accept a client is fundamental in the prevention of money-laundering and terrorism financing. To do so, the company must identify the individual or corporation seeking to acquire some financial service or product. Risk-based due diligence establishes that provisions apply to every client regardless of personal characteristics or the frequency with which they perform transactions.

In the due diligence process for knowing our clients, we need to clearly define the informa-



tion needed in the identification, verification and monitoring phases. The purpose of the first two phases is to collect and confirm the client's or user's information, while during the monitoring phase the institution decides whether or not to continue the commercial relationship.

Additionally, before a new client or user is accepted, they must be checked against various risk mitigation standards, when the scenario corresponds to one of these specific parameters, while the know-your-client due diligence procedure continues during the entire life of the commercial relationship.



Furthermore, in to detect unusual and/or suspicious transactions, Banco Azteca has two types of alerts:

- **Quantitative**, generated by the automated MLP system, which reports transactions that fall within certain parameters, considering client, product, service, channel, geographic zone and transaction risk factors.
- **Qualitative**, those detected and communicated by branch employees possibly because of one of the abovementioned scenarios, or situations unique to the client or user.

Alerts are analyzed by checking various sources in order to compile and sort information that gives us enough knowledge of the reason for the transaction, the origin of the funds and the real beneficiary. With this, we can identify whether it is an unusual or suspicious transaction.

Banco Azteca has placed a priority on setting goals and targets for compliance with national and international regulations on PMLTF, introducing strategies and controls to evaluate the effectiveness of such measures and the level of regulatory adherence. These include:

## In Guatemala, Banco Azteca took part in a National Risk Evaluation led by the World Bank, with the cooperation of the Superintendency of Banks. The results of this evaluation are expected to come out in 2019.

- Internal audit, a process for evaluating the design and application of the money-laundering and terrorism financing risk prevention system.
- External audit by an independent professional, conducted annually
- Regulatory audits based on the annual work program of the MLP regulatory authority.

The main issues analyzed in these audits –applicable to all of Banco Azteca’s business units in Mexico and Latin America– are:

- Internal structure
- Compliance program
- Due diligence in KYC
- Management and evaluation of asset-laundering risk
- Information system and transaction monitoring
- Report of suspicious transactions
- Regular reports

- Implementation program
- Regulatory reviews
- PMLTF manual
- Information on the liable party

At the corporate level, Banco Azteca has two additional sources for analysis:

- Monitoring Center. In charge of generating strategic analysis through risk patterns identified in the regular course of Banco Azteca business unit operations. Guarantees secretary of information on each business at all times.

- Area for PMLTF preventive compliance verification. Serves as an additional checkpoint and is part of the bank’s Compliance area and management.

Based on the findings of these evaluation processes, preventive and corrective actions are taken so that PMLTF programs policies and processes can be continuously improved.

At the close of 2017 a set of targets and goals were set for 2018, and during the year substan-

## In Honduras, Banco Azteca joined the Honduran Association of Banking Institutions and sits on committees organized for Compliance Officers and others in which important PMLTF cases are discussed.

# 7,177 employees informed of Money-Laundering Prevention and Terrorism Financing procedures at the close of 2018, 100% of the Latin American work force

tial progress was made, including:

- Strengthening of MLP culture within the institution
- Optimization of internal processes in MLP units.
- Introduction of an Anti-Extortion Plan for Corporate headquarters and regional offices (branches).
- Improvement in training courses based on the needs of regional branches.
- Strengthening of the process for identifying people subject to international and local sanctions (blacklists)
- Strengthening the process for identifying and monitoring PEPs.
- Improving processes involving correspondent banks.
- Strengthening of know-your-client and reinforced due diligence programs through stronger management in various business areas.
- Stronger management with businesses to update files on high-risk clients

- Coordination of actions to improve the integrity of client and user information in all business units.

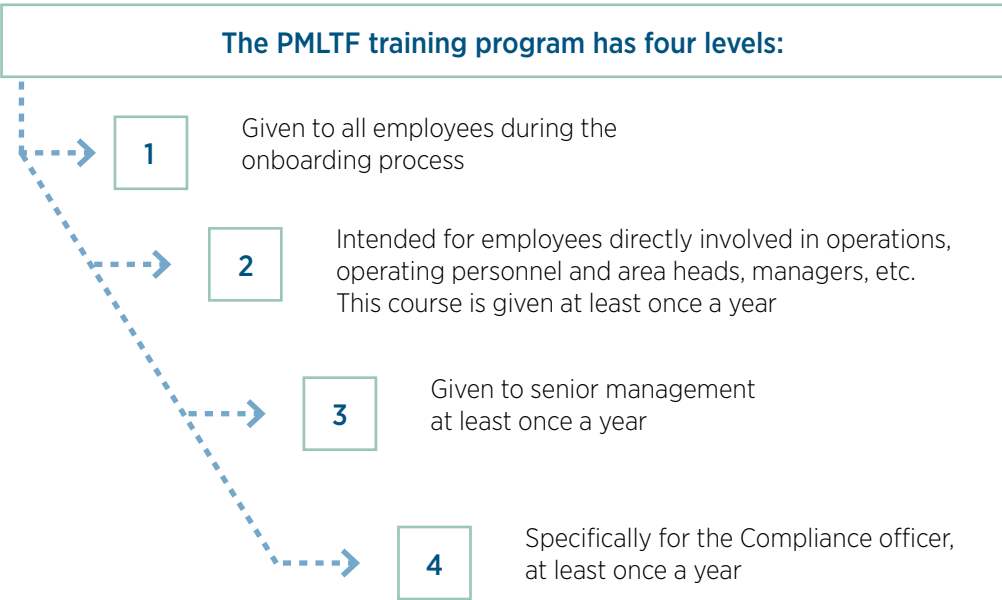
Each country has an PMLTF Committee, a collegiate body in charge of receiving observations and policy modifications from the Compliance Officer. The Committee meets once a month –or bimonthly in some countries– continuously monitoring correct application of the guidelines established in PMLTF policies.

Besides learning about policies and procedures in this area, in order to build a culture of prevention and avoid transactions involving illegal funds, the Global Illegal Finance Prevention Unit of Banco Azteca provides PMLTF training each year through a number of tools: e-learning, classroom training and conferences, among others. This training is given locally throughout Mexico and in every country of Latin America where Banco Azteca is present, covering 100% of employees, from Advisors and Cashiers to Branch Managers and Senior Management

# En 2018, Banco Azteca logró ampliar el alcance de la formación en materia de PLD/FT, logrando capacitar 6,993 colaboradores en Latinoamérica.

The training includes specific modules on compliance with internal PMLTF policies that all employees, including members of governance bodies, must follow. It encompasses regulatory information, the importance of preventive action,

techniques for employees and officers to detect transactions that may be related to money-laundering or terrorism financing, and what to do in such cases.



Having completed the training program, employees take an exam. In the case of the classroom course the exam is given immediately upon completion of the course, and if an employee fails to pass the exam (less than 80/100 responses correct) they must take the course again, to be held subsequently at the location assigned. There is also a program of corporate sanctions if an employee fails to complete or cannot pass the course.

To extend the PMLTF processes to other areas, during the procurement process Banco Azteca informs contractual counterparties and suppliers of general guidelines on the matter. Nevertheless, for reasons of confidentiality and information protection, they are not given access to the policies and procedures.

In order to continuously improve and strengthen our structures and instruments for Prevention of Money-Laundering and Terrorism Financing, Banco Azteca has set clear tasks in several areas for 2019:

- Alert and case analysis. Strengthen the corporate governance model regarding MLP to ensure optimum decision-making in the cases analyzed.

- Coverage assessment. Evaluate alert scenarios in Mexico and in each Latin American country to improve transaction analysis by creating or adjusting alert scenarios.
- Analysis policies and processes. Define and approve the new policy and processes at the corporate level in order to optimize case

- analysis, research and documentation for each country, regarding countries that have approved policies and processes in place.
- Training. Prepare Compliance Officers and MLP analysts to introduce new policies and processes, identifying the number of employees to be trained and proportion of those that have already been trained.

- Case management. Administer cases to be analyzed based on the policy, in order to present them to the MLP Committee, determining the number of cases to be managed and the number of cases already analyzed using the methodology.

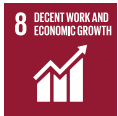




# HONESTY

102-17, 102-44

Principios 1, 2, 4 y 6



To reinforce communication within the company, Grupo Elektra encourages the use of direct

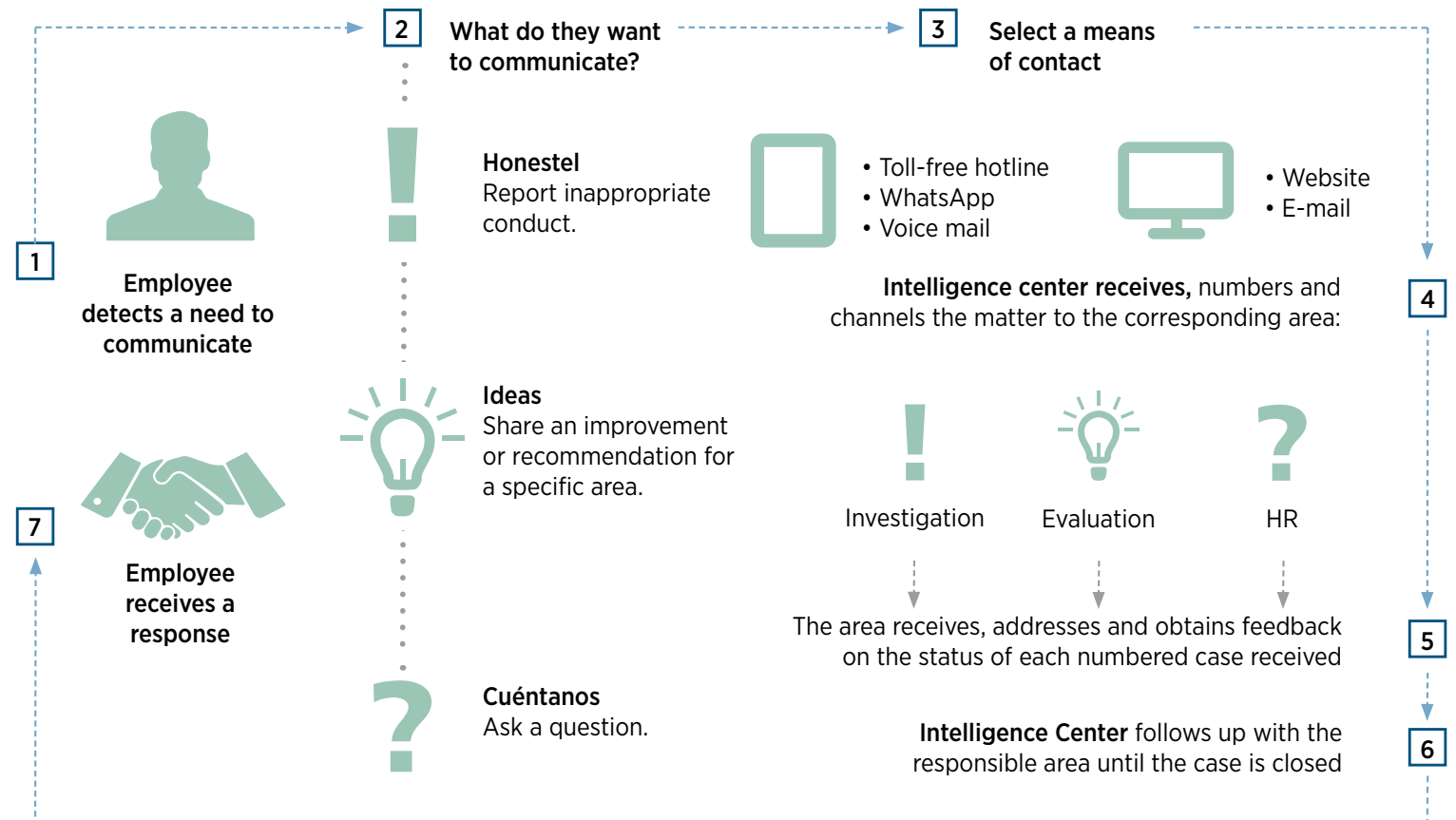
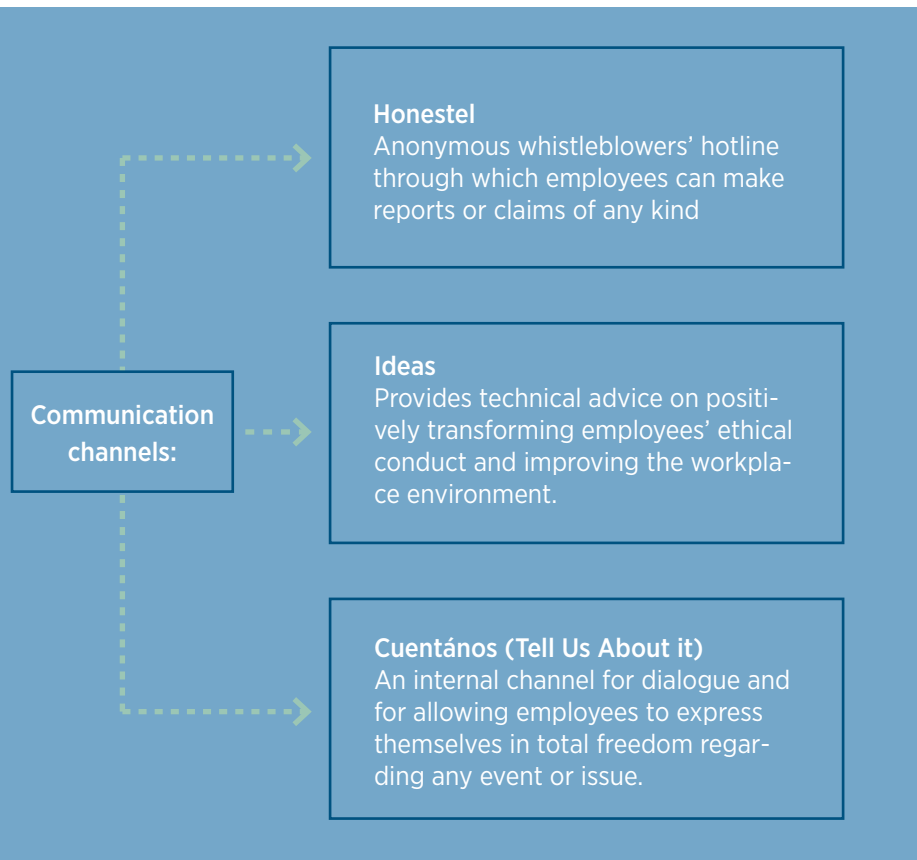
channels of communication between employees and management. Employees are also kept up to date on what is happening in the company, and should feel confident that their ideas, inquiries and reports will be considered.

These media are available through various points of contact, 24 hours a day, 365 days a year.

Communication channels are managed through:

- Defined general process.
- Specific procedures for each.
- Personnel in charge of receiving, channeling and following up on each contact.
- Evaluation indicators:

- > Number of incidents received
- > Trust
- > Anonymity (percentage of incidents received in which the person making the complaint provided no personal data), showing the level of trust in our channels



- › Effectiveness (percentage of effective investigations, projects implemented, and questions answered).
- › Time to address each incident, measured from the day the case is sent for attention until a satisfactory response is received

In 2018, 4,687 complaints were received through Honestel and 3,025 investigations were carried out, 64% of them ruled valid.

87% of confirmed investigations were closed in 2018.

4,687 claims received through Honestel, 8% less than in 2017.

## HONESTEL



4% of interactions involved breaches of the Code of Conduct; 26 were proven and closed.

## IDEAS



759 interactions received through the “Ideas” channel, a 31% decline from the previous year.

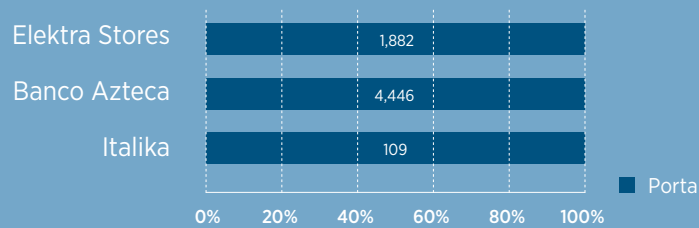
In 2018, 645 Grupo Elektra employees were trained in the use of the Honestel, Ideas and Cuéntanos channels –a total of 645 hours of training.

659 Grupo Elektra investigators trained in 2018 –a total of 15,816 hours of training.

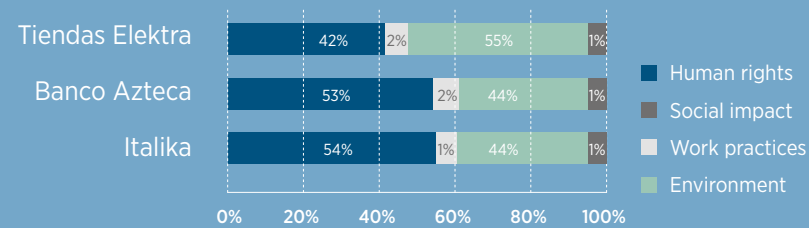


### CUÉNTANOS

Means of contact



Issues Addressed



6,437 interactions received through the “Cuéntanos” channel, a 10% reduction from 2017.



# SHARED COMMITMENT

GRI 204: 103-1, 103-2, 103-3  
102-9  
Principios 1, 2, 4, 5 y 10

At Grupo Elektra, the supply chain is a key pillar on the path to sustainability, which is why the Company is exacting about supplier selection.



It seeks out commercial partners who not only specialize in their field of business but meet all the requirements and qualifications to offer quality products and services to clients. In this way it can mitigate risks that may affect the operations of the Group's companies

Grupo Elektra has a Central Purchasing Area – specialized in supplier management—which establishes criteria for vendor approval according to the needs of each purchasing category. This process has helped it mitigate risk in its acquisition of materials and services, and increased the success rate of each transaction with commercial partners, guaranteeing the consolidation of the supply chain.

The Central Purchasing Area has various support mechanisms for selecting the best commercial partners:

## 1. Acquisition process:

- **Purchasing System and Tender and Auction Portal.** This system receives requests from each business unit, and negotiators for each category evaluates them to define and execute the purchasing process –generation of purchase orders which are sent to vendors to fill and/or execute.
- **Policies.** These govern the internal regulatory and commercial framework to be followed by business units, users, purchases and anyone else who interacts with the Central Purchasing Area. There are policies on:
  - › Purchase requests
  - › Delivery of materials and services
  - › Order assignment
  - › Negotiation of materials and services
  - › Electronic releases

## 2. Supplier selection:

- **Purchasing system.** Concentrates master data on each vendor once it has been incorporated into the supplier registry for Grupo Salinas' Central Purchasing Area.
- **Policies.** Supplier Ethics, which addresses conflicts of interest, professional ethics, confidentiality and sanctions: Declaration of non-relationship with family members or former employees of Grupo Salinas; and the Non-Disclosure Agreement (NDA).
- **Supplier Portal.** Attracts potential vendors offering products or services; records contact data on the prospect so the purchaser for that category can get in touch with them and determine whether or not they are suitable for participating in tenders, auctions, comparative tables, etc.



- **Processing documents:** Forms that the Central Purchasing Area requests during the registration process to collect enough information to determine the extent to which a supplier meets the requirements to be incorporated into the supplier registry.
- **Certification.** A tool for rating the legal, financial and tax situation, commercial standing, creditworthiness and environmental handling of a company, so it can be assigned to the correct purchasing category.
- **Surety bond.** A resource that allows the company to determine the prospective vendor's capacity to guarantee performance and avoid compromising the Group's integrity.
- **Comprehensive risk management.** Processes are evaluated and improvement plans are drafted, and preventive and correction actions are incorporated into the flow of operations.

In addition to the risk management process, the Central Purchasing Area has a list of critical suppliers based on the top 20 orders recorded in the Purchasing Website in 2018 (in terms of billing).

Once a first-time supplier has provided the product or service, the Central Purchasing Area eva-

## 876 Grupo Elektra suppliers were hired in 2018; at the close of the year it had 1,972 active suppliers<sup>1</sup>.

<sup>1</sup>Estos datos incluyen únicamente las compras de indirectos de Italika.

luates its level of compliance in terms of quality and service time required, and suggests the necessary improvements. If the results are acceptable, the supplier is eligible for future orders; if not, the supplier is inactivated and receives feedback to improve its performance; if it can subsequently prove that it has taken corrective measures, it will be re-considered for future orders

### PROGRESS, RESULTS AND HIGHLIGHTS FOR 2018

- Shortened the time it takes to register a supplier by 67% on average, from 60 to 20 days.
- Specialization of real estate suppliers, mitigating the risk involved in awarding a project to a new supplier.
- Constant evaluation of supplier deliveries,

204-1

## 87% of Grupo Elektra's supplier payments<sup>2</sup> in 2018 went to domestic firms

<sup>2</sup>Estos datos incluyen únicamente las compras de indirectos de Italika.

with the design a model to evaluate commercial partners in a functional, simple, accurate, understandable, actionable, accessible, sustainable and measurable way. The model can now be implemented in 2019.

- Invited suppliers to work on environmental and labor issues, such as:
  - › Obtaining an environmental license consistent with their field of business
  - › Disposal of products and waste
  - › Occupational health
  - › Regulation of under-age workers
  - › Safety at the workplace
  - › Registry of employees with the Social Security Institute
  - › Non-discrimination and human capital management
- Inclusion of sustainability guidelines into the certification reports on suppliers

that have processes for assembling, manufacturing or transforming products. This will shortly be applied to the rest of the supplier registry through visits to their premises to confirm sustainability plans and actions.

- Control of minimum stock quantities included in the calls for bids and auctions

### SUPPLIERS' CIRCLE CERTIFICATION

GRI 308, 405, 406, 407, 408, 409, 412, 414: 103-1, 103-2, 103-3 412-3

In keeping with the firm policy of environmental and social commitment Grupo Salinas is known for, and in addition to its evaluation of services rendered by its suppliers, Grupo Elektra has developed a concept known as "Suppliers' Circle Certification." This guarantees responsible purchasing based on ethical, labor, social and environmental criteria.

Under this system, companies that supply the group must meet various requirements, among them a social and environmental pledge by which they accept responsibility for complying by the existing laws, caring for the environment and respecting human rights.



## 97 Grupo Salinas suppliers fulfilled environmental and social commitment criteria.

308-1, 414-1

## 70 new suppliers<sup>3</sup> fulfilled environmental and social commitment criteria.

## 95 suppliers<sup>4</sup> were able to improve their performance in economic, social, environmental and ethical terms.

In 2018, 36 suppliers failed to meet the criteria established by Grupo Salinas, the most common cases being late delivery of a product or service, insufficient quality in the product delivered compared to the technical specifications, and low levels of service compared to those negotiated. Seventeen of these suppliers adopted corrective plans as Grupo Salinas recommended

and three were removed from the list because of failure to comply with Group criteria (0.08%).

The main indicators we will be tracking to ensure this culture is in place will be:

- Generation of savings for Grupo Salinas amounting to at least 5% of total expenses,

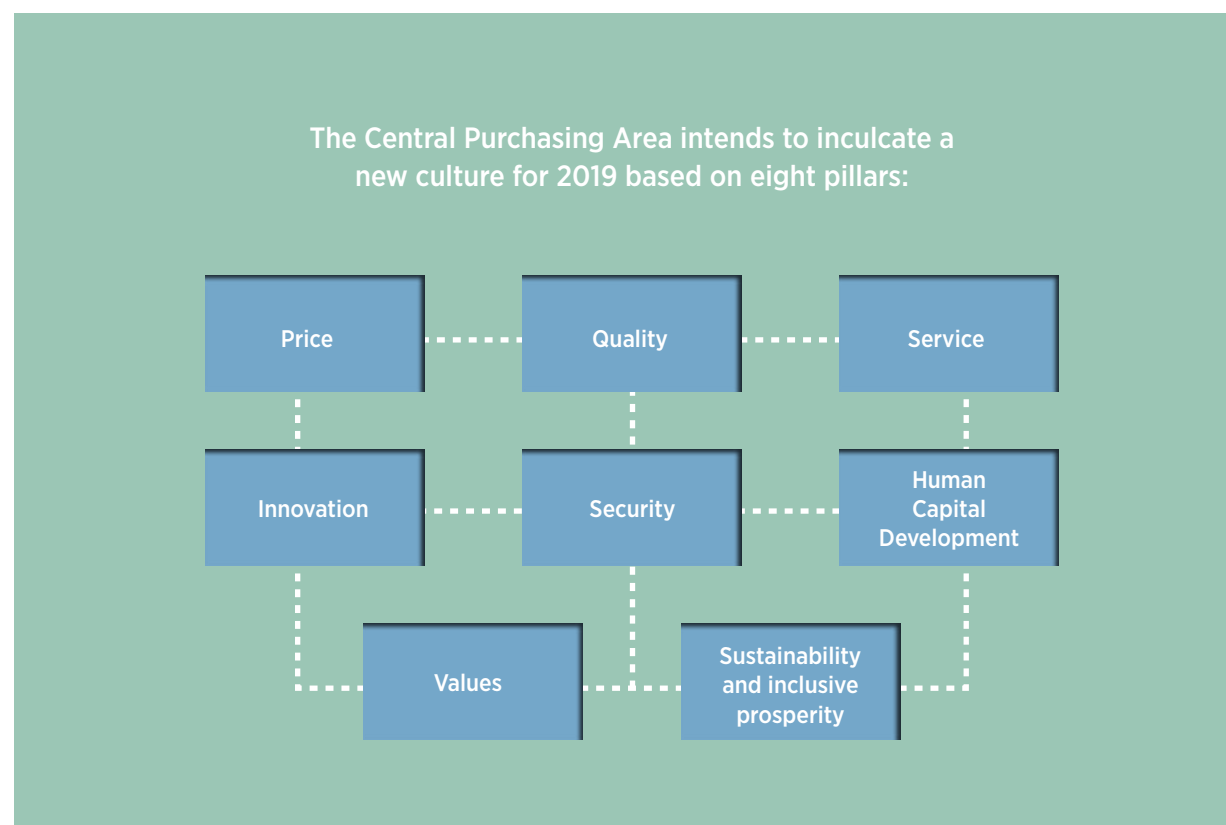
in order to contain the increases reported in 2018

- Attraction of new businesses and purchasing volume
- Increase in service levels and customer satisfaction
- Increase in open and above-board competition between suppliers.

The priorities resulting from this new culture, in terms of our sustainability goals, are:

- **Economic**
  - › Cost reduction in order to mitigate the impact of inflation in 2019
- **Social**
  - › Promote integration and teamwork.
- **Environmental**
  - › Inclusion of physical inspections to rate suppliers according to sustainability
  - › Negotiations with suppliers on environmentally-friendly materials
  - › Negotiation on destruction and disposal of toxic and other waste (in process)..
- **Ethics**
  - › Restructuring of the internal ethics policy for the Central Purchasing Area.

Italika is also in the process of negotiating with spare parts suppliers for product assembly



<sup>3</sup> Del total de proveedores gestionados por la Central de Compras, es decir, a nivel Grupo Salinas.

<sup>4</sup> Del total de proveedores gestionados por la Central de Compras, es decir, a nivel Grupo Salinas.

## At the close of 2018, Italika had 27 spare parts suppliers, 2 of them new.

Thorough evaluation of our suppliers is important to the company because it increases the level of confidence in their products –their quality, functionality and durability– in keeping with external and internal standards and regulations, and making the final product safer for users.

The supplier evaluation process begins with a reconnaissance visit to vendors' premises, auditing all the areas of the company.

This inspection includes:

- Quality control
- Manufacturing
- Materials handling
- Engineering
- Management in general
- Status and condition of equipment and facilities.

On this basis, Italika rates the issuer according to automotive industry standards using a “stoplight” system:

● > 80 points: immediately qualifies as a supplier.



● 50-80 points: Italika will work with the candidate to make the necessary changes and improvements until it can raise its score to above 80.

● < 50 points: there is a high risk of working with this supplier; eliminate from list of candidates.

Depending on the product, there are various Mexican regulations that must be met for the company to qualify as a candidate. To ensure the products we wish to acquire conform to re-

gulations, the quality of the components is evaluated through specialized internal or external laboratory testing.

Suppliers must also meet standards for their country, for example, Chinese manufacturers must comply with China's Environmental Protection law as well as international standards like ISO 14000.

If any non-compliance is detected for a supplier already working with Italika, that company is

re-evaluated with special attention to the regulation or standard they have breached. Then, together with the supplier, an improvement plan is developed, to be implemented as soon as possible, and once this is done the review is repeated on every point of improvement, in order to make sure the plan was correctly implemented. If the non-compliance persists, the commercial relationship with that supplier is terminated.

Once a component has been acquired, each purchase order is inspected before packing. Pieces are examined at random based on key specifications established by Italika. A material must meet 100% of requirements to be released; if it does not, the piece does not pass inspection and is placed in a quarantine area, where the supplier has 72 hours to replace it with a compliant part.

No material can be released without Italika authorization. If a piece is reported defective, either upon receipt of materials in Mexico or even by the end user, the supplier is contacted to make sure the new pieces meet with the standards agreed upon. Italika has a daily inspection report in which it keeps a record of which components have been found defective.

The measures Italika has taken to mitigate risks in its supply chain are:

14 logistical suppliers to Italika, 2 of which were added in 2018; 86% of them are Mexican.

- Quality of key components
- Las Italikas, to ensure optimum functionality.
- Daily advance of production orders, ensuring the shipment goes out complete and on time.
- Quality in each shipment, to ensure that it contains the right components, color, size, measurement and quantity.
- Documentation prior to shipment to check that the data are correct and avoid portside delays or late delivery of the merchandise.

Because the market becomes increasingly competitive every year and clients are demanding better and better products, Italika has a permanent commitment to making rigorous and detailed evaluations of current and prospective suppliers in order to find products that meet users' needs in terms of quality, durability, functionality and price. With this, Italika reduces incidents and ensures that the final product meets the highest quality standards.

892 suppliers of raw materials and services to Italika; 381 of them engaged in 2018.

In 2018, Italika's Strategic Engineering area worked in tandem with the Mexican government to create a plan to locate domestically-produced components in order to promote local suppliers, which should encourage economic development for years to come. This diagnosis identified six Mexican suppliers, which were selected to work with Italika in 2019 with an expanded workforce, providing more job opportunities to Mexicans. The plan provides for the development of more suppliers in addition to these, in the 2019-2021 period.

204-1

16% of total vendor payments were to local suppliers.

57% of Italika's suppliers of raw materials and services are local, from Mexico City and Mexico State.





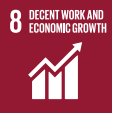
# TOGETHER FOR INCLUSION

Principios 4, 6 y 10

## CUSTOMER-FOCUSED

GRI 416: 103-1

Being customer-focused is one of the values that Grupo Elektra is best known for. Accordingly, the company directs its actions toward creating more and better products and services and innovating in order to create better opportunities for millions of families, thus promoting inclusive prosperity and, for the Group, this focus is reflected in the trust that its clients place in each of its business units.



GRI 416, 417: 103-2, 103-3

In 2018, Elektra Stores renewed its efforts under a 2016 agreement with the Federal Consumer Protection Agency (PROFECO), by which it applies best retail practices to guarantee the safety in the goods and services customers acquire.

Part of this agreement involved forming a group of various employees from various areas in order to immediately address the root of any claim relating to deceptive advertising or promotions. No cases of this type were presented during the year.

To support this commitment, we took three strategic actions:

1. Presented all the information on its product labeling and promotional material to PROFECO, making sure its communications with clients were aligned with the specifications certified by the authority.
2. Launched an employee training plan to explain how the PROFECO agreements work.
3. Developed a process of addressing and solving complaints brought by clients, involving various areas in order to ensure a comprehensive focus.

FS4, FS15

In 2018, Banco Azteca continued on the path toward cultural and organizational transformation, and in this process understanding the reasons, practices and perceptions, both of clients and employees, is fundamental for the optimum development of operations. With this in mind Banco Azteca took on the task of conducting some research to learn more about people in their daily context.

Banco Azteca intends to turn the information from these studies into actions that benefit both customers and employees along the road to inclusive prosperity, by developing specific products, services and programs for each group, which contribute value to improving quality of life, help them to expand their options for building a future, and meeting your expectations and needs.

The instruments it uses to carry out this research are:

- **Anthropological immersion**

Joint long-term involvement in creating a work plan, together with company directors, business units and/or specific work areas.

- **Ad hoc studies**

Anthropological research projects developed for specific purposes and timeframes, focused on understanding daily life among our customers and employees, to generate socio-cultural knowledge and specific recommendations that are useful to each business area.

- **Seminars**

We present the results of the knowledge shared in the Social Log as well as information generated for Banco Azteca, based on the needs of each area, its services,

## 19 ad hoc studies on various topics: millennials and entrepreneurship, millennials and financial services, identity and belonging, effort and sacrifice, building the service experience, and others

products and proposals for work and communication.

- **Seminar on Socioeconomic and Cultural Levels**

Aimed at employees newly hired for positions with corporate headquarters. Its purpose is to learn about and understand the segment at the base of the pyramid, complemented with field visits to put into practice the lessons learned during the seminar

- **Anthropological Routes**

An awareness-building visit for employees, showing them certain phenomena on site, accompanied by commentary from specialized anthropologists and social scientists. At the end of the tour, employees have the opportunity to converse with a medium-low income family participating in the Socioeconomic and Cultural Levels Seminar

- **Research Publications**

Regular publications containing sociocultural

information on specific topics relating to Banco Azteca's current goals. The solidity of this information enables employees to use it in their daily tasks, and it also contains timely recommendations on a social phenomenon that has been explored and related to those topics.

- **Advisory services**

Work meetings with clients to share the knowledge generated through seminars, reviews, information analysis, semiotic analysis and recommendations.

The results of all this research made it possible for Banco Azteca to lay the foundations for a

cultural model based on convictions, to guide its performance toward strengthening inclusive prosperity, to be executed in 2019.

Banco Azteca's goals for 2019 regarding socio-economic knowledge of our clients and employees are:

- Completing transformation of the business model through specialization of Banco Azteca's different units.
- Deepening our sociocultural knowledge of target markets according to the goals of each unit

## 36 Seminars on topics like millennial behavior, generational differences, technology use, Banco Azteca client needs, learning rooms, turnover and retention, Banco Azteca pride, and others.



Furthermore, in order to support our strategy of client protection, in 2018 Banco Azteca signed a cooperation agreement with the national Commission for the Protection and Defense of Financial Service Users (CONDUSEF) to create an alliance with the authorities and demonstrate that Banco Azteca provides quality financial services and guarantees that the client is obtaining unique, personalized service appropriate to their needs.

With this agreement, Banco Azteca's goal is to train branch and field personal to improve the institution's ranking in the User Service Performance Index, intending to remain among the top three institutions in the industry.

One of the core commitments assumed under this agreement is to generate value for clients, serving them and earning their trust, which

will mitigate the risk of incurring some fine or sanction for failing to follow up on claims or inquiries.

The benefits of this agreement to clients include immediate response to their questions, better service and attention, and thus fewer claims. This contributes to Banco Azteca's commitment to financial inclusion, because it means clearer services that encourage savings, access to credit, and above all, leveraging the real client in keeping with their possibilities.

We made the following progress on this front in 2018:

- Forums and workshops held in the eight key regions of the country: Mexico City, Mexico State, Jalisco, Nuevo León, Chiapas, Oaxaca, Morelos and Baja California,

which was the goal set at the start of the agreement.

- Certification of more than 500 executives who staff financial service positions

416-1

Customer protection is highly important for all of Banco Azteca's business units, so we pursue specific actions to guarantee the security of our products and services.

Last year Banco Azteca relaunched the direct money transfer service, based on negotiations with various transfer partners. This service allows someone in another country to send money directly to the beneficiary's account at Banco Azteca in Mexico, receiving the money quickly and securely without having to go to a specific branch. Thanks to these negotiations, Banco Azteca was able to promote its remittan-

Our goal for 2019 is to complete workshops in 100% of our territories.

ce service through the digital app, and through this and other strategies in 2018, to increase the amount of remittances deposited into local accounts.

We also created a credit product for users of remittances, benefiting customers who are frequent recipients through an offer of pre-approved Banco Azteca loans without the need to prove income. This also gives them an opportunity to begin building up a credit rating.

In 2018, Afore Azteca made several improvements to improve client security, including:

106 Seminars on Socioeconomic and Cultural Levels and Anthropological Routes; 985 people attended.

18 research documents published, on topics such as effort, sacrifice and achievement; How is leadership built in Banco Azteca?; labor turnover, and others.

72 advisory services provided in various areas and business units, on matters such as credit and collections, human capital, micro-business, Presta Prenda, Digital Banking, and others.

- A platform to expand means for authenticating online clients with the National Electoral Institute.
- An innovative model, unique in the industry, for registering workers who have never selected a retirement savings fund (AFORE) with a simple 5-minute procedure, using facial biometrics and recognition of their identification documents using OCR.

Seguros Azteca strives to keep people informed and aware of the culture of prevention by publishing information in print and digital meeting, in collaboration with the Aprende y Crece (Learn and Grow) financial education program.

In order to expand its offering of products and services, and provide more opportunities for clients, three new products were launched through Seguros Azteca Daños in 2018:

- Credit Card Protection Insurance. This covers credit cards against unauthorized movements resulting from theft, loss or fraud, as well as the theft of cash disbursed through Banco Azteca ATMs or cashier's window. This insurance is available through call centers and bank branches and can be acquired monthly or annually, respectively.
- Remittance insurance, which protects international remittances during the three

hours following the time the cash is collected at a Banco Azteca cashier's window. The coverage is provided at no cost to clients for up to 3,000 pesos, with the option of taking out additional coverage (at cost) for up to 50,000 pesos.

- Migrante MAZ, a product that was already being sold, but was launched for the micro-business segment in 2018. This offers protection for migrants and their family member in Mexico, so that in the event that one of the two parties dies of natural causes or accident, their remains can be repatriated from locations in the continental United States or Canada, at no additional cost.

## In 2018, Seguros Azteca launched Credit Card and Remittance Protection services, in addition to the Migrante MAZ product for the micro-business channel.

GRI 417: 103-2

In 2018, Seguros Azteca conducted a series of customer satisfaction surveys. The ten most frequent positive responses were:



To further protect its clients, Seguros Azteca Daños has a nationwide network of claims adjusters and service providers who, depending on the product acquired, can attend to clients during disaster situations, provided the circumstances and civil defense authorities permit it.

In processing claims of this type, Seguros Azteca Daños has special criteria for facilitating document delivery, like accepting partial submissions, not insisting on the submission of original documents that may have been lost in the event, supporting them with copies or document is-

sued by some competent authority. Delivery of documents to Seguros Azteca Daños, regardless of the place of delivery in Elektra Stores in-store branches across the nation, is free for the insurance client or their beneficiaries

GRI 416: 103-1, 103-2, 103-3  
102-26, 416-1

Because of the nature of our business, customer security and product evaluation are crucial for Italika. For this reason, in addition to updating procedures and incorporating a Good Behavior Manual and Customer Relation Center in 2018, Italika has formal testing protocols and a laboratory with specialized equipment based on global motorcycle industry standards, for verifying the performance and functionality of its vehicles, guaranteeing user safety 100% and confirming the quality of the products before they are incorporated into production and sale to the public.

Italika's validation process is carried out based on the quality manual for the sample validation process and enables the company to identify any doubts about the proper functioning of the product, which is resolved during the process itself, making sure the product meets safety requirements for each use.

In addition, Italika has established a benchmarking process for all of its product models, comparing them with similar models made by other

brands, and identifying opportunities to rationally adopt attributes that contribute value for motorcycle owners.

For 2019, the company plans to increase the volume of new model launches by 30%, and this will require that it boost the capacity of the motorcycle evaluation system to meet the demand for new validations. Italika will also focus on a set of Key Goals and Results (KGR) in order to:

- Increase the precision of the performance protocol from 70% to 80%.
- Improve the precision of failure detection through the accumulated mileage protocol, testing two samples instead of one.
- Increase capacity for checking new prototypes, from 40 to 60 units a year

Italika also has a Strategic Engineering area that plays a direct role in formulating strategies to boost customer satisfaction. This area started up various lines of action in 2018, such as:

- Development and Construction of a Technical Engineering Center, in which Mexican engineers will conduct testing to improve the quality of Italika products and support the company in developing new technologies. The engineering center has the capacity to hold a staff of around 100 engineers and technicians, including



- a training hall, a video room and seven labs -failure analysis and technical support, engineering development, assembly components and spare parts catalogs, metrology, durability tests and two for dynamometers.
- Reduced guarantees due to component standardizing, like the standardization of 150CC motors for work motorcycles

- Development of a fleet model for the domestic market, and particularly for Banco Azteca, with a fuel yield 11% better than the previous model.
- Development of engineering products that support mobility for owners with disabilities; adaptation of an AT125 model for a client who had lost their right leg..

## Ps. 24.7 million invested by Italika in creating a new Technical Engineering Center.

Also last year, Italika opened eight company-owned agencies in Mexico, a record number of a year; opened the first “Italika Premium” agency, with quality facilities highly-trained staff and high-end models.

Thirty supervisory visits were made to agencies in 2018, in which discrepancies in agency operations were detected and corrected, in some cases including the dismissal of personnel and recovery of property damage.

Italika also made 22 training visits to operating agencies during the year, covering operating and commercial topics, processes, culture, and Grupo Elektra values, as well as company onboarding. Together with the Human Capital Area, digital courses were created to be given at Italika agencies.

During the year 20 Italika concession agents opened their doors, bringing the total to 120 in Mexico. Six regional meetings were held to introduce the brand strategy, as well as the implementation and execution process, in order to align operations with specific goals. Leaders of

the Italika Racing Team also trained and supervised personnel from concession distributors, assisting in the onboarding process and in the quarterly values-boosting effort, benefiting 236 participants.

Italika Service Centers continued their evaluation of 10 safety points for every Italika motorcycle they receive, whether for preventive maintenance or for some major repair or guarantee. In this process, the Italikas were inspected with a 360° approach, checking components ranging from breaks, lights and suspensions to charging systems, tires, oil levels and general adjustments – throttle, chains, bolts and hardware.

The service network opened 70 Italika Service Centers, bringing the total to 800 that cover every state of Mexico. It also trained 900 service center employees with a total of 5,400 hours of training, in order to provide customers with reliable, prompt, economic and friendly service.

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

In the service network, Italika took four actions to learn about its customers’ level of satisfaction:

- Mystery Service, a system by which Italika employees posing as customers made more than 200 visits to service centers to ensure that motorcycle reception and delivery processes were being properly performed.

- Customer consultations; during the more than 600 operating evaluations, at least three customer consultations were made for each type of service: Preventive, Repair and Guarantee.
- Market studies, in which Italika interviewed more than 500 clients to understand the factors they consider negative for satisfaction with the service network
- Monitoring of guarantee requests, generating a weekly report with product failures and then returning the defective spare parts in order to conduct the necessary investigation into the root cause.

416-2

In 2018 service centers received 46,420 guarantee requests, 100% of which were addressed and resolved.

In accordance with Italika’s commitment to providing greater growth opportunities to more people and customer satisfaction, during 2018 it continued with the implementation of points of sale in Elektra Stores.

1,179 Italika points of sale in Elektra Stores at the close of 2018.

Two more license plate modules were made available at points of sale in Elektra Stores, not only generating new jobs but facilitating vehicle registration for users, helping keep vehicle registration lists up to date and accurate, and helping the government generate revenues from vehicle registration.

28 license plate modules open at the close of 2018, in Mexico City, Mexico State, Puebla and Guanajuato; an 8% increase over the previous year.



## PRODUCT INFORMATION

GRI 416, 419: 103-1, 103-2

Principios 1, 2, 7 y 9



For Grupo Elektra, providing clear and accurate information to clients is a highly important aspect, because this ensures a more responsible approach to purchasing products or acquiring services, and therefore a better client experience.

Each of the companies that make up Grupo Elektra has its own procedures for complying with good labeling practices and regulations on all of the products they offer.

Elektra Stores must meet specific requirements for product imports as well as domestic purchases.

For the former, it asks the manufacturer for a sample so that it can later inspect the product in the Elektra Stores lab, where it undergoes a quality certification analysis in accordance with OM-032-ENER-2013, NOM-001-SCFI-1993 or NOM-024-SCFI-2013

In 2019, a program called Elektra University was launched, to provide constant training to employees on various topics, include the categories and types of products sold in Elektra Stores branches.

GRI 416, 419: 103-3  
416-1

If the product passes the internal lab test, it is sent to the NYCE lab for certification; with this in hand, the product may then be imported.

For all domestically manufactured products, Elektra Stores requests the national standard certification from the supplier in order to register the product in its catalog and store in a database that is checked by PROFECO in its inspections. A weekly report is prepared to update the status of each standard, until all products are found to be in compliance.

Furthermore, Elektra Stores ensures that employees are familiar with the products they offer, so it has an online catalog they can use to look up the features, photographs and description of each. They also have access to in-store sales staff who can assist them with a physical description of the product and other specifications. Newly hired employees also receive training and information on the types of products sold so they can provide correct guidance to customers

In order to ensure that the company abides by the applicable laws and regulations at all time, the legal area is in charge of maintaining direct coordination and communication with the federal consumer protection agency (PROFECO).

417-1

Labeling information in Elektra Stores:

- Product name and code
- Product characteristics
- Supplier logo
- Product price (cash and credit)
- Discount, if any
- PROFECO legal authorizations, specifying credit, price and product conditions
- Promotion expiration date, if any

419-1

In 2018 there were no instances of non-compliance with existing laws or regulations.

Furthermore, some products offered in Elektra Stores may include:

- User manuals
- Guarantee certificates
- Energy efficiency data

FS3

For Banco Azteca, advertising and managing expectations are key to building a path of solidity, proximity and commitment to clients' advancement. That is why it makes a concerted effort to clearly and accurately explain its products and services, making sure every client has sufficient information when acquiring one of them. It is also committed to complying with all standards, rules and laws established by regulatory institutions for protection of the consumer.

Accordingly, Banco Azteca has six key controls for its products and services in terms of the delivery, authorization, publication and information on the product, which may vary depending on the existing categories:



- Specific requirements relating to the Securities Market Act
- The Financial Service Users Protection and Defense Act and the bureau of financial entities prepared by the National Commission for the Protection and Defense of Financial Service Users (CONDUSEF).
- Data privacy notice approved by the National Institute for Transparency, Information Access and Protection of Personal Data (INAI)
- Fee riders, authorized and supervised by Banco de México (Banxico).
- Registry with the National Insurance and Bonding Commission (CNSF).
- Unified Market Issuers' Bulletin.

The goal of these directives is to guarantee that information given to clients or published meets the characteristics and requirements authorized for each product, including contracts, account applications, contract riders, privacy notice and management of personal data, fee table, etc.

417-1

#### General information on Banco Azteca products:

- Product description
- Product conditions and specifications
- Benefits to the client of acquiring the product
- Requirements that must be met by the client.

#### Credit

- Fees charged if the client fails to comply with one or more of the contract conditions
- Annual Percentage Rate (APR)
- Annual Ordinary Interest Rate excluding VAT.

#### AFORE

- Registry and transfer agreement, detailing the obligations of Afore Azteca
- Net returns compared to other AFORES.

#### Insurance

- Coverage, general clauses and exclusions
- Policy or certificate
- Brochure of insured party's rights.

#### Brokerage firm

- Requirements as specified in:
  - › The Securities Market Act
  - › The Unified Brokerage Firm Circular
  - › The Law for the Protection and Defense of Financial Service Users.

Banco Azteca has several actions for guaranteeing regulatory compliance in each and every one of the services it offers in every segment, including:

- Consulting on regulatory solutions and enforcement of standards, as well as identification of vulnerabilities, in order for its business units to include regulatory updates into their processes or new product launches.
- Receipt and response to court orders
- Inspection visits
- Official requests
- Self-correction plans
- Engagement with authorities on specific business needs.

The effectiveness of these mechanisms is evaluated based on discrepancies identified by the Internal Audit area or by authorities during inspection visits.

Additionally, Grupo Elektra has various channels for communication managed by the Contact Center are, which clients may use for answering their questions or responding to their suggestions regarding products and services.

#### • Phone

- › Elektra Stores
- Centro de Atención a Clientes (CAT):

01800-510-1111

- › Banco Azteca
- Línea Azteca: 01800-040-7777

#### • E-mail

- › Elektra Stores: contacto@elektra.com.mx
- › Banco Azteca: Website / Support Centre bancoazteca.com.mx

#### • Website and Chat

- › Investor Relations  
www.grupoelektra.com.mx
- › Elektra Stores  
www.elektra.com.mx
- › Banco Azteca  
www.bancoazteca.com.mx
- App Banco Azteca Móvil

#### • Social networks

- › Elektra Stores  
Facebook: @TiendasElektraMexico  
Twitter: @Tiendas\_Elektra
- › Banco Azteca  
Facebook: @BancoAzteca  
Twitter: @BancoAzteca

#### • Specialized User Attention Unit

- › Banco Azteca  
Phone:  
1720-7272; 01800-808-7272  
E-mail:  
ueau@ bancoazteca.com.mx







Efforts at Afore Azteca in 2018 focused on continuing to encourage voluntary savings through mass media campaigns.

Seguros Azteca Daños keeps its clients informed of all the benefits and features of its products through four main channels:

- Point-of-sale advertising material, with simple information on casualty insurance coverage.
- Contractual documents given to client

when they acquire insurance.

- Call Center, with information provided on the Línea Seguros Azteca contact on our webpage at [www.segurosazteca.com.mx](http://www.segurosazteca.com.mx).

## User Service Performance Rating of 9.22 for Seguros Azteca and 9.67 for Seguros Azteca Daños, in 2018; both received a rating of 100 in compliance with CONDUSEF records

For Italika products, the labeling serves as direct contact with the client, so this, along with the products themselves, their containers, packaging and even advertising must not only conform to the Federal Consumer Protection Law and its regulations on user information, but must also contain instructions on product use and care for correct functioning, giving users added security about their purchase.

Furthermore, 100% of spare parts and accessories –such as batteries, oils, tires and inner tubes– meet NOM-050-SCFI-2004 specifications (Commercial Information - General Product Labeling) and some additional measures, while imported products are subject to the Federal Law on Measurements and Normalization, because since most of these come from Asia they must meet legal requirements for entry into the country.

In 2017-2018, Italika’s engineering team participated in the development of a new industry

standard called NOM-206-SCFI/SSA2-2018, focused on certification of motorcycle helmets.

Formerly, the helmets Italika offered met with DOT certification, which establishes that information just be available on model, size and production date. This certification is included in the new Mexican standard (NOM).

That standard was published in the Official Gazette of the Federation in May 2018 and took effect in November of the year. At the close of 2018 the Mexican federal government was working on authorizing a certifying agency in Mexico.

Italika was also notified about the draft of an official Mexican standards (PROY-NOM-001-SE-GOB2-2018) for defining, assigning and installing a vehicle identification number, the provisions of which are already 100% a part of the company’s practices for creating and installing the ID plate on each vehicle..

417-1

Mandatory information for Italika products:

- NOM-050-SCFI-2004
  - › Generic product name or reference
  - › Country of origin of components
  - › Name, corporate name or tax name and address of manufacturer



- › Content or quality in accordance with NOM-030-SCFI-2006
- › General System of Measurement Units consistent with NOM-008-SCFI-2002
- › Safety instructions and risk warnings
- › Instructions or operating manual
- › Guarantee
- Additional information:
  - › Product description
  - › Part number
  - › Applications
  - › Method of disposal and social or environmental impact
    - › Handling, placement and storage of container
    - › Identification of special characteristic –compatibility with another brands–; ecologic line –new development–; environmental abrasion resistance
    - › Importer’s information
    - › Barcode
    - › ASN\* Label, generated at the origin.

\* Note. The ASN label is a nine-digit code that identifies the supplier name and number within the SAP system. Both spare parts like batteries, lubricants, tires and inner tubes, and motorcycles that are imported in parts, must bear this label; motorcycles that enter the country in boxes are exempt from this requirement.

To guarantee that the products have all the required information, Italika has packaging standardization processes, depending on the pro-

duct type. It makes sure to remain in compliance with all legal provisions through monitoring and constant updates on applicable regulations and by strengthening communication and interaction between all areas of the company.

## DIGITAL STRATEGY

GRI 203: 103-1, 103-2, 103-3  
203-2  
Principios 7, 8 y 9



In 2018, Grupo Elektra continued to work under the commitment it made in 2017, to pursue innovation and technology with the aim of contributing to country’s overall development, in line with the National Digital Strategy formulated by the Mexican federal government.

In keeping with its commitment of offering more and better opportunities to its clients, in 2018 Elektra fortified its omnichannel strategy, which will improve the customer experience through various delivery options and an extended catalog, which also means a more efficient use of resources.

To ensure the success of this strategy, Elektra Stores has an online catalog 15 times larger than



what is stocked in its stores, a new exclusive distribution center for e-commerce, and more than 1,100 stores that serve as support centers, payment points and delivery locations for available products, at 98% of the postal codes that exist in Mexico.

Another important event in 2018 was the start of operations of Marketplace, including new vendors on the platform, increasing the array of products available to customers and incorporating Crédito Elektra as a means of payment on digital platforms.

The omnichannel strategy helps reduce poverty and inequality, in part by supporting paying using Crédito Elektra from the e-commerce pla-

In 2018, we invested around Ps. 41.7 million pesos in technology to optimize the omnichannel strategy and e-commerce.

tform. This opens opportunities for people without formal bank accounts to obtain products that improve their quality of life.

The goal of these technological strategies in 2019 is to improve the profitability of Elektra.com.mx, strengthen online shopping and create an exceptional experience.

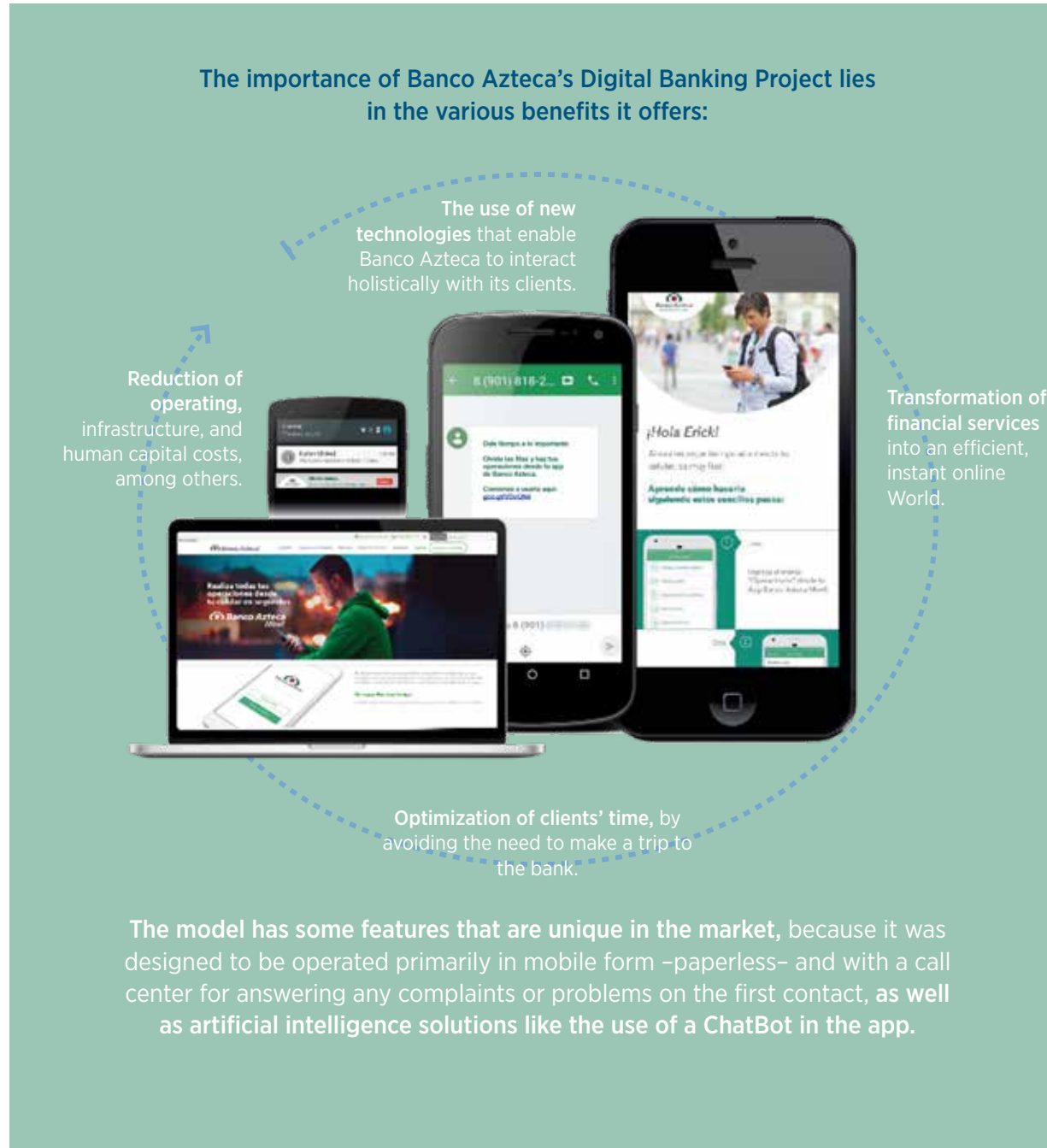
Meanwhile, Banco Azteca has been focusing on its digital strategy in Mexico, to improve financial inclusion through a channel offering clients efficient, instant access to financial products using personalized, safe and unique technological tools for organizing and planning their finances simply, meeting their needs and expectations, and simplifying their lives..

In 2018, Banco Azteca focused efforts on strengthening its Digital Banking strategy in Mexico by:

- Improving the Bank's situation by increasing the supply of credit-
- Introducing crucial minimum capacities for Digital Banking evolution through digital sales and analytics
- Developing a portfolio of new business models.

This was sustained through the implementation of strategic guidelines for bringing Digital Banking access to more people:

- Installation of Wi-Fi access in all branches, for downloading the mobile app.
- Deployment of more than 2,000 digital assistants.
- Fine-tuning of the enrollment process.



## An 8.8% share of Digital Banking in Banco Azteca's consolidated results.

- Sponsoring clients' use of data within the application
- Expansion of the products and services available through the app.

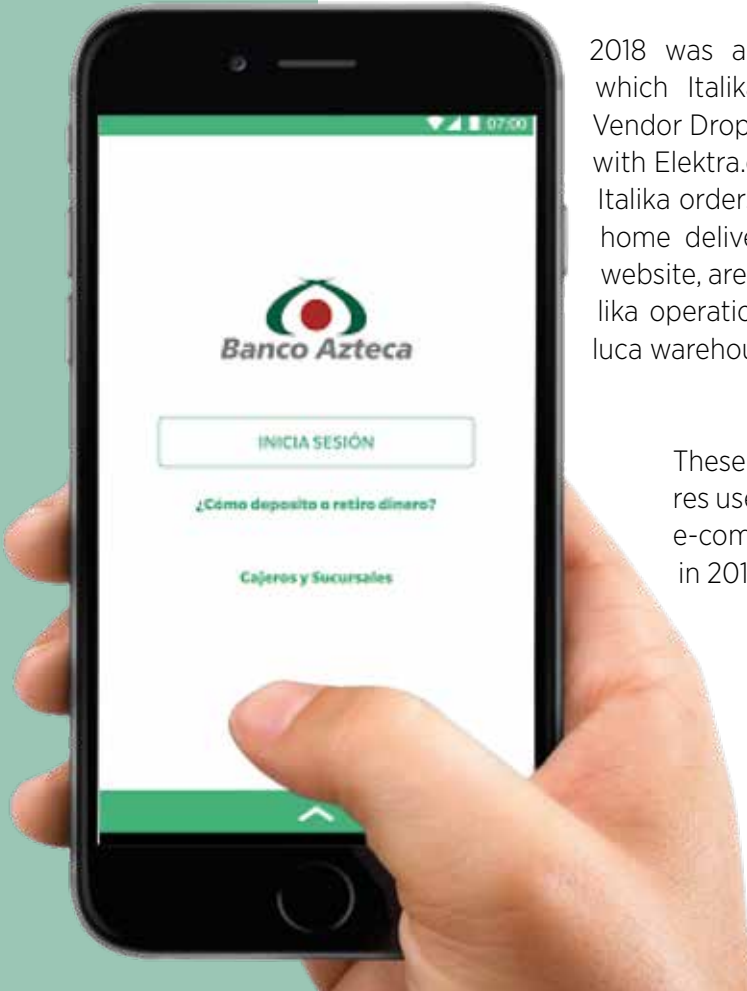
Through measures like this, the bank succeeded in activating 2.9 million digital banking users in 2018, bringing the total to 3.3 million; deploying Digital Geography nationwide; and placing 8.8% of personal loans through the mobile app.

These digital channels enabled Banco Azteca to optimize services for its clients and keep them informed of benefits, campaigns, offers and conditions for each of its products.

In 2018, Banco Azteca began developing version 2.0 of its Digital Banking mobile app which it expects to launch in 2019.

Digital sales –the share of digital Banking in total Banco Azteca operations–

- 25% of personal loans placed
- 30% in new Guardadito accounts
- 10% in new Inversión Azteca accounts
- 30% effectiveness in credit card placements to preapproved digital clients
- 10% of total credit card sales by preapproved digital clients
- 10% of total consumer credit sales on Elektra.com.mx
- 10% of total remittances collected by clients

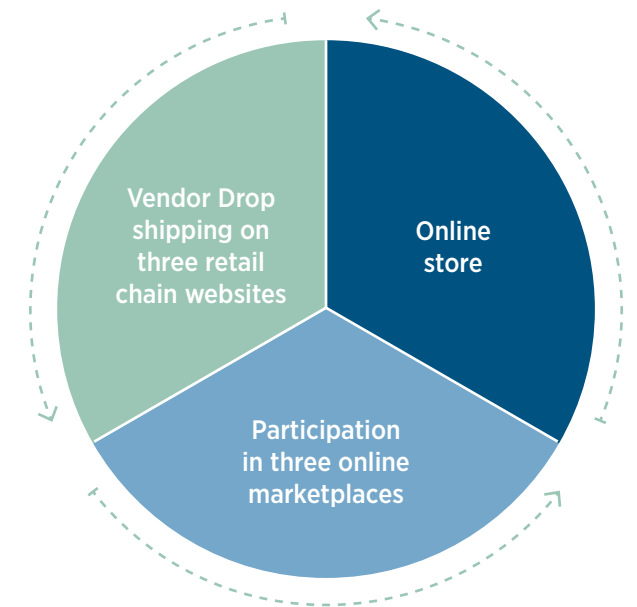


Banco Azteca’s Digital Banking effort ranked first in the Net Promoter Score among all the bank’s channels.

2018 was also the year in which Italika launched the Vendor Drop shipping option with Elektra.com, in which all Italika orders that go out for home delivery, sold on the website, are delivered by Italika operations from the Toluca warehouse.

These are the measures used in support the e-commerce strategy in 2018:

In December 2018, Google Play said Banco Azteca’s app was the most frequently downloaded banking app in Mexico.



With this, it was able to extend its coverage to the entire country, giving more people access to an efficient means of transportation and allowing to make the choice that’s right for them out of an extensive catalog of products.



## BRAND VALUE

GRI 417, 419: 103-1, 103-2, 103-3  
Principle 1, 2



Strengthening the value of Grupo Elektra's brands is just one sign of the company's dedication and performance efficiency. The Group has made clients the center of its strategy and forged a solid bond with them, so it can learn more about their needs and expectations, in order to strengthen and improve the benefits of the products and services it offers.

Ensuring that our advertising contains clear message about the products and services we offer is highly important to Grupo Elektra, because it guarantees that we conform to the laws determined by the federal consumer protection authorities

(PROFECO) and the National Commission for the Protection and Defense of Financial Service Users (CONDUSEF).

Elektra Stores uses several mechanisms to assess the effectiveness of its advertising, including:

- Monitoring complaints on social networks and website
- Biyearly Customer Satisfaction Index measurement
- Mystery Shopper, a biyearly scorecard of 15 indicators obtained by monitoring operations, service and image

- Brand monitoring studies to measure the impact of advertising, brand health and its attribute
- Ongoing market visits to review campaign execution and marketing initiatives in the store.
- Advertising spending equivalent to at least 1% of the company's total sales
- Weekly review of sales and profits compared to the year-earlier period and against budget, identifying the reason for any variations and creating marketing initiatives to reduce them.

For the third year in a row, Italika's web shop participated in the "Hot Sale" and "Buen Fin" promotional events, bringing clients an exclusive value proposition. It also participated for the first time in the "Cyber Days" campaign, in which Italika's online store offered exclusive sales and discounts to invite online shopping.

In 2018, Italika received the Seal of Confidence awarded by the Internet Association (previously AMIPCI), which gives clients the confidence of knowing:

- That there is an organization behind the website;
- That the site has been reviewed and certified by an independent nonprofit organization;
- That it participates in this system voluntarily but that specific compliance requirements are mandatory;
- That it contains a privacy notice, elements above what are required by law;
- That it has terms and conditions of use; and
- That it has established means of contact for users, as well as a mediation service for the protection of personal data between the user and the party responsible for handling of their personal data.



Banco Azteca, for its part, wants to be sure its communications reflect the client's experience, and that they be based on empathy, honesty and transparency. Banco Azteca is convinced that the clearer its message, the better its construction of the brand and understanding of its products. The bank believes that every action it undertakes has an impact on brand value, so day after day, it works on improving aspects such as:

- Developing corporate management
- Improving customer service quality
- Innovating the product offering
- Reinforcing business strategy

Banco Azteca measures the effectiveness of all its advertising campaigns for products and services using the following tools:

- Legality. Strict application of the rules established by government authorities on the matter of advertising. All advertising messages are endorsed by the compliance and legal departments.
- Advertising messages. Always clear and consistent regarding the value proposition of the products and/or promotions announced.
- Effective amplification platforms: incorporating a mix of digital media and traditional, personal and in-house

communications based on knowledge of similar points of contact differentiated by client type.

- Client intelligence: using various information techniques
- Effective investment: Establishing key indicators for persuasion, recall, scope and frequency, to measure the effectiveness of the advertising message and investment.

In 2018, the Bank worked toward two goals in the area of advertising, both of which it met:

- Efficient delivery of messages (minimum of five points on the TV Link scale developed by Millward Brown Kantar).
- Investment efficiency, with a mix of ad-hoc media with a minimum scope of 50%.

The solidity and quality of these procedures has made Banco Azteca one of the world's Top 500 Banking Brands, a listing of the most valuable brands in the world published by the Financial Times "The Banker" magazine. The ranking considers both technical and financial aspects, such as stakeholder perceptions, business performance and investment in marketing.

In 2018, Banco Azteca rose to 278th place, rising 53 notches over 2017; in 2019 it intends to grow

its brand value by 21%, which should result in a further advance in its ranking.

Banco Azteca was also nominated for several Effie Mexico Awards, which evaluate marketing efficiency using a global methodology. It was short-listed among the most efficient companies in Mexico for:

- "Guardadito Kids" in the "Financial services and products" category
- "Institucional Banco Azteca"

Millward Brown Kantar also recognized Banco Azteca in its Brand Z Most Valuable Latin Brands report, where it ranked among the top 30 brands in Mexico, coming at number 13, with an extraordinary 91% increase in value.

Among some of the most widely-published Banco Azteca campaigns in 2018 were:

- Guardadito Reyes  
Launched in January 2018 to offer clients instant cash prizes when they make deposits in their Guardadito accounts, and to promote the benefits of savings accounts.

## A 2% increase in balances through the Guardadito Reyes campaign.

- Mother's Day Campaign  
Offered instant loans and incentives for loan placements at regional branches. The goal was to boost the placement of consumer credit, personal loans and the use of the Tarjeta Azteca, attracting new clients and promoting loyalty among existing ones.

## 10% growth in loan placement with the Mother's Day celebration campaign.

- Banco Azteca's "Billetazo" campaign, Loan Portfolio  
A campaign that encouraged borrowing and rewards prompt payment. There were two installments of this campaign in 2018, one tied into the World Cup and the other at year-end. The purpose was to generate commercial activity and traffic in bank branches by attracting new borrowers or encourage existing clients to repurchase and roll over personal



loans. More than Ps. 11 million pesos were paid out to more than 5,000 winners.

## 7% growth in personal loans placed through the “Billetazo” campaign

- “Pa’l Guardadito”  
This campaign centered around financial education, and its goal, besides positioning the Guardadito savings account protect, was to increase and maintain savings balances. The campaign stressed the importance of daily savings, constancy and discipline as essential factors in meeting goals. The campaign reached more than 60% of clients and more than Ps. 4 million in prizes were paid out.

A 25% increase in credit account openings and collections through the Pay, recommend and win campaign.

Guardadito remained the bank’s most frequently opened new account in 2018, with a substantial increase of more than 50,000 new accounts per week.

- “Instant Money Rewards”, Dinero Express and Envíos de Dinero  
This promotion was aimed at remittance clients, offering instant cash rewards for sending or receiving money. The goal was to support family budgets and meet branch goals, promoting domestic and international money transfers. A total of 1,500 people received cash rewards over more than six months.
- Pay, recommend and win  
An offer aimed at clients with upcoming payments, offering cash rewards on their Guardadito card. The purpose was to promote borrowing and encourage clients to make their payments on time.

- “Your choice,” Presta Prenda  
2018 was a watershed year for the pawn-broking brand, which launched a new positioning based on a thorough knowledge of clients’ needs and motivations, with the value promise “At PrestaPrenda, It’s your choice.”
- “Goleada”  
This campaign was launched in May 2018 to encourage people to raise their bank balances, with a World Cup tie-in. Participating clients had a shot at winning Ps. 2,500 in cash and/or two tickets to attend a match in Russia, or Ps. 250,000 in cash. There were 594 winners of Ps. 2,500 pesos and one Ps. 250,000 winner.
- Millionaire’s Vault  
A promotional campaign to recognize clients and encourage savings, as well as attract new clients and improve branches’ contribution to deposit goals, through weekly contests in which every 100-peso increase in the account balance at the end of the week gave the account owner one entry to the Vault drawing, with winnings of up to Ps. 100,000 per week. More than Ps. 6.5 mi-

llion pesos in prizes were given out by the close of 2018.

## Net deposits in Guardadito savings accounts grew by 121% through the “Millionaire’s Vault” campaign.

- MORE is BETTER. PERIOD  
An offer aimed at people interested in opening an investment account. The purpose was to increase the number of investment account openings, offering an above-market rate to attract new clients.

## 279% increase in investment account openings.

- *Buen Fin*  
Organized in tandem with the nationwide “Buen Fin” promotional weekend, this promotion was aimed at clients acquiring a new loan, or repurchasing or rolling over an existing one, offering instant free



credit along with incentives for loan placements in regional bank branches. This helped the bank to exceed its targets for placing personal and consumer loans as well as deposit account openings and balance maintenance.

munity, giving clients more freedom to dream, to decide and to achieve what they propose to do, through the tools Banco Azteca provides.

For Italika, advertising and marketing campaigns are highly important, because this is how it informs prospective buyers about its products and its promotions, helping to meet sales goals. This in turn helps position the brand and build customer loyalty.

The impact and results of these campaigns are evaluated through analysis in digital and offline media as well as television, along with benchmarking, market studies, certifications, commercial results, market share and other metrics.

In 2018, Italika worked on a new brand architecture consisting of three pillars and levels:

1. Functional/efficient
2. Style/design
3. High performance/technology

Communication and images were differentiated for each of the three pillars. The media impact of Italika's marketing campaigns in 2018 were as follows:

- 1,784 impacts in national broadcast television
- 8,363 impacts in pay TV
- 36 magazine ads

Currently, Italika has the broadest range of motorcycles in the Mexican market, offering bikes for any activity or lifestyle and earning a position as leader in product trends and business schemes.

Italika offers products in many categories: scooters, work motorcycles, dual-purpose, urban (naked), sports, kids, semi-automatic, four-wheel drives, custom choppers and electric motorcycles.

In 2018 the Italika Racing sports platform received the Road to Moto GP™ distinction, and Italika increased its participation in international championships like the Italika Women's World Cup, the first monobrand international women's competition in the history of speed motorcycle racing.

Italika's marketing and advertising goals for 2019 are:

- Developing an in-depth knowledge of clients through market studies and analysis of their interactions with the brand –online and offline– to understand their needs and interests and improve conversion rates in the customer journey.
- Ensuring that the commercial offering of Italika products –product, financing, price and channel– are customer-centered, aligned with the brand strategy, meet the expected functional attributes and adapt to how the customers will be using them.
- Position Italika as the leading motorcycle brand –including spare parts and accessories– in every area of use –as a work tool, for mobility, recreation, social integration or sports.
- Develop appropriate, consistent, flexible, simple and personalized brand experience that empower clients, create positive moments and reduce points of friction, building profitable, long-term relations.

## A 35% increase in deposit accounts opened during the Buen Fin promotion.

## Banco Azteca campaigns to promote deposit products resulted in a 16% growth in demand deposits in Mexico by the close of 2018.

In 2019, Banco Azteca intends to continue working on brand positioning, increasing its value and improving perceptions by strengthening its pillars in order to provide clients the quality and confidence they deserve, placing itself at the heart of their strategies. With this it can contribute to inclusive prosperity in every com-





# PERSONAL DATA PROTECTION



GRI 418: 103-1, 103-2, 103-3  
Principle 1, 2, 10

Today, the widespread use of technology facilitates access to all types of information for a growing number of people. Taking advantage of this innovation, Grupo Elektra's Personal Data Protection Department is committed to keeping people informed about the human right to protection of the personal data, so that clients who are account holders can exercise their rights to Access, Rectification, Cancellation and Opposition (ARCO) in an informed manner with any of the companies belonging to the group, an effort that also ensures continuing compliance with the law.

A company's greatest vulnerability in this day and age is often its use of information technologies. Grupo Elektra places a priority on overseeing and regulating the use of these tools, avoiding incorrect use or ignorance of internal policies, detecting gaps in advance that might be exploited by cyber-criminals or hackers.

With this in mind, Grupo Elektra focuses on training employees and raising awareness on these

issues among clients, leasing firms and suppliers, and bolstering information security and privacy policies to ensure they are mutually compatible, regularly checking that they are enforced, and determining the type of measures needed to mitigate vulnerability when it cannot be outright eliminated.

In the past three years, Grupo Elektra has stressed the importance of information security and personal data protection, investing in effective strategies for regulatory compliance and avoiding economic or reputational damage. This solid management model has earned Grupo Elektra a certification for Personal Data Protection from Normalización y Certificación NYCE, S.C., a certifying agency accredited by the Mexican Accreditation Agency, after passing an audit by this institution. The importance of this certification lies in the fact that all of the Group's processes, areas and services are covered, from operation, monitoring, and review, to maintenance and improvement of the handling and security of personal data.



In 2018, Grupo Elektra renewed its Personal Data Protection Certification, completing an audit by Normalización y Certificación NYCE, S.C., with satisfactory results.

In 2018, the companies of Grupo Salinas received certification from Normalización y Certificación NYCE, S.C., a certifying agency accredited by the Mexican Accreditation Agency, for their System for Addressing ARCO Rights Procedures.

This certification was awarded to Grupo Elektra largely because, in addition to complying with the Federal Law on Protection of Personal Data Held by Private Parties and its regulations, the Group adopted a binding self-regulatory system, recognized by the National Institute for Information Access and Data Protection (INAI) which reflects its firm commitment to privacy and personal data protection. It also introduced a Personal Data Security Management System.



This system was established in accordance with the directives of the Federal Privacy Law and its self-regulatory guidelines, and its objectives are:

- To provide self-regulated business units the management, operation and process control element and activities they need to systematically and continuously protect the personal data they hold.
- To deal in a legitimate, controlled and informed way in order to guarantee people's right to privacy and to control over their own information

Grupo Elektra evaluates the results and effectiveness of these instruments through three mechanisms:

- Annual Internal Audit program, to assess and measure legal compliance and progress against goals, and to identify areas of opportunity.
- External audit, based on strict criteria provided by the Mexican Accreditation Agency, into compliance with the Federal Law on Protection of Personal Data Held by Private Parties and Self-Regulatory Guidelines on Personal Data Protection. This audit is conducted by Normalización y Certificación NYCE, S.C. (NYCE), the

only entity recognized by the National Information Access and Data Protection Institute (INAI) for evaluating and certifying self-regulatory systems in the area of personal data protection in Mexico.

- Administrative reviews by which Grupo Elektra companies can anticipate, introduce and maintain regularly scheduled verifications to support the appropriate continuity and development of the personal data security system, continually updating it for changes in regulations, technology of internal procedures.

Grupo Elektra has the enduring goal of innovating and remaining at the forefront of technological development. Accordingly, it invested in development of a website where clients can exercise their ARCO rights, building awareness about the importance of personal data protection (previously, the Personal Data Department managed ARCO rights claims manually). Under the old system, the owner of the data sent a request by e-mail and the Personal Data Department received and analyzed it to determine whether or not it conforms to the Privacy Notice; and then would decide whether to proceed within the legally mandated timeframe, and would send a response to the data owner, also by e-mail.

With the new website, the process of addressing an ARCO claim has been expedited, which means better service quality and ensures that every request received meets the requirements established in the Privacy Notice, considerably shortening response times.

The website in turn serves as a channel for the Personal Data Department to encourage and inculcate a culture of Personal Data Protection among as many people as possible, whether or not they are clients of the Group's companies. With this, Grupo Elektra is working to become a benchmark in the improvement of procedures used by those responsible for personal data protection in Mexico, a pioneer in tools of this nature, increasing personal data protection standards with a focus on excellence.

Thanks to this system for complying with personal data protection regulations, in addition to the achievements listed above, Grupo Elektra also reported other outstanding results in 2018, including:

- No fines for non-compliance.
- Certification of the online ARCO claim process.
- The first "Grupo Salinas Personal Data Protection Week," in which members of the

In 2018, Grupo Elektra launched a website exclusively for users and the public to exercise their ARCO rights.

INAI and renowned professionals gave a series of lectures on current issues of interest to employees.

- Strengthening of in-person and online training for employees

600 newly hired employees received in-person training by the Personal Data Department in 2018.



27,843 employees received online training in personal data protection in 2018; 3,375 employees in Grupo Elektra headquarters and 24,468 in regional offices across the nation.

- Course given by NYCE for certification in Legal Foundations.

74 employees received NYCE certification in Legal Foundations, a total of 1,184 hours of training

- Specialization and updated training of Personal Data Protection staff through additional training.

5 members of the Personal Data Department took a specialization course in “Personal Data Protection” given at the Escuela Libre de Derecho.

2 members of the Personal Data Department underwent junior/senior level professional training.

320 hours of training in personal data protection through additional sessions.

- Award of a special certification from NYCE that the process for addressing ARCO complaints and claims from users is fully compliant with legal requirements and is carried out based on best practices for handling such cases.
- First place nationwide in the annual “Best Personal Data Protection Practices



Innovation Award 2018,” organized by INAI, the Universidad Nacional Autónoma de México and the Ministry of Government. The call for entries was open to the private and public sector and was intended to recognize

best practices in personal data protection in Mexico. The award was presented on January 24, 2019, during International Personal Data Protection Day.



Although some Latin American countries still have no specific legislation addressing personal data protection, Grupo Elektra, through Banco Azteca, has replicated some best practices in this field throughout the region.

In El Salvador, new hires receive data protection training as part of the onboarding processes.

## 80 newly hired employees took personal data protection courses at Banco Azteca in El Salvador

Also, in El Salvador, Banco Azteca provided an online course for employees in corporate headquarters on “Information Security,” which has been updated and relocated within the website to facilitate access for personnel who have not yet taken the course (50 employees).

## 95 employees in Banco Azteca’s headquarters in El Salvador passed the online course “Information Security”.

In Guatemala, legislative bill 4090-2009, “Personal Data Protection,” lays the groundwork for introducing best practices in managing this type of risk. In 2018, in order to guarantee the confidentiality, availability and integrity of its information, Banco Azteca publicity campaigns in Guatemala raised awareness among users through posters, mailings and infographics.

In Panama, the Personal Data Law was sent the legislature for approval, and in advance of these changes, Banco Azteca Panama drafted and approved an Information Handling Manual. It disseminated this knowledge among employees through the Best Practices Committee, through the publication of data security policies and campaigns and training for top management on the classification and protection of information files. All of this will support the creation of a plan

to execute the information handling process in the business unit.

Finally, in Peru, Banco Azteca took a number of actions to fortify management and ensure compliance with Personal Data Protection Law 29733, including:

- Coordination with the Legal area to review personal data protection clauses in supplier contracts.
- Cooperation with the Business area to review campaign messages about the products offered to clients.
- Review of traceability in Call Center offices, from the time they receive client databases through the call itself, to avoid information leaks.
- Implementation of an internal process by which the Commercial Development area is the only area in charge of collecting client information, from the internal databases, and applying the necessary filters.
- Sending client databases through a secure SFTP protocol and prohibiting the use of e-mail for these purposes.
- Training on these topics in regional branch offices.

Among the areas of opportunity that Banco Azteca has identified in Peru are:

- Incorporating personal data protection issues into online courses and exams for employees.
- Automate systems for clients to authorize the handling of their personal data
- Publish a Personal Data Protection Manual, which should include, among other procedures:
  - › Data elimination
  - › Assignment of messages per campaign
  - › Elimination of data collected through landing page and/or Facebook

Risk issues resulting from information security management, projects and follow-up on initiatives are discussed at least quarterly, in the monthly risk meetings held by Banco Azteca in Latin America, while the Operating Risk Committee addresses specific cases of materialized or imminent risk, including, when applicable, those involving personal data protection.



# CONTINUOUS IMPROVEMENT

To continue effectively serving millions of families everywhere we operate and increasing client satisfaction, Banco Azteca has developed a number of strategies:

- In Mexico it revamped 120 branches during the year, including accessibility for people with disabilities, like ramps, elevators and specially equipped bathrooms.
- In El Salvador, efforts went toward maintaining the same number of bank branches while improving profitability in each.
- In Guatemala, Banco Azteca worked on increasing the coverage and range of its financial services through formats like Elektra Móvil, third-party channels with Italika as a retail partner, and the Elektra store format in shopping centers.
- It also promoted a modern, orderly and clean image, creating a more comfortable experience for clients.
- Through these actions it was able to improve the mix of consumer credit placement and boost brand presence in various communities and shopping centers.
- In Honduras, it promoted business diversification and increased the coverage



of its service points through Elektra Móvil, third-party channels with retail partners and Italika, always with a focus on the customer as the heart of the strategy for making the institution more competitive in the markets served. The new format –which is 35% in place in internal and third-party channels– creates a workplace that maximizes employee satisfaction and thus improves the client experience.

- In 2018, Banco Azteca carried out a Brand Tracker consumer opinion study in Honduras to measure perceptions about how comfortable its offices were, reporting a 1.9% improvement over the previous year.
- The main achievements in developing the new Elektra Móvil format were
  - › Improved mix of consumer credit placement nationwide, due to the recovery of inactive portfolio

- › Strengthening of the supply of products aimed at clients in smaller cities, helping to improve their quality of life.
- › Increasing brand presence in cities outside the nation's capital.
- In Panama, the focus was on improving profitability in existing points of contact and considering the merger or relocation of some branches.
- In Peru, branches were renovated to reduce costs, and coverage was expanded through the Elektra Móvil format, in order to make employees' time in the office, and client visits, a more pleasant experience. The main result was an improvement in the mix of credit placed out of these branches

## New branch facilities are inclusive and accessible to all.

In deposit products, Banco Azteca continued initiatives for improving the client experience, like promoting remittance transfers direct to their accounts. It also expanded this product category with the launch of Débito Azteca, aimed at clients with the highest account activity levels.

The institution also reinforced training of staff specializing in deposit products, providing them up-to-date information on key customer services processes, products, the competition and types of clients.

## In 2018, Banco Azteca trained more than 1,200 advisors in person and 6,000 online in Mexico.

In the credit division, Banco Azteca focused on:

- Revising the credit manual and product offering, using tools like “mystery shopper” to detect opportunities to evaluate customer experience.
- Verifying the origination process from start to finish, to identify areas of improvement.
- Improving the quality of customer service by starting work on a client recognition plan based on their years with the bank and their behavior.
- Recognizing clients through mass media.
- Increasing the number of borrowers through a scoring model and home visits to guarantee collection.

- Moving ahead on the operating model for digital lending and collection apps, starting with clients that already have active lines of credit and savings accounts.
- Optimize lending to new clients through changes in credit limit depending on the client’s age

In order to standardize Banco Azteca’s goals in Latin America, in 2018 the Insurance and Deposit Areas held a strategic planning meeting to unify their vision and strategies based on Key Goals and Results (KGR) and the five Deposit pillars.

In 2018, Afore Azteca took specific action to improve customer service and raise satisfaction levels, such as:

- Introducing a platform for registering and serving clients currently listed with the Government Workers’ Social Security Institute (ISSSTE).
- Introducing a platform for operating the Assisted Registry Model, a process for enrolling workers currently without an Afore, through electronic media.
- Incorporation of the appointment service through the Retirement Savings System website, E-SAR
- Increasing the number of point-of-sale

promotion agents from 876 in 2017 to 1,150 on average in 2018. Reducing weekly turnover rates from 2.4% to 2.0% in the last quarter of 2018

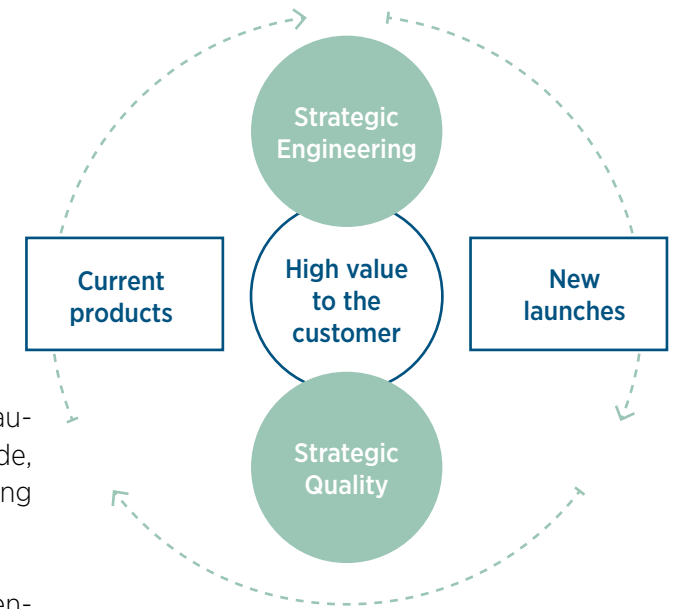
- Reducing the time it takes promoters to earn certification, from five weeks in 2017 to three weeks in 2018

## In 2018, Afore Azteca won the public tender to administer the 8.8 million accounts of Prestadora de Servicios, which is for workers who had not yet selected an Afore.

Meanwhile, Punto Casa de Bolsa obtained authorization and formalization of a Swift Code, a global banking identification code for making international transactions.

Italika has a solid strategy for continually ensuring of process and product quality, which increases its customer satisfaction. It ensures product quality and functionality by developing

platforms, capacities and new technologies that add value for customers at an affordable cost for each product segment. It does all of this through continuous improvement and stronger profitability, minimizing the costs of guarantees and claims, and having the best products in terms of yield, power, performance and durability that guarantee owners the best mobility option.



Continuous improvement is a standing commitment for the companies of Grupo Elektra, which have set a number of goals to improve customer experiences and raise service levels in 2019. These include:



At Banco Azteca, in deposit products:

- Continue expanding the product range and promoting prudent growth of current deposit products
- Encourage the use of online and mobile banking, which offer efficient services and immediate response, making clients' lives easier and incorporating people underserved by traditional banking into the formal financial system,
- Growing and strengthening the inclusion of new online banking products so that clients can access its products from anywhere.

- Improve systems for information, analysis, feedback and engagement with clients in order to bring them better offers.
- Outpace the market in growth, while meeting the goals of the business.
- Promote deposits through Guardadito and Inversión Azteca Creciente in Latin America, lowering deposit cost and improving time deposits with no negative impact on Treasury, and while continuing to pay dividends in Mexico.

Banco Azteca, in wire transfers and remittances:

- Build market share
- Attract clients to the remittance service through digital channels.
- Increase direct-to-account remittances, which are easier and more secure for clients to use.
- Position the remittance theft protection insurance to benefit more clients.
- Expand the geographic network
- Provide more benefits to clients to reward their preferences.

Seguros Azteca

- Participate in more public tenders
- Standardize 100% of Seguros Azteca Daños operations in the new CORE system.

- Develop and launch new products, like Telephony insurance covering loss or theft.
- Strengthen the motorcycle insurance model to add à la carte coverage.
- Develop online channels for selling insurance.
- Create a new model for supervision in order to increase proximity with the sales force.
- Create a structure for following up on and participating in public tenders and new businesses with corporate clients.

Punto Casa de Bolsa

- Grow the various business areas by offering innovative products that are attractive to clients
- Increase the number of active clients to increase market democratization
- Set common goals in various areas of the brokerage firm.
- Innovate processes using state-of-the-art technology and transmit financial concepts easily to people and companies.

Italika

- Open 20 Italika-owned agencies.
- Introduce a new omnichannel sales system together with the e-commerce area.



# SOCIAL VALUE





# THE BEST TALENT

## TALENT ATTRACTION AND RETENTION

GRI 401: 103-1, 103-2, 103-3

Principios 1 y 4

For Grupo Elektra, managing human capital is a virtuous circle, because having the best talent is a key process for generating shared, inclusive prosperity.

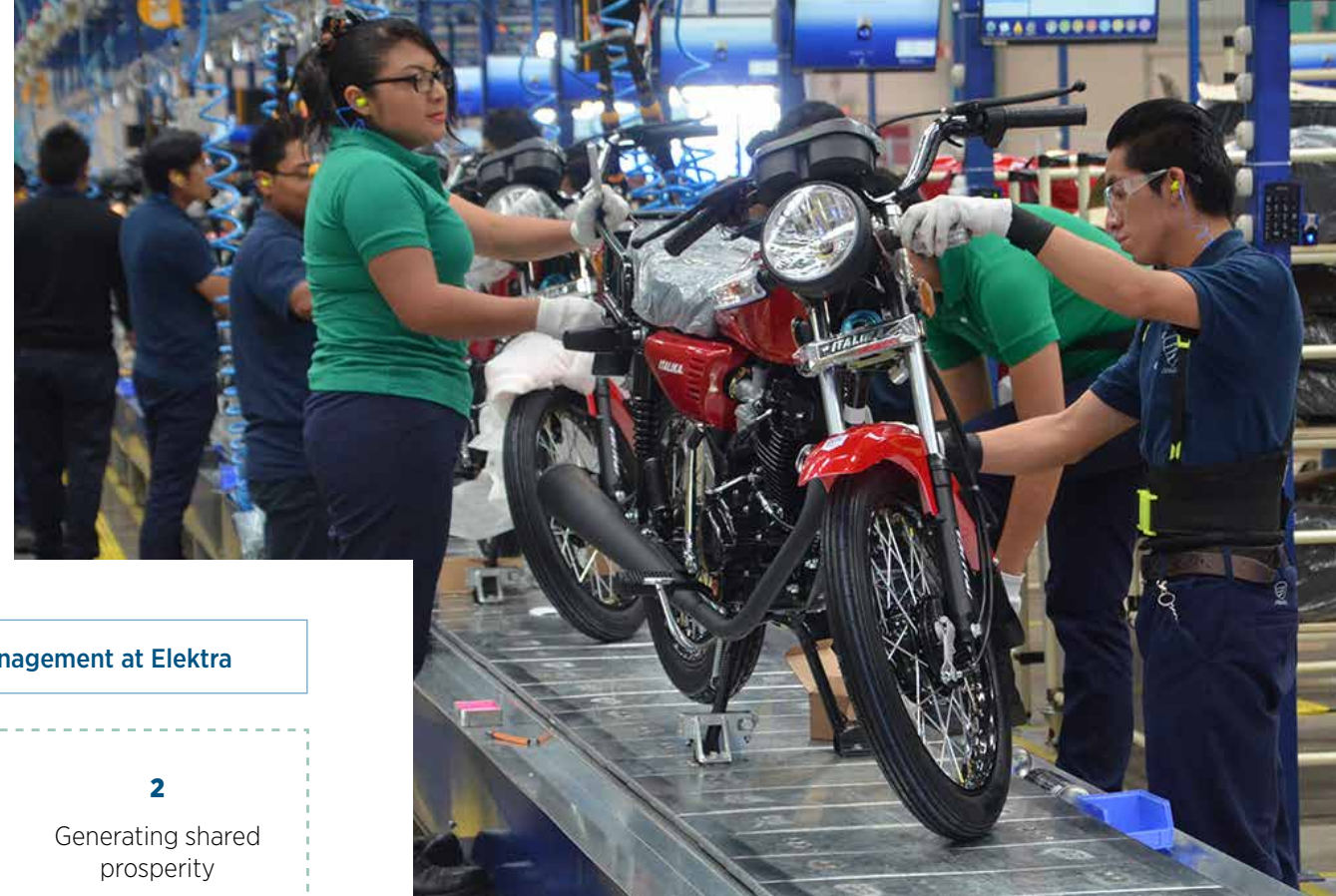


Therefore, the Group focuses on offering the best working conditions in order to make employees' time with this company an excellent, memorable experience. Grupo Elektra intends to be one of the best places to work, supporting the overall advancement of employees, encouraging a closer commitment to Grupo Elektra and thus contributing to both individual and Company goals.

GRI 405, 406: 103-1, 103-2, 103-3

Among the chief talent attraction and retention instruments at Grupo Elektra are:

- Grupo Salinas recruitment, selection and hiring policy, which establishes general processes and guidelines for attracting and hiring human talent.

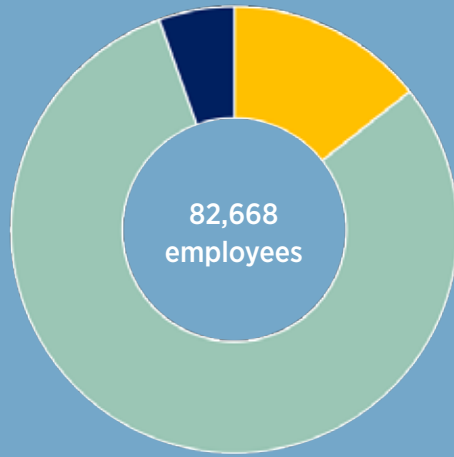


### Human capital management at Elektra



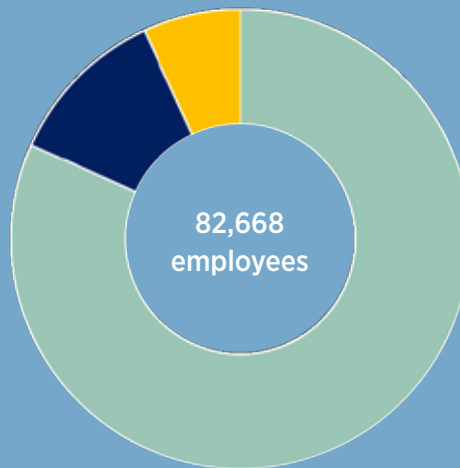
- Policies on publication of vacancies and internal transfers and promotions of people among the companies of Grupo Salinas, which were created recently.
- Integrity Committee, a body recently formed by Grupo Elektra's Board of Directors to begin work in 2019, for the purpose of strengthening principles of inclusion and labor meritocracy in the Code of Ethics.

102-8



Grupo Elektra  
Breakdown of employees by  
company

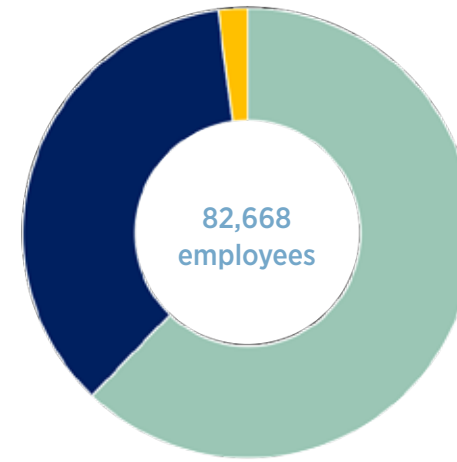
|                  |     |
|------------------|-----|
| ■ Elektra Stores | 14% |
| ■ Banco Azteca   | 80% |
| ■ Italika        | 6%  |



Grupo Elektra  
Breakdown of employees by region

|                       |        |     |
|-----------------------|--------|-----|
| ■ México              | 67,567 | 82% |
| ■ Centro y Sudamérica | 9,416  | 11% |
| ■ Estados Unidos      | 5,685  | 7%  |

Grupo Elektra occasionally requires temporary personnel to meet seasonal demand, a situation that arose in 2018.



Grupo Elektra  
Breakdown of employees  
by age group

|              |     |
|--------------|-----|
| ■ < 30 años  | 62% |
| ■ 30-50 años | 36% |
| ■ > 50 años  | 2%  |

401-1

## 57.5% turnover rate at Grupo Elektra in 2018.

102-41

## 5% of all Grupo Elektra employees are union members.

Accordingly, Grupo Elektra and its companies evaluate the effectiveness of its talent recruitment and retention through information-sharing meetings in the group or outside the company (meetings between Grupo Elektra companies and other in similar fields to share best practices and potential candidates).

Additionally, the Group has a Starting Survey, which strengthens talent retention by helping evaluate the process of incorporation of new hires, from the day they join the team and during the first three months. The survey is applied at 15, 45 and 90 days after hiring.

Elektra Stores supports Grupo Elektra's vision of considering human capital its most valuable asset, promoting a culture of respect and teamwork with a focus on humanity and dignity. It has specific guidelines for recruiting and retaining the best talent, such as:

- Promoting internal talent development through the "Talent in Movement" program
- Skills interviews.
- Inclusive, standardized recruitment processes that identify talent from the start and create medium and long-term succession plans.



Based on these guidelines, in 2018 Elektra Stores created various tools and options to support optimum talent management, among them:

- Hiring Room, a platform for managing Grupo Salinas job candidates.
- Standardization of vacancy postings in LinkedIn and online work banks.
- Guidelines for promoting personnel within corporate offices, including the panel for selecting management and executive talent.
- Replacement grids, a tool for managing talent within store operations.
- Start Program, in which employees are accompanied from the time of their first contact with the Company until three months after hiring.
- Update of Inclusion and Non-Discrimination Policy
- Update of the Code of Ethics
- Introduction of the Critical Path Milestones (CPM) methodology for coverage and turnover in critical areas (Metro other cities, Metro South, Metro North and Pacific)
- Creation and implementation of a talent attraction manual, including standardization of store vacancy postings.
- In-store evaluations to identify potential for Zone Managers, Regional managers and 100% of Store Leaders



Elektra Stores evaluates the effectiveness of its talent management tools through various mechanisms provided by Grupo Elektra:

- Area indicators, like the number of vacancies filled in recently-created jobs or replacements.

- Great Place to Work (GPTW) workplace environment survey.
- Net Partner Promoters Index, which measures an employees' willingness to recommend Grupo Elektra as an employer to their family and friends.

601 promotions in regional stores and 28 in Elektra Stores Distribution Centers in 2018, through the “Talent in Movement” program.

401-1

108 new hires in Elektra Stores headquarters in 2018; 54% newly created jobs and 46% replacements.

7,202 new hires total in 2018, 68% of them men and 32% of them women.

670 vacancies filled with internal employees in 2018.

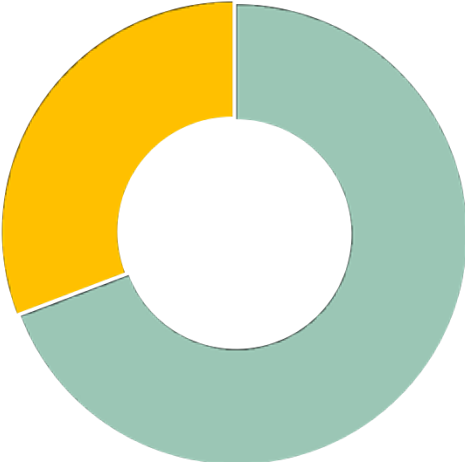
89% of Critical Path Milestones (CMP) met, up more than 10 percentage points.



95% of target coverage met during seasonal hiring.

90% of new employees were accompanied during their process of joining the group through the Starting Survey.

Note. 98% of Elektra Stores employees have a permanent contract; 2% of them have temporary contracts



**Elektra Stores**  
Breakdown of employees by gender



**Tiendas Elektra**  
Breakdown of employees by gender and age group



Note. 2% of Elektra Stores employees have a temporary contract.



52 Elektra Stores executives; 49 of them are from the countries where they work.

14 women in executive positions.

21 executives in charge of revenue generation in Elektra Stores; 6 of them are women

344 employees with managerial posts, 104 of them women.

Banco Azteca has always promised its employees “a total work experience.” To keep this promise, it encourages leadership and constant guidance, and provides work tool and training programs that show them the path to follow. What makes Banco Azteca different is that it has become a great employer, that helps its team to build a prosperous future.

For Banco Azteca, attracting and retaining talent are vital for ensuring that employees experience and enrich the organizational culture, ensuring the institution’s success. To this end, it created an Executive Talent Recruitment Center, which is staffed by 13 professionals who work to fill vacancies in middle management and specialized positions in all the business units that make up Banco Azteca. The Center has a selection procedure aligned with Banco Azteca’s vision and strategic goals, and it works according to various tools and policies that guarantee the best experience possible for employees, as well as inclusive prosperity, non-discrimination and respect for diversity. Some examples of these are:

- Online job banks: OCC; Bumeran, Computrabajo, Hiring Room and LinkedIn, the last being the most important of these.
- Headhunters who specialize in seeking out talent with the skills and qualifications to hold the jobs we offer
- Academic outreach programs, to position ourselves among talented youth as a good employment option, incorporating internship programs:
  - > Job fairs at various educational institutions like the Instituto Tecnológico Autónomo de México (ITAM), Instituto Panamericano de Alta Dirección de

For Banco Azteca, recruiting and retaining talent is a key strategy for:

- Getting to know talent
- Identifying high potential
- Supporting meritocracy
- Promoting training and development
- Managing opportunities under transparent, objective criteria
- Promoting equal career opportunities within the institution
- Making fair decisions in line with the organization's values

Empresas (IPADE), Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), Universidad Iberoamericana (UIA), Universidad Panamericana (UP) and Universidad Anáhuac.

- › “Inroads” internship programs.
- › Summer Seedbed program at Banco Azteca.
- Incorporation of protocols for attending to job applicants and improving their

experience as they go through the phases of recruitment and selection. These processes are audited by an independent firm in order to identify areas of opportunity.

In 2018, Banco Azteca's Executive Talent Recruitment Center carried out the following activities:

- Participated in recruitment fairs at the Universidad Panamericana (UP) and Universidad Nacional Autónoma de México (UNAM).
- Visit by Banco Azteca executives to UP and the Universidad del Valle de México (UVM) to deliver the Azteca Lecture.
- Participated in recruitment fairs at universities in the United States.
- Participated in recruitment fairs at the IESE Business School in Barcelona, Spain.
- In regional operations, worked with independent local forms with an in-depth knowledge of trends and conditions in each zone to attract the best local talent on a large scale.

Banco Azteca measures the efficiency of its talent management by monitoring indicators like the number of hires through the Executive Talent Recruitment Center, the rate and time it takes to fill a vacancy, and feedback from interaction with employees in their Starting Surveys.

401-1

157 new hires through Banco Azteca's Executive Talent Recruitment Center in 2018.

97% of middle-management and specialized positions filled at Banco Azteca headquarters.

Three internship programs: Inroads, sons and daughters of employees, and university students.

In 2018, Banco Azteca strengthened its ties with various universities.





398 Banco Azteca executives; 100% of them are from the countries where they work.

**Banco Azteca  
Breakdown of employees  
by gender**



107 women in executive positions.

216 executives in charge of revenue generation in Banco Azteca; 61 of them are women.

457 employees with managerial posts, 171 of them women.

In 2018, Banco Azteca redoubled its work on the Business Partners position, created in 2017, through the following activities:

- A skills interview workshop, which gave Business Partners the tools and abilities necessary to interview and select the most talented candidates.
- Application of protocols established in the talent attraction process

- A workshop on “Design Thinking” for Business Partners, teaching them how to generate and implement improvement strategies and programs in the talent recruitment process.
- Strategic sessions for defining a candidate’s path in the recruitment and section process.

For Italika, recruiting and retaining the most highly qualified talent with superior experience and attitude is fundamental for development and growth, both for the company and for its employees. Italika and Ensamblika have the following instruments for optimally managing human capital:

- Job descriptions according to a standard format listing the requirements for each position, which must be validated by the direct superior, area director and Human Capital department.
- Internal recruitment, encouraging employees with the best results to apply for internal vacancies, giving them opportunities for personal and professional growth.
- External recruitment, which takes place when no one inside the company has the qualifications needed to cover a newly created job opening or replacement. In these cases, the job is posted in digital media, like OCC Mundial, Bumeran, LinkedIn and Italika’s website.

**Banco Azteca  
Breakdown of employees by  
gender and age group**



Note. 0.6% of Banco Azteca employees have temporary contracts.

- Psychometric testing for values and organizational respect, to determine applicants' strengths and areas of opportunity and ensure their optimum performance at Italika.
- Socioeconomic studies to check personal and job references and learn about our employees' lifestyles.

2018 was an important year for talent attraction, because Italika started up a fifth assembly line and opened a sixth industrial bay and a third shift for strategic areas -like Distribution- which meant increased operations and thus the creation of new jobs in both administrative and operating positions.

To meet its talent management targets, Italika took the following actions:

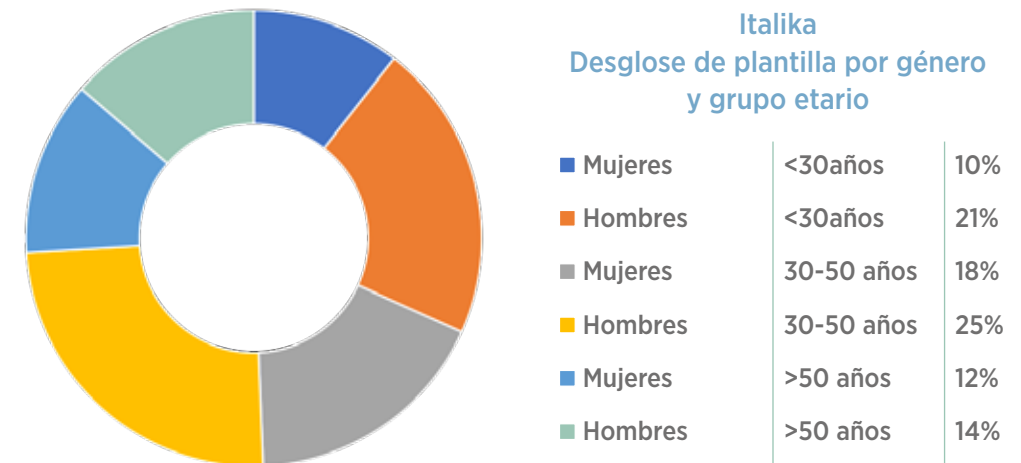
- Incorporation of two more analyzes to the Talent Recruitment area
- Outsourcing for operating personnel.
- On-site recruitment for the Talent Recruitment Grid.
- Scheduled advanced planning for recruitment and incorporation of employees promptly and efficiently.

Italika evaluates its talent attraction and retention tools by analyzing coverage by area, as well as turnover rates, response time, and deadlines for delivery or incorporation of new employees.

Italika has an official profile on LinkedIn, showing organizational culture and current vacancies, positioning itself as an employer brand.

15 Italika area directors; 100% of them are from the countries where they work.

2 women between 30 and 50 hold executive positions at Italika.



The companies that make up Grupo Elektra have set specific goals for talent recruitment in 2019, as follows:

**Elektra Stores**

- Reduce the number of days needed to complete the selection and hiring process.
- Reduce requirements in the candidate selection process.
- Use the Hiring Room platform for hiring at the corporate level, regional stores, and distribution centers.

- Take advantage of the Success Factors platform for talent management.
- Position Elektra Stores in the ranking of best places to work.
- Strengthen the strategy of being an “employer brand.”
- Train executives and managers at the corporate level, human resource generalists, store leaders and distribution centers regarding the talent recruitment process.
- Fill 100% of vacancies in strategic positions.
- Maintain a 95% satisfaction rating in the



talent recruitment process.

- Apply service agreements on talent management.
- Analyze a new model of compensation for regional stores.

- Create a corporate skill model that aligns all of the companies of Grupo Salinas in order to identify and learn about talent, develop and retain it.

**Italika**

**Banco Azteca**

- Build a talent recruitment structure that meets the needs of every Banco Azteca business unit.
- Have commercial partners support the process of filling vacancies due to expansion and strategic changes.
- Design and apply a solid plan for strengthening the bank’s image as an “employer brand.”
- Refocus the strategy of youth talent programs.

- Maintain a complete workforce according to the program of staffing according to trends and seasonal needs
- Hire the workers needed to staff the first shift of the newly opened Line 5.
- Cover the administrative staff at 99%.
- Increase full staffing from 83% to 90%.
- Fill vacancies within 30 business days.
- Develop reports and metrics for management to visualize and track the number of vacancies, the status and productivity of the area and the recruiter.



# TALENT DEVELOPMENT

Principle 1, 4

## TRAINING

GRI 404: 103-1, 103-2, 103-3

Employee training is a priority for Grupo Elektra, because it ensures that the company has the necessary tools for comprehensive development, for each employee to do their job better, leveraging and guaranteeing the group's operating results.



The company also has an inclusive work model focused on empowerment of employees and corporate governance bodies through access to education, training and guidance. The Group stresses job advancement as a direct result of merit, talent, effort, skills or specific aptitudes for a given job, without reference to religion, gender political preference, or other distinctions.

Online training is given through the “My Training” page, part of the Grupo Salinas website, which has become a primordial tool for bringing training to employees and meeting the goals of the training plan for new hires, new products, new procedures, update, regulatory reinforcement, and other topics.

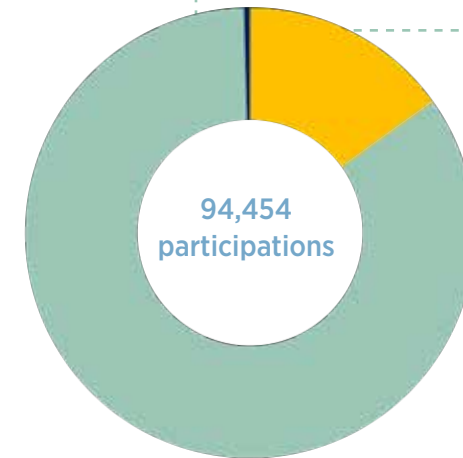
94,454 Grupo Elektra employee participations in online courses in 2018; 62% men and 38% women.

682,502.2 hours of online training given by Grupo Elektra in 2018: 63% men and 37% women.

Grupo Elektra's training strategy is supported by two types of action:

Online training

Classroom or in-person training



Grupo Elektra Breakdown of participation in online courses

|                |        |     |
|----------------|--------|-----|
| Elektra Stores | 14,241 | 15% |
| Banco Azteca   | 79,795 | 85% |
| Italika        | 418    | 0%  |

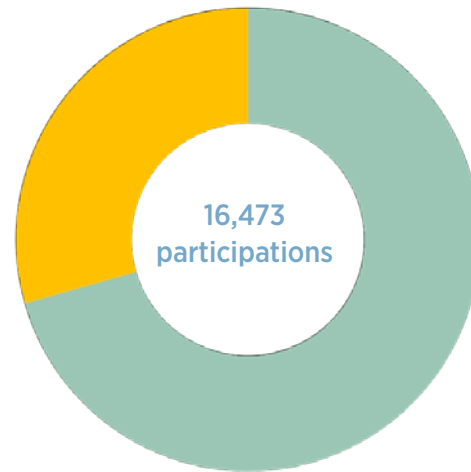


At Elektra Stores, in-person training is given through two programs:

- Initial training, given in two forms:
  - › **Classroom training** 52 classrooms in Mexico, two in Peru, two in Guatemala and two in Honduras. Theoretic content is given by the Human Resources generalist, to guarantee employee certification.
  - › **On-site training** Training given directly at the stores, designed for employees located in geographically remote stores that are not close to the physical classroom facilities. Instruction is given by the sub-branch leader, ensuring that the program is followed, while the Human Resources Generalist provides full assistance through store visits to verify activities and evaluate the certification.

In-store training lasts for two weeks and consists of the following modules:

|                    |               |
|--------------------|---------------|
| Company onboarding | Job alignment |
| Store processes    | Systems       |
| Sales processes    | Products      |
| Certification      |               |



**Elektra Stores**  
Breakdown of employee training participations by gender

|       |        |     |
|-------|--------|-----|
| Men   | 11,627 | 71% |
| Women | 4,846  | 29% |

- › A micro-site, which is a controlled learning environment containing the training curriculum based on a daily teaching-learning structure for both the instructor and the employee
- › Learning Management System, an online educational platform with content aligned with the initial and continuing training programs. Contains videos, infographics, evaluations for each learning module, operating system simulations, and a final certification.

Currently, Elektra Stores has a Management certification program, aimed at store leaders and covering a variety of topics: operating techniques, human resources, work team management, administration and finance, marketing and retail.

The goal of the in-store training program is to give associates the knowledge and skills needed to promote excellence in execution of operating processes.

2. Continuing training, a model that involves reinforcing employee knowledge of the products sold in Elektra store, so that they have enough specialized information to properly assist clients. Among the product lines are telephony, appliances, electronics,

computer equipment, Italika motorcycles, furniture, mattresses, accessories and new businesses

Both of these forms of training use two educational tools:

116,473 employee participations in Elektra Stores training courses in 2018.

404-1

924,749 hours of training given by Elektra Stores in 2018; 70% to men and 30% to women.

Ps. 8 million budgeted for training at Elektra Stores in 2018.

The training goals for Elektra Stores in 2019 will focus on:

- Restructuring the in-store training program toward an omnichannel version.
- Creating specific training plans for middle management in regional stores.
- Incorporating certification in the in-store training methodology to operational responsibilities, making the teaching of modules in this training format part of their activities.

404-2

Banco Azteca has a variety of training initiatives for strengthening its employees' skills and supporting them for optimum performance. Some success stories are:

- Leaders in Excellence
- Management 101
- How do I earn? Making my dreams come true.

### LEADERS IN EXCELLENCE

A training program for developing specific skills, given by Harvard Business Publishing –an internationally renowned consulting firm– and aimed at Executives looking to perfect their leadership abilities, such as:

- Team and full staff management
- Training responsibilities
- Performance evaluations
- Feedback
- Creation of customer service teams
- Strategic vision
- Decision-making
- Resource planning

It is made up of three modules, each of which focuses on two skills:

- Module 1. People: leading people and managing team.
- Module 2: Client focus and negotiation
- Module 3: Business: Strategic planning and execution and decision-making.

Each module lasts for 16 hours, distributed over six weeks. The program thus provides 48 hours of training, which can be completed in 18 weeks.

### Benefits for the business

1. Creates a program of executive fine-tuning to improve leadership and team management skills.
2. Encourage leaders to use human resources as the central element in achieving results.
3. Make leaders agents of change who can guide efforts toward achieving the institution's goals.

90 employees participated in the Leaders in Excellence program, from the Presta Prenda, Afore Azteca, and Institutional and Government Banking business units\*.

\* The leaders that participated for each business segment were as follows: for PrestaPrenda, the CEO and executives reporting directly to him; for Afore Azteca, the CEO and executives reporting directly to him; and for Institutional and Government banking, all senior Directors



## 2019 Target: 45 executives from Senior Branch Management participating.

### MANAGEMENT 101

A basic program that aims to develop team management skills among leaders, helping them achieve results based on optimum orientation of their human capital.

Management 101 is a program given by Banco Azteca in conjunction with the Universidad del Valle de México (UVM). It consists of two main modules, which in turn consist of two classroom sessions of 16 hours each and various online exercises that can be done through the UVM website.

- Module 1
  - › Talent selection - Skills interview
  - › Training to train
- Module 2
  - › Locking in results - feedback in action
  - › Team management
  - › Decision-making about the team

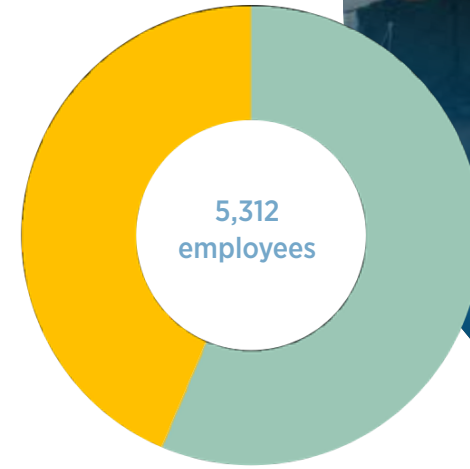
In 2018, 12,000 Banco Azteca financial consultants and branch managers participated in the “How can I make more? Making my dreams come true” program.

### Benefits for the business

1. Sharing tools for developing and/or improving management skills for ranch managers and regional directors.
2. Ensuring implementation of new tools through executive mentoring by bosses (follow-up)
3. Helping to empower Branch Managers by working on skills (knowing what to do, being able to do, and wanting to do).

1,000 Banco Azteca branch managers and Microbusiness store heads participated in the first phase of the Management 101 program in 2018.

2019 Target: 720 branch managers participating in the program by the end of the year.



Banco Azteca  
Breakdown of employees  
trained by gender

|       |       |     |
|-------|-------|-----|
| Men   | 3,036 | 56% |
| Women | 2,348 | 44% |

Banco Azteca’s goal is to incorporate this program into part of its onboarding process for new hires, providing new branch managers with the tools they need to effectively do their jobs.

### HOW CAN I MAKE MORE? MAKING MY DREAMS COME TRUE

The goal of this program is to help financial consultants and branch managers to achieve their personal goals by understanding how they earn and how they can earn more.

### Benefits for the business

- Motivated employees
- Business results
- Meeting personal and business goals



Additionally, within the franchise model, with the ultimate purpose of improving both employee and client satisfaction, Banco Azteca developed a format for the Excellence Center that is used to create spaces for training employees of the various business units.

5,312 Banco Azteca employees trained in 2018.

3,131 employees trained to reinforce their knowledge of Banco Azteca products and services; 17,589 hours of training given in 2018.

404-1

88,194 hours of training given at Banco Azteca in 2018; 56% to men and 44% to women.

404-2

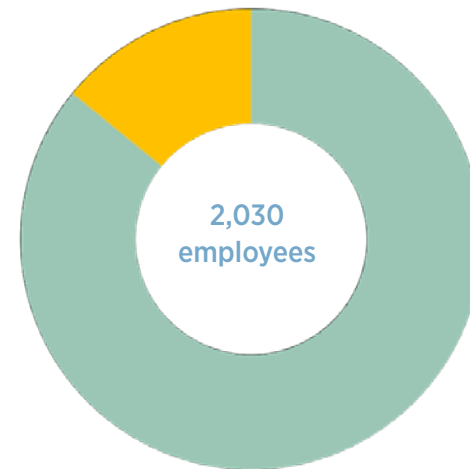
At Italika, training is a fundamental pillar of professional and personal advancement for operating and administrative employees. There are two training programs at Ensamblika:

• **Training of new hires**

This onboarding program provides new employees with information on their benefits and the internal regulations of the job, as well as training in specialized basic activities employees will need to work in Ensamblika operations -for example, direct training on the production line, evaluating the skills obtained through a checklist.

• **Annual training program**

This program is for administrative staff and begins with a diagnosis of training needs to determine what the administrative areas require in terms of human capital training, and on this basis to schedule and budget for training courses throughout the year. There are a number of key positions in various areas of Ensamblika, so developing employee abilities and skills in these positions is essential for improving plant processes. To this end, executives are encouraged to complete specialization courses, diploma programs and master's degrees in various prestigious universities.



Italika  
Breakdown of employees trained by gender

2,030 Ensamblika employees trained in 2018.

404-1

## 6,239 hours of training given at Ensamblika in 2018: 85% to men and 15% to women.

Italika's goals for improving the process of employee advancement in 2019 are:

- Document the new hires training and annual training programs
- Strengthen the methodology used to diagnose training needs for the annual program, prepare job descriptions and psychometric assessment criteria for each position and evaluate the results.
- Provide online training courses to employees of Italika-owned agencies through the Success Factors system.



## PERFORMANCE EVALUATIONS

GRI 404: 103-1, 103-2, 103-3  
404-3

As part of its commitment to continuous improvement, in addition to training, Grupo Elektra considers performance evaluation a key pillar for developing human capital, because it reinforces employee learning and helps identify strengths and areas of opportunity for meeting individual and group goals.

For Elektra Stores, performance evaluations provide information on how employees are progressing against their goals and what they need to work on to obtain better results, to strengthen the culture of client-focused commitment.

In 2018, performance evaluations found that 48% of Elektra Stores employees had exceeded their goals.

The tools through which Elektra Stores evaluates performance are:

- Skills detection. This is a set of skills aligned with institutional culture and individual KPIs, which are communicated to employees so that they know the level of work required from them. These are reviewed biyearly and in the annual performance evaluation. In each phase the employee is given feedback on hits and misses, and makes commitments for improvement.
- Feedback system. A systematized evaluation that guarantees a one-on-one discussion with each employee. In these sessions results and skills are assessed and assigned a percentage success rate. This is an internal valuation process on which all organizational leaders receive training, down to the regional manager level in the case of regional stores. In 2019 this tool will be migrated to the Grupo Salinas system in order to standardize the process in all of the group's companies.

97% of Elektra Stores employees were evaluated in 2018.

Elektra Stores in turn measures the effectiveness of these evaluation processes based on a series of criteria, such as:

- Quality of KPI definitions, to ensure a cascade effect.
- Compliance with evaluation periods –two biyearly evaluation periods in which leaders interact one-on-one with their employees
- Control and resolution of incidents in the system, which are reported by the platform user and addressed by the Organizational Development area to avoid disruptions.
- Training and advance information for leaders so they can provide optimum feedback in the biyearly sessions.

At the close of 2017 Elektra Stores made a commitment to evaluate employees at the sub-leader and advisor levels, and began this process in 2018 with employees who had been with the company for more than 3 months. A total of 921 sub-leaders and 2,958 store advisors were evaluated during the year.

5,146 Elektra Stores employees evaluated in 2018, 72% men and 28% women.

The main goal of Elektra Stores for 2019 will be to direct employees toward a level of compliance with Key Goals and Results (KGR) aligned with the business strategy, and track them on a quarterly basis to provide the appropriate feedback to ensure these are met.

For Banco Azteca, measuring employee performance objectively and without gender distinction is crucial for identifying key high-potential talent, detecting training and motivation needs, and developing improvement plans.

Through performance evaluations, Banco Azteca seeks to:

- Know its talent
- Identify high potential
- Promote training and development
- Manage opportunities under transparent, objective criteria
- Promote equal career opportunities within the company
- Make fair decisions aligned with the company's values

1,890 employees evaluated in 2018; 51% men and 49% women.

The tools by which Banco Azteca evaluates its employees' performance are:

- Methodology for establishing KPIs. Senior management sets strategic goals for the entire organization.
- Headquarters Performance Evaluation System. A platform containing strategic and functional goals, individually and by order of importance. It consists of four phases:
  - › Definition and input of goals for all employees –goals, priorities, and fulfillment dates.
  - › Mid-term evaluation, involving the Human Resource department and each employee's direct superior, to evaluate their progress against the goals and adjust them if necessary, and also to provide feedback to the employee.
  - › Final evaluation and feedback by the direct superior, internal clients and the Human Resource department.

In this phase, employees must also self-evaluate their goals and progress against corporate values; direct superiors designate an internal client to participate in the employee evaluation, note strengths and areas of opportunity, assign a percentage compliance with each goal and provide final feedback to the employees.

› Final reports by the direct superior and Human Resource department. The Organizational Development area is in charge of concentrating the reports and identifying the top 10 areas of opportunity for each department and for all employees in general, in order to present an overview.

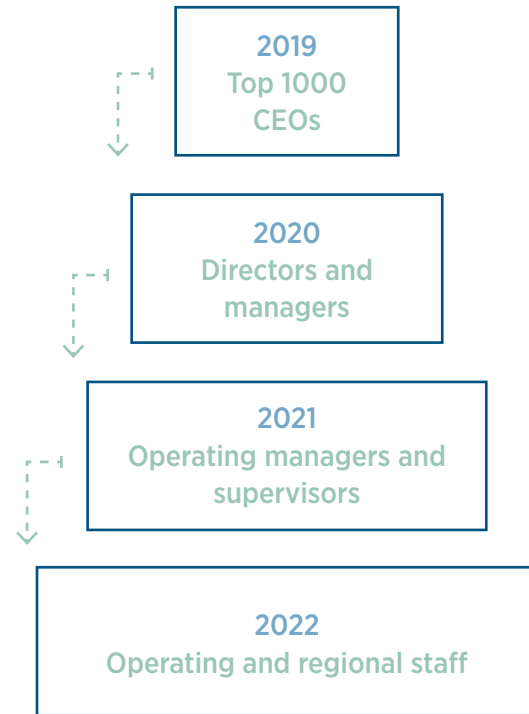
- Performance Evaluation System in Regional Branches-Ranking. A tool that creates a global ranking for measuring and analyzing employee performance in regional branches.

For Banco Azteca, focusing on results is a key priority, and the business model allows for daily, monthly, biyearly or annual tracking linked to compensation and benefits, which is a vital part of the promotion process.

Banco Azteca is in a constant process of growth and cultural transformation focused on communicating its strategies to all the units that make up Grupo Elektra. For 2019 it will establish a new performance evaluation system called Key Goals and Results (KGR). This methodology will facilitate:

- Setting and meeting value goals through quantifiable results.
- Visibility and awareness of Banco Azteca's contribution as a business or support unit.
- Quarterly review of progress to align efforts and correct the course, if necessary.
- Involvement of employees in executing the strategy.

KGR will be measured annually, and in order to transmit them to the rest of the institution they will be programmed from the highest echelons of the organizational structure to operating and regional positions, between 2019 and 2022.



The performance evaluation process at Italika, especially Ensamblika, follows the Category System. This is a regular program for unionized workers which gives them the opportunity to obtain rankings from B Operator (equivalent to general assistant) to A, AA or Group Leader category,\* each of which involves increasing responsibility and duties within operations, as well as a higher salary.

The evaluation criteria include punctuality, attendance, zero sanctions, seniority, and other factors. The process begins with an open invitation, according to vacancies available in each area, followed by three months of theoretic and practical training in various aspect of operation, after which the most qualified workers are selected.

Graduates receive a certificate of approval and are assigned the respective category, and then assume the additional responsibilities and pay raise. The new skills are identified in matrix of skills acquired and evaluated regularly during one year, in writing and in practice, and the results recorded in the skills matrix; the corresponding files are then generated in order to follow the employee's professional development in the organization.

- \*The categories are:
- Category A: Assigned after six months and after taking more specific courses for the work area, as well as practical evaluation of operations.
  - AA Category: Assigned after 12 months of being Category A, with more courses and evaluations.
  - Category B: for newly-hired workers who has taken basic courses in operations.
  - Team Leader Category: assigned to workers who have been in the AA category for six months and have undergone administrative and psychometric testing, developing more advanced skills.

2,030 Italika (Ensamblika) employees evaluated in 2018, 86% men and 14% women.

The effectiveness of the Category System is evaluated through a matrix of acquired skills and monthly indicators on work-hours of instruction.

For 2019, Italika's goals for improving the performance evaluation process are:

- Making improvements in the category system –development, research and generation of new content and new interactions, as well as improvements in the evaluation and certification system.
- Creating a methodology for re-certification in the category system, including the evaluation and training method and assessment system.



# QUALITY OF LIFE

Principle 1, 4

For Grupo Elektra, promoting quality of life is essential for increasing employee satisfaction and strengthen their commitment to the Group. Based on various policies, the Corporate Wellness, Communication and Integration Area at Grupo Salinas designs programs with a focus on inclusive prosperity, to help the Company transform its organizational culture and improve employees' quality of life, work-family balance, physical activity and healthy lifestyles, among other crucial components of their comprehensive advancement.



The Corporate Wellness, Communication and Integration Area has a Single Associate System, a tool that brings together information on Group employees -demographic, psychographic, work performance, and other facets- in order to identify them and generate specific recognition schemes, make decisions to improve the working environment, lift the spirits and enhance development capacities in each of them.

## EMPLOYEE COMPENSATION AND BENEFITS

405-2

Grupo Elektra provides its employees with a better quality of life through competitive compensation that is above the minimum wage in all the countries where it operates, and in which gender is not a determinant.

401-2

Depending on the position they hold and the countries where Grupo Elektra operates, employees may also receive social security benefits, housing credit, paid vacation, vacation bonus, grocery vouchers and, in keeping with legislation, retirement savings plans (Afores) and other benefits that may vary.

| Percentage difference in Grupo Elektra employee salaries vs. minimum wages |                |              |         |
|--|----------------|--------------|---------|
| Contry   | Elektra Stores | Banco Azteca | Italika |
| Mexico   | 94%            | 294%         | 394%    |
| El Salvador  |                | 35%          |         |
| Guatemala  | 45%            | 29%          | 128%    |
| Honduras   | 17%            | 13%          | 70%     |
| Panama   | 6%             | 12%          |         |
| Peru   | 36%            | 38%          | 141%    |

Note. For calculating the difference between employee salaries and minimum wages in the countries where Grupo Elektra operates, each line is weighted by position, based on the following formula: headcount + weighting/guarantee.

| Salary ratios by level and gender at Grupo Elektra |        |     |       |
|--|--------|-----|-------|
| Level  | Global | Men | Women |
| Senior management                                  | 6.8    | 6.9 | 5.8   |
| Managers   | 2.1    | 2.1 | 2.2   |
| Operating staff                                    | 1.0    | 1.0 | 1.0   |

Note. Operating staff are considered base 1; the rest show the number of multiples of the base 1 rate that position earns.

Italika hired a consultant to obtain up-to-date information for a new methodology for assessing positions, new wage tables and data from various positions in the general automotive industry market, in order to offer its employees competitive salaries and benefits. This contributes directly to improving quality of life for them and their families.

Italika also established a new policy and documented it with the Methods and Procedures area, which establishes that salary reviews must be carried out quarterly, in order to detect workers who are earning less than they should be according to the wage table. The policy establishes that these cases must be addressed immediately to adjust the income of the employee in question. Each salary adjustment is accompanied by a growth plan depending on the goals set for the employee to earn it, encouraging their professional growth and development.

404-2

In 2018, in order to improve conditions for employees leaving the company, Grupo Elektra created a process for dignified dismissal, focusing on accompanying the employee to ensure that all assets and processes relating to their job have been clearly and expeditiously closed, making the process of departure simpler and clearer and also ensuring that settlement pay is disbursed as soon as possible.

## WORKPLACE ENVIRONMENT

403-3, 403-4, 403-6

In 2018, Grupo Salinas continued to encourage its employees to live its values through various initiatives, this time with more programs particularly in the area of Culture. The main results obtained in each of the spheres of activity during the year were:



| Sphere | Program     | Goal   | Achievements  |
|--------|-------------|--|---|
| Health | Kilothon    | A team contest to help employees lose weight and adopt healthier lifestyles  | 1,233 Grupo Elektra employees signed up for the program<br>More than 7,257 kilos total lost   |
|        | Health Fair | Encourages employees to maintain a holistic balance, improve healthy habits, make them more productive and helping them attain goals.                      | 17,968 employees on average<br>1,100 dental treatments<br>180 mammograms<br>9,367 medical checkups<br>1,024 glucose tests<br>42 blood donations<br>140 colonoscopies and pap tests<br>151 vaccines<br>20 free pairs of glasses for employees<br>330 gym memberships<br>165 healthcare discount agreements<br>154 employees participated in the Health Circuit<br>4,320 employees received anti-stress massage<br>688 traditional Chinese medicine therapies<br>452 dental plans |
|        | Nutrition   | Encourages healthy lifestyles among employees by helping them adopt healthier eating habits with personalized follow-up according to each employee's needs | 5,150 Grupo Elektra employees helped, an increase of 2,150 employees on average over the previous year.   |

|                     |                               |   |  |
|---------------------|-------------------------------|---|--|
| Lifeline            | <b>One more in the family</b> | Assisting and advising soon-to-be-parents in the most important moments of their lives and those of their families.   | 1,116 employees signed up<br>3,000 cards with pregnancy care recommendations<br>32 mothers took advantage of the Nursing facilities at Grupo Elektra headquarters. |
|                     | <b>True Friends</b>           | Promotes a culture of friendship at work, sharing experiences and companionship through the “Cuéntanos” channel, encouraging productivity and efficient performance by employees.   | 751 stories of friendship and companionship received from Grupo Salinas employees.   |
|                     | <b>Death in the family</b>    | Accompanies employees at the difficult moment of losing a family member or loved one, through psychological and emotional support.  | 134 Grupo Elektra employees received counseling.   |
|                     | <b>Thanks Mom</b>             | Generate emotional ties with employees and a sense of belonging, promoting company values   | 11,610 Grupo Salinas employees recognized  |
|                     | <b>Dad's a Champ</b>          | Recognizes employees who are fathers, who are distinguished by their effort, dedication and persistence, within the company and with their families.  |  |
|                     | Social-environmental          | <b>Recycling campaign</b>   | Build employee awareness about the importance of collecting waste to protect the environment, positively affecting their quality of life in the workplace.         |
| Family togetherness |                               | <b>Little Monsters</b>  | Celebrate Children’s Day on April 20 with employee children, promoting family togetherness.  |
|                     | <b>Little Associates Club</b> | Aims to create emotional ties between employees’ children and the company, through activities for children to support parents when their children are out of school on the last Friday of very month, when schools are closed, there are. | 414 children are club members.   |



|         |                                      |   |  |
|---------|--------------------------------------|---|--|
| Sports  | <b>Associates' Cup</b>               | This program creates activities outside of work that promote integration, companionship and a better working environment.   | 3,903 Grupo Salinas employees participated in 279 teams.         |
|         | <b>Running Associates</b>            | Encourages the adoption of healthy lifestyles through a club in which employees can practice sports, relax and improve their health.                              | 241 kits given to employees                                      |
|         | <b>Banking Games</b>                 | Intended to build awareness of health through sports, encouraging companionship, teamwork and health inside and outside of the company.                           | 620 Grupo Elektra employees participated.<br>262 medals awarded. |
|         | <b>Tournaments</b>                   | Encourages physical exercise, discipline, effort and togetherness among employees, as well as Grupo Elektra's values.   | 2,425 employees participated.                                    |
| Culture | <b>Associates' Library</b>           | Encourages good reading habits for employees and their families.  | 3,638 books borrowed by employees.                               |
|         | <b>Reading club</b>                  | Encourages reading habits among employees and their families, expanding their knowledge.  | 14,633 books borrowed by Grupo Salinas employees.                |
|         | <b>Associates' Universe</b>          | Encourages employees to take up basic habits of studying, reading, music and art, so they can acquire training and new skills.                                    | 7,991 participating Grupo Salinas employees.                     |
|         | <b>Associates in harmony</b>         | Supports an eagerness to learn and interact among employees, contributing to a better work/life balance through the emergence of new skills.                      | 12,138 participating employees.                                  |
|         | <b>The Book that changed my life</b> | Invites employees to share the book that made a huge change in their life.  | 235 stories received.  |
|         | <b>Light literary verse</b>          | Encourages employees to exercise their creativity and involvement through imagination.  | 215 light poems composed.  |
|         | <b>Play Library</b>                  | Encourages reading and culture among employees through fun physical spaces.   | 60 books loaned out each month.                                  |
|         | <b>Microstories</b>                  | Encourages creativity, communication and language through a contest in which employees write a short-short story of 500 characters, in the genre of their choice. | 1,702 mini short stories contributed by Grupo Salinas employees. |

For Italika, comprehensive employee development is important: by offering them optimum working conditions, it can positively influence their performance. It has several programs in this regard, including:

- Home Office systems. The systems area introduced the program to give employees the opportunity to work from wherever they're from –Cancun, Veracruz, Pachuca, Puebla, Mexico City, Cuernavaca, Mexico State and other places.
- Family Day. An event that promotes togetherness for employees and their families through a social gathering which has become our most successful event of the year. In 2018, 3,000 people attended.
- Breastfeeding rooms. Available to administrative and unionized staff.
- Psychological counseling.
- Year-end food baskets. Employees who have been with the company for less than six months receive a food basket those who have been with us for more than six months receive two.
- Employee discounts. Employees can use these in Elektra Stores branches.
- Kids Working. Administrative employees are encouraged to bring their kids to work to generate a sense of belonging



401-3

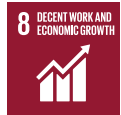
At Italika, five women and seven men took advantage of parental leave in 2018; the reinstatement rate a year after parental leave was 100% for women and 86% for men.



# EMPLOYEE SATISFACTION

Principle 1, 2, 3, 4, 6

For Grupo Elektra, measuring employee satisfaction is important for learning about their perceptions of their own jobs and their leaders, which is useful for creating strategies to achieve our business goals.



In 2018, the Human Development, Communication and Integration area continued to conduct two surveys:

- **Star bosses**

**Goal.** Identify and evaluate the recognition, pride, administration and leadership that employees perceive toward people they consider their “bosses,” through a dynamic test that incorporate the following aspects:

- › Responsibility and organization
- › Empathy and motivation
- › Commitment
- › Consistency
- › Vision and passion for their work.

The recognition of employees who are considered bosses encourage good leadership, communication and support practices, promoting the Group’s values.

- **Happy Index**

**Goal.** To learn about employee satisfaction, happiness, stability, commitment and environment, both in the company and their bosses and coworkers. This index has seven components:

- › Trabajo en equipo
- › Reconocimiento
- › Jefe Directo
- › Orgullo
- › Compromiso
- › Herramientas de trabajo
- › Mi puesto



Through this survey the group can determine how employees feel about a number of factors in the place where they work and in the way the Group’s principles and values are transmitted.

42,806 average participants in the employee Happy Index in 2018, 8% more than the year before.

Other initiatives to strengthen the working environment in Grupo Elektra companies included:

43,130 Grupo Elektra employees in Mexico, Latin America and other businesses recognized their Star Bosses in 2017-2018, a 7% increase in participation over the previous year.

8,286 Star Bosses were recognized in 2018.



- **Great Place To Work (GPTW) Survey**  
Goal. To identify strengths and areas of opportunity for building an optimum working environment. After the survey, workplace environment workshops are given in order to devise action plans for addressing the issues identified.

21,000 employees from headquarters and regional branches participated in the GPTW Survey.

Great Place to Work (GPTW) survey applied to 79% of Elektra Stores employees.

- **360 Evaluation**

This evaluation is carried out at Italika, to measure employees' attachment to company values and how they embody them, from different perspectives –self-evaluation, colleague evaluation, employee evaluation and their superior's evaluation. These evaluations help keep employees informed and well-trained and make them feel valued as people. They are encouraged to give the best of themselves, positively



impacting the organization by making it more efficient and productive, increasing customer satisfaction and loyalty, and building brand profitability and reputation.

- **WIFI**

This is a model comprised of four key elements that promote employee commitment:

- > Wellbeing
- > Information
- > Fairness
- > Involvement

The evaluation is carried out twice a year, and involves an e-mail to employees from the Human Capital area, notifying them of the dates on which the evaluation will be

available, as well as the path for accessing the corporate website. When employees complete their evaluation, the Human Capital area asks the Talent area for a diagnosis and rating, by area head and globally. Human Capital then analyzes and goes over the results with each leader to prepare an action plan to improve areas of opportunity and improve the results in the next evaluation.

102-44

From all the interactions obtained in the period, the most frequently mentioned issues were addressed through the following strategies:

- Cultural proposals through the Newsletter, a variety of articles published on the internal website and enrichment of the number of titles available through the Associate's Library.
- Agreements with hotels and entertainment venues to offer special prices to Grupo Salinas employees for enjoying their vacation time.
- Stronger relations among employees through the "True Friends" campaign.
- Financial and product support for employees affected by natural disasters, together with Human Capital and the business units.

In addition to surveys by the Corporate Wellness, Communication and Integration Area, Grupo Elektra employees can contribute their expectations and opinions on a variety of topics through different media. In 2018, the most popular topics were:

- Culture (Partners' Universe and Virtual Library)

- Vacation experiences with families, friends and loved ones
- Friendship campaigns and good relations at work
- Recommendations on holistic wellness (Kilothon and Associates in Harmony)
- Special celebrations
- Price and a sense of belonging to Grupo Salinas

- Special sporting events (Associates' Cup)
- Assistance to employees in special circumstances
- Contests
- Participations
- Exclusive discounts and services for Grupo Salinas employees

Employees also shared suggestions and questions about Human Capital in the various business units, which were addressed in 2018, including:

- Questions about compensation schemes
- Personnel movements (promotions, transfers and changes)
- Tax returns
- Working hours and vacations
- Questions about operating processes, policies and guidelines
- Civil Defense
- Maintenance of work areas
- Contests
- Benefits in the business units

At Banco Azteca, employees asked for more humane and proximate leadership, in response to which the bank strengthened its leadership courses for executives –Leaders in Excellence– and branch managers –Management 101. Regional employees asked about how to earn more, so Banco Azteca created a specific course that benefited 12,000 employees.

The Corporate Wellness, Communication and Integration Area, together with the Civil Defense area of Grupo Salinas, determined that employees needed a protocol for promoting self-protection and care for all of us who belong to the Group.

Finally, taking into account all of the interactions with employees throughout 2018, the Corporate Wellness, Communication and Integration Area prepared a report for the business units, offices and the Human Capital department about the situations affecting employees or operations, directly or indirectly.

In the case of Italika, specific complaints about the working environment, harassment, bullying or mistreatment of customers were identified. To correct these situations, Italika conducted a diagnosis of areas with the most complaints, and the most notable finding was that they coincided with the results of the great Place to Work survey. An institutional investigation and audit followed.

These inspections and surveys resulted in the dismissal of five employees for failure to comply with work regulations or for poor performance, while integration activities and weekly chats with Human Capital were held and control systems implemented.



## EMPLOYEE RECOGNITION

In addition to recognizing leaders, Grupo Elektra has a number of other awards that strengthen employees' pride and commitment to being part of the Group.

- “Jaguar Head” challenge. A distinction that recognizes the efficiency of Banco Azteca’s credit and collections employees, comparing them with true warriors because of the hard work they do collecting past-due accounts

### A 14% increase in recognitions from 2017 to 2018

- Corazón Azteca. Recognizes managers who exceed deposit goals, serving as part of a model developed to promote healthy competition among employees and focus activities on deposits through excellent customer service. The selection process is an open one, and lasts for eight weeks, and the results of the program are communicated to participants to motivate their involvement

A 260% increase in investment accounts and a 126% growth in Guardadito accounts in 2018 compared to 2017.

- Dragonfly Prize. Open to all of Grupo Salinas’ companies; its purpose is to improve experiences in the use of services offered by internal suppliers, to increase the productivity of the employees that use them
- Italika 5- and 10-year recognitions. A gala dinner for all employees celebrating their 5th and 10th anniversaries with Italika, accompanied by a family member.
- Italika punctuality prize. For all employees; to win they must have no absences or late marks on their record.
- Italika monthly raffle. Open to all employees who earned the punctuality prize.
- Italika annual prize. Open to all employees;



### 2018 Achievements

An event involving 60 employees in charge of internal services.  
250 service suppliers in 19 internal corporate service areas.  
Generation of metrics for comparison in 2019.

the main requirement is not to have missed any days or arrived late between May and April. There is an exception for work-related accidents that do not exceed 30 days of disability.



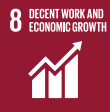


# OCCUPATIONAL HEALTH AND SAFETY

GRI 403: 103-1, 103-2, 103-3

Principle 1, 4

Occupational health and safety are critical for Grupo Elektra, because besides keeping its workplaces safe and well-protected, it must be completely certain of its capacity to react to any emergency or contingency, given employees the peace of mind to be able to work more effectively.



### 403-2

As part of Grupo Salinas' commitment to the safety of its employees, it created the Civil Defense Department in 2018, in charge of developing civil defense plans and programs, what-to-do-in-an-emergency cards and protocols established by institutional policy, as well as scheduling on-site training and drills in conjunction with the various business units.

The Civil Defense Department is made up of 10 specialists trained in this field. It reports to the Operational Safety Department, and has its own budget.

### 403-5

Along with the creation of the Internal Civil Defense Unit and Department, a three-phase training program was designed:

- First phase training. An in-person orientation course for employees in corporate headquarters and an online course for regional employees (stores, branches and sites).
- Introduction to civil defense. A course for all employees, available online; this portion is in the process of being authorized by the Human Capital area.
- Special courses for safety brigades. Including firefighting, first aid, evacuation, search and rescue, and communications.

### 403-1, 403-8

Additionally, Grupo Elektra's companies have the payroll system and database of the Mexican Social Security Institute (IMSS) which serves as a system for managing accident records. It covers 11,318 employees and is verified by both the Internal Audit area and an external auditor.

In the event of an accident, Grupo Elektra must fill out form ST-7, "Notice of initial medical care and qualification of a likely work-related accident," issued by the IMSS.



403-9, 403-10

### Elektra Stores and Banco Azteca 2018 Occupational health and safety indicators

|   |           |
|---|-----------|
| • Days on temporary disability                              | 109,027   |
| • Percentage of accidents with permanent partial disability | 34.53     |
| • Deaths  | 20        |
| • Average workers   | 11,318.40 |
| • Average active years listed                               | 28        |
| • Premium factor  | 2.3       |
| • Minimum risk premium                                      | 0.00500   |
| • Days in the year  | 365       |
| • Work-related illness                                      | 0         |

In Italika operations, specifically at Ensamblika, there is a process for identifying, evaluating and controlling risks and hazards to comply with official Mexican standards, like NOM-001, 002, 004, 005,006, 009, 010, 011, 017, 019, 020, 026, 027, 029 STPS applicable to 1,005 employees, including external personnel, services and direct and indirect suppliers, equivalent to 40% of the total.

Ensamblika has the following professional safety and health programs in place:

- Safety orientation for new hires
- Initial and constant training for each job
- Weekly 5-minute talks on accident prevention

- Management safety committee and audit
- Cross audit
- Daily start-up meetings in which employees can report unsafe actions or conditions and take the corresponding measures
- First-aid courses by category
- First-aid, firefighting, search and rescue brigades
- Brigade members trained at the National Center for Training and Preparation of the Mexican Red Cross
- Theoretic and practical courses and subsequent evaluation of workers in the assembly and sub-assembly area
- Medical clinic for primary care, staffed by a doctor, a licensed nurse for each shift and a budget for medicine and treatment materials.

To evaluate the results of these occupational health and safety actions, the Safety and Hygiene Commission visits the various areas of Ensamblika every day to detect unsafe actions and conditions. Every month meetings are held with managers and supervisors to discuss accidents and corrective actions taken, through a scorecard. If there is a work-related accident the investigation is carried out in accordance with article 54 of the Federal Labor Law, section V.

403-9, 403-10

### Ensamblika 2018 Occupational health and safety indicators

|                                 |       |
|---------------------------------|-------|
| • Fatalities                    | 0     |
| • Serious work-related injuries | 1.42% |
| • Work-related injury rate      | 0.14% |

|  |       |
|--|-------|
| • Work-related illness rate                            | 0.36% |
| • Days lost index                                      | 3.6%  |
| • Number of confirmed cases of work-related illnesses* | 3     |

\*Las principales causas de enfermedades profesionales son: hipoacusia bilateral, Tendinitis y Lumbalgia postural.

### Road safety

403-7

Road safety communication played a fundamental role for the companies of Grupo -Salinas in 2018. At Banco Azteca, efforts focused on two aspects:

- Making sure all collections personnel are aware of the existence of the prevention area
- Immediate medical attention for incidents in regional branches, and related aspects like legal, tools, insurance and bonding and the collections pyramid.

Banco Azteca manages road safety through various tools:

- “Take 5.” Every week the manager gives a five-minute talk to employees about best practices in the area of prevention.
- “Get this into your Head” campaign, aimed at preventing accidents among employees who use motorcycles as a work tool, encouraging them to wear helmets, as one crucial way to inculcate safe and responsible conduct.

## Occupational health and safety training at Ensamblika

- 16 hours
- 1,900 hires
- 5 specialized training courses

- Information on fatalities. Keeping employees in 16 zones of the country aware of real road fatalities.
- Zero Tolerance. In conjunction with Italika, five non-negotiable rules were identified:
  - › No driving without a helmet
  - › No driving under the influence
  - › No driving with other passengers on board at Italika
  - › No driving while using a cell phone
  - › No lending motorcycles to other drivers
- Daily reports. Regional branches receive valuable preventive information, including weather data and alerts about weather conditions, so they can take the appropriate measures.
- Weekly reports. Each week Collections and Credit managers are informed of accidents and assaults during the week, as well as the number of accident-free days accumulated.

Banco Azteca created a “days without accidents” scoreboard for each of the Collections and Credit Managers, to evaluate the process of communication and measuring its results. These scoreboards keep the whole work team informed of accidents during the week and involves them directly in the commitment to continuing the number of accident-free days.

Additionally, to address employee expectations about road safety issues, Banco Azteca created a response strategy through its Collections and Credit Continuity Center, which aims to ensure business continuity when there are disruptive events affecting regional branch activities.

Personal Protection Equipment was tested during the year, to select the best components: DOT certified helmets, security uniforms, gloves, special protection boots, knee and shin guards. In 2019 personal protection equipment will be distributed to all collections and credit employees.

As part of its road safety culture, Banco Azteca created an Italika Certification which requires all collections personal to pass a Basic Driving Course, with the support of a specialized team at Italika.

The purpose of this certification is:

- To minimize accidents and ensure the safety of Banco Azteca credit and collections personnel.
- To train Credit and Collection heads as qualified Italika motorcycle drivers, as an efficient and safe work tool.

## 7,032 credit and collections employees earned Italika Certification in 2018.

This strategy helped reduce the number of fatal accidents during the year, from seven in the third quarter to just one in the fourth.

In support of these certification goals, in 2019 Italika will train managers throughout the country to act as driving instructors so that they in turn can transmit the training to their departments. Each quarter Italika will reinforce Manager training to fine-tune teaching techniques, contents and hiring categories (basic, intermediate, advanced and expert).

The training required to earn the certification includes a checklist of good driving habits as well as a 360° Italika inspection.

403-9, 403-10

## 5,100 accidents in 2018

- 90.7% minor
- 7.6% serious
- 1.4% very serious
- 0.3% fatal

In 2019, Italika plans to train 811 managers and certify 4,881 Credit and Collections heads in four metropolitan areas of Mexico.



# PROMOTING DEVELOPMENT

GRI 203, 413: 103-1, 103-2, 103-3  
 203-1, 203-2, 413-1, 413-2  
 Principle 1, 2, 4

Grupo Elektra, as part of Grupo Salinas, is firmly committed to inclusive prosperity, because since its inception one of its essential qualities has been its pursuit of opportunities to generate economic, social and environmental value.



Elektra Stores operates with the basic aim of making its customers, employees, investors and suppliers happy by operating in accordance with an ethical culture, principles, guidelines and policies. In this way it creates economic value wherever Elektra Stores are present.

When establishing new points of contact, Elektra Stores uses the concept of search radius, which is determined based on analysis of the regions where Grupo Elektra performs best. It then identifies the city, municipality or region here a new store is to be created, normally outside of a 2-kilometer radius in regional branches and 1 kilometer in Mexico City and its metropolitan area. This is to ensure that the two stores –the new one and the existing one– do not compete with each

other. Elektra Stores tries to find areas in which there are more than 20,000 inhabitants within the search radius, in commercial zones or retail center.

With this, Elektra Stores not only creates jobs but contributes to the development of local economies by increasing the capacity and stability of household consumption through access to world-class merchandise. Elektra serves the broad base of the socioeconomic pyramid through affordable products and series and financing that enhances the quality of life of millions of families.

Banco Azteca's solid business model focuses on providing the best offering of products and services to a segment of customers that previously had

limited or no access to formal banking services. The institution encourages the responsible use of these products and service through financial education programs that help them improve their living conditions while building a long-term relationship that benefits both the bank and its clients.

In its deposit segment, Banco Azteca joined forces with the state government of Michoacán in 2018 to hold the 5th National Magical Village Fair, where vendors present handcrafts, folklore, traditional beverages, tourist packages and other activities. Banco Azteca supported the event by ensuring that all types of credit card were accepted, promoting financial inclusion and bringing the bank's array of products to more people through:

- The opening of Guardadito accounts for vendors who need it to receive payments made through their point-of-sale terminal
- Promoting new accounts for visitors to make payments with their cards, so they can use the accounts for basic savings.
- Installing a full-service branch so customers can do their banking as needed.

## These activities earned Banco Azteca a special recognition from the Michoacán Ministry of Tourism.

Seguros Azteca brings well-being and progress to families at the base of the pyramid, with more than 19,000 claims paid out during the year totaling more than Ps. 490 million, providing immediate support to families to cover economic commitments when the head of the household passes away.

In addition, in 2018 Banco Azteca brought well-being, development and progress to the Latin American countries where it operates, in several ways:

- Creating direct jobs for 742 employees in El Salvador, 2,310 in Guatemala, 1,640 in Honduras, 2,264 in Peru and in 17 branches in Panama.
- In El Salvador it carried out community support programs:
  - › Building homes for poor people in Nuevo Cuscatlán, La Libertad and Zaragoza in order to help reduce poverty, in an alliance with the organization TECHO El Salvador.
  - › Sponsored the “El Salvador run for the environment” for the 4th time, raising money for the Cystic Fibrosis foundation in an alliance with the municipal government of San Salvador.
  - › Sponsored the Inclusive Race in an alliance with municipal government of Santa Tecla.

Italika not only generated 218 new direct jobs in Mexico and 120 indirect jobs in company-owned agencies and concessions, respectively, but also promoted progress in the areas where it is located by providing a simple, high-quality and affordable means of transport and a work tool and wage-earning support for millions of families.

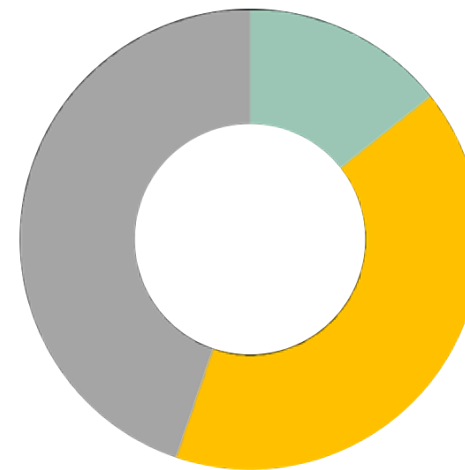
## FINANCIAL INCLUSION

FS13, FS14

One of the greatest obstacles to economic development in Mexico has always been a lack of access to credit for a considerable portion of the population. Banco Azteca is firmly convinced that one of the main vehicles for improving personal finances and generating inclusive prosperity is building financial inclusion through empowerment, giving individuals and families the tools and opportunities needed for progress.

Banco Azteca is committed to promoting this kind of inclusion, so when it decides on opening new branches in low-income areas, it selects those with low population density (up to 20,000 inhabitants) and a socioeconomic level based on average household income.

In Mexico, 105 of Banco Azteca’s branches are located in low-income areas with a population of less than 20,000 inhabitants. These are distributed in three zones of Mexico:



### Location of branches in low-income communities

|                |    |     |
|----------------|----|-----|
| ■ North Zone   | 15 | 14% |
| ■ Central Zone | 43 | 41% |
| ■ South Zone   | 47 | 45% |

Note:

The North Zone includes nine states of Mexico: Baja California Sur, Durango, Nayarit, Nuevo León, San Luis Potosí, Sinaloa, Sonora, Tamaulipas and Zacatecas.

The Central Zone covers seven states: Hidalgo, Jalisco, México, Michoacán, Morelos, Puebla and Tlaxcala.

The South Zone is made up of six states Chiapas, Guerrero, Oaxaca, Quintana Roo, Veracruz and Yucatán.



## Banco Azteca serves 105 low-income communities in Mexico.

Banco Azteca brings banking products and services to communities that previously had no access to them, operating in 778 municipalities, in 162 of which it is the only bank present.

Besides creating jobs in these communities, Banco Azteca benefits inhabitants by providing new opportunities for development.

The World Bank's Global Report on Financial Development 2014 provides clear evidence of this, because it highlights Banco Azteca as an example of a business model that contributes to economic growth through lending to micro-enterprises.

Its assessment of Banco Azteca as a new bank that offers financial products and services to the base of the pyramid demonstrates the impact that access to credit has on reducing po-

verty by enabling individuals to begin their own microbusinesses.

The study found that two years after opening, Banco Azteca brings a significant improvement in access to credit among households at the base

of the pyramid. In communities with a new bank branch, unemployment was reduced by 1.4% and household income was increased by 7.0%.

In conclusion, the opening of a Banco Azteca branch has been found to promote the survival

of microbusinesses and expand opportunities in the job market as well as higher income for families at the base of the pyramid. Banco Azteca also generates traffic resources in places where the branch is opened, contributing to the local economy.

A World Bank report entitled "From Pawn Shops to Banks: The Impact of Formal Credit on Informal Households" analyzes the effects of expanded access to credit on household decisions and wellbeing. The paper evaluates the opening of Banco Azteca, the first bank in Mexico to serve households employed in the informal sector, which represent more than half of the population.

Banco Azteca eliminated the top two requirements that prevent traditional banks from lending to informal sector employees: A credit record, and proof of a fixed job. This meant that for the first time, Mexicans employed in the informal sector could obtain a bank loan for the first time.

The results show that the presence of Banco Azteca enabled households in the informal sector:

- To smooth their consumption during difficult economic times like the illness of a family member, unemployment or closure of the family business



- To accumulate more and better durable goods
- To access more bank loans, reducing the use of pawnshops and loan sharks, which are highly costly.

Similarly, in Latin America, there are a number of studies showing that Banco Azteca is a driver of opportunities. For instance, a report by Bankable Frontier Associates (BFA), a global consulting firm specializing in financial services for low-income communities, found that Banco Azteca's presence increases the likelihood of economic strength in the Peruvian communities where it operates.

In its paper "The Impact of Banco Azteca in Peru," BFA shows that despite being one of the most robust economies in Latin America, Peru has relatively low levels of financial inclusion. In 2014, only 29% of people over the age of 15 had a bank account.

Banco Azteca began operations in Peru in 2008, and by the close of 2018 it had more than 150 branches, focused on locations where traditional banking had previously been absent. According

to the BFA study, since Banco Azteca entered the country it has had a positive economic impact on these communities, reducing unemployment and poverty rates in comparison to areas with no Banco Azteca branch.

The findings suggest that access to financial services like savings and loans for underserved segments improve economic opportunities for Peruvians.

Banco Azteca is also firmly committed to offering support schemes for clients in vulnerable areas or who have been affected by natural disasters, either from the perspective of consumption or credit payment alternatives, which is the vision adopted in all of its business units. In the case of Seguros Azteca Daños it has a procedure for generating new products, given that by nature insurance is a financial mechanism for recouping losses caused by uncertain, random and catastrophic events, including natural disasters. It therefore has policies for appropriately assessing and subscribing risks covered by insurance, and various insurance categories are aimed specifically at the base of the population, attending clients in disadvantaged areas.

## EDUCACIÓN FINANCIERA

FS15, FS16

Principio 6



Since its inception, Banco Azteca has distinguished itself by its belief in the importance of extending financial services to people formally excluded from traditional banking. Despite its efforts to improve access to and quality of financial services, these are not entirely sufficient in and of themselves to give clients, and the general public, the knowledge, skills and tools needed to make informed financial decisions.

Financial education is a key factor in the path to financial inclusion and reduction of poverty, because it is one of the best ways to help people take control of their finances, positively and comprehensively affecting their lives. This is why currently financial education and inclusion policies are used by governments around the world as a tool to encourage economic growth and social equity.

One way Banco Azteca works for responsible financial inclusion is through a financial and busi-

ness education program called Aprende y Crece (Learn and Grow). The goal of this program is to teach people about how to properly manage personal finances, and promote a culture of entrepreneurship, meeting the needs of various stakeholders.

Aprende y Crece (Learn and Grow) has a robust management model backed by its own budget, goals and annual targets, among other instruments, such as:

- Specialized human resources. A team of specialists in personal and business finances as well as designers, teachers, psychologists, screenwriters, illustrators and editors.
- Innovative pedagogy. Combining different teaching methods in order to help people develop their financial skills and to gain the knowledge, skills, attitudes and behavior needed to make financial decisions that improve their lives.
- Cutting-edge learning methods. Various learning mechanisms that enable users to choose the way they want to learn – webpage, social networks, apps, e-learning, telenovelas, TV shows, movie debates, plays, musicals, storytellers, workshops, games, contests, comedy shows and print and digital publications. Together with this





range of learning channels, Banco Azteca has incorporated the use of advanced technologies like virtual, augmented and hybrid reality, magic wall, virtual robots, multitouch screens, 3D hologram videos and others.

In order to maximize its impact, Aprende y Crece (Learn and Grow) joins forces with public and private institutions, nonprofits and international organizations. The program is also aligned with national goals on financial inclusion and education, both in Mexico and other Latin American countries, so it works closely with several government agencies:

- Mexico
  - › Secretaría de Educación Pública (SEP)

- › Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF)
- › Comisión Nacional del Sistema de Ahorro para el Retiro (CONSAAR)
- › Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)
- › Banco de México (BANXICO)
- › Instituto de los Mexicanos en el Exterior (IME)
- › Instituto para la Protección al Ahorro Bancario (IPAB)
- › Colegio Nacional de Educación Profesional Técnica (CONALEP)
- Latin America
  - › El Salvador
    - Superintendencia del Sistema Financiero
    - Banco Central de Reserva de El



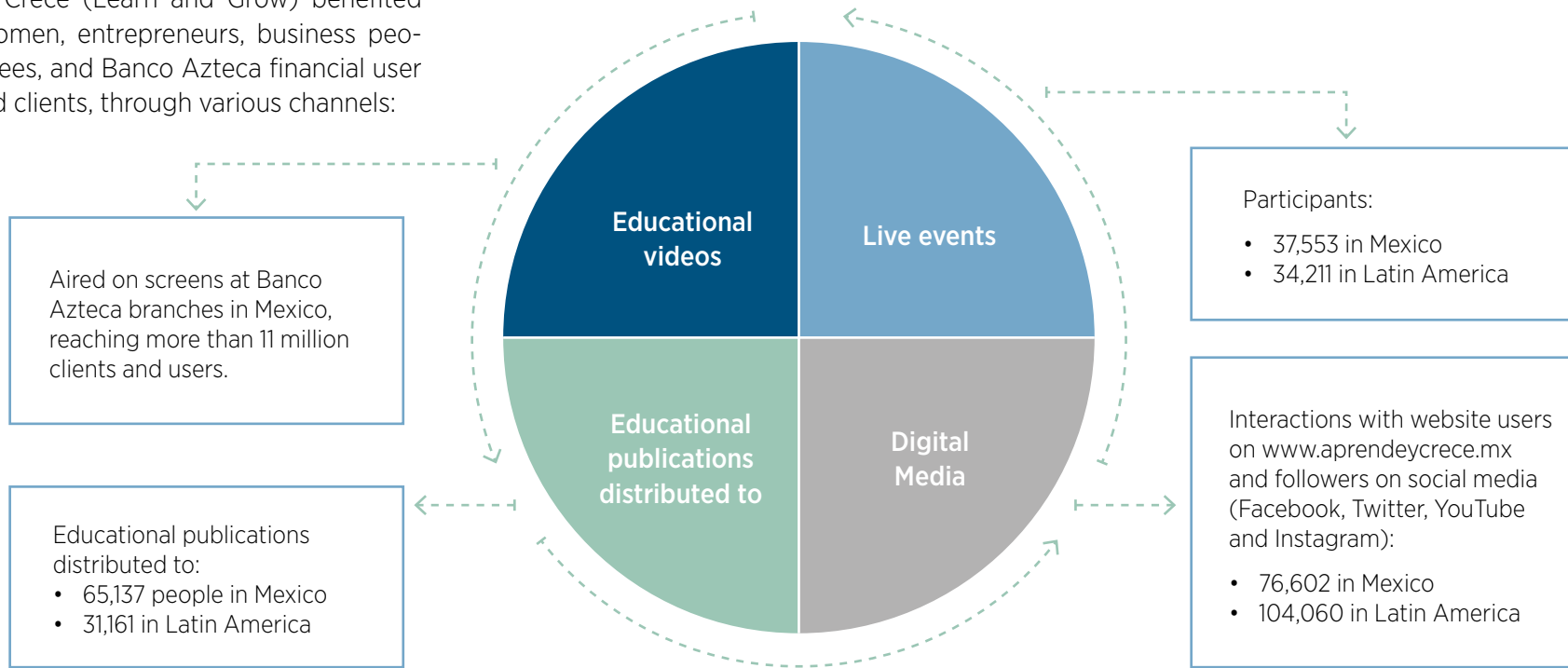
- Salvador
  - Defensoría del Consumidor
  - Comisión Nacional de la Micro y Pequeña Empresa
  - Instituto de Garantía de Depósito
  - Asociación Bancaria Salvadoreña
- › Guatemala
  - Superintendencia de Bancos de Guatemala
  - Banco de Guatemala
  - Ministerio de Educación
  - Asociación de Bancos de Guatemala
- › Honduras
  - Comisión Nacional de Bancos y Seguros
  - Banco Central de Honduras
- › Panama
  - Banco Nacional de Panamá
  - Superintendencia de Bancos de

- Panamá
- › Peru
  - Superintendencia de Banca y Seguros
  - Banco Central de Reserva del Perú
  - Ministerio de Desarrollo e Inclusión Social
  - Instituto Nacional para la Defensa de la Competencia y de la Protección de la Propiedad Intelectual
  - Asociación de Bancos del Perú

In 2018, Aprende y Crece (Learn and Grow) benefited close to 11.2 million people in Mexico and 169,432 people in Latin America.



Aprende y Crece (Learn and Grow) benefited children, women, entrepreneurs, business people, employees, and Banco Azteca financial user services and clients, through various channels:



Close to Ps. 12.5 million invested in Mexico by the Aprende y Crece (Learn and Grow) program in 2018.

More than Ps. 7 million invested in Latin America by the Aprende y Crece (Learn and Grow) program in 2018.

Through Aprende y Crece (Learn and Grow), Banco Azteca is pioneering digital inclusion, by creating technology that enables people with disabilities, elderly adults and people unfamiliar with the use of the Internet, to access the entire content of the financial education and business program through an inclusive website, which is certified by Hearcolors\*.

\* Hearcolors is a company that works to make the Internet accessible to everyone, certifying websites that are inclusive, meaning ones that make their content accessible to people with disabilities (visual, auditory, motor, cognitive or neurological), older adults and people with low levels of formal education or experience with the use of the internet

The main achievements of Aprende y Crece (Learn and Grow) in Mexico in 2018 were:

- Five-star ratings in financial education for Banco Azteca, Afore Azteca and Seguros Azteca for the second year in a row, the only financial institutions to hold this rating.
- Earning the “Socially Responsible Company” distinction for Banco Azteca for the second year in a row.



- Remaining the only financial education program trained and certified by the Ministry of Education, the Ministry of Labor and Social Planning, CONDUSEF and BANSEFI.
- Outstanding participation, for the 5th year in a row, in National Financial Education Week, with its innovative Galactic Hub “Space Academy for Save-o-nauts,” based on cutting-edge technology for participants to interact in a series of technological-financial activities that taught them about making informed financial decisions that improve their lives.
- Participation in live events in state delegations of the CONDUSEF.
- Support for migrants and their families through the program’s participation in Financial Education Week in the United States and Canada, with workshops in the Mexican consulates in Santa Ana, Los Angeles, San Bernardino and Oxnard, California, and sponsoring 20,000 copies of the guide “Better prepared,” distributed in Mexican consulates in the United States and Canada.
- Development and organization of a workshop for migrants, in collaboration with the Center for North American Integration and Development and the Latin American Institute of UCLA.

- Sponsorship, participation as jury members and design of a calendar for the 21st “This is my Mexico” Children’s Drawing Contest, in addition to a traveling exhibit at Banco Azteca headquarters.
- Distribution of publications like “La Familia Luchón: Las remesas llegaron ya” and the A&C Special Edition Newsletter for Migrants, in 42 consulates.
- Promotion of savings from an early age, in an alliance with Guardadito Kids and through the installation of the “Space Academy for Save-O-Nauts” during the World Robotics expo in the Mexico City arena.
- Sponsorship of the 2nd “Financial Traces” Children’s Drawing Contest, together with Guardadito Kids and the jury.
- During International Women’s Day, promoted women’s empowerment through a cycle of financial education and business workshops for women Uber partners-drivers. The program also participated in worktables organized by the Aspen Institute to contribute solutions for women’s financial inclusion in Mexico.
- Worked together with the University of New Mexico to support university leaders of indigenous communities in developing productive projects that benefit the community, by giving a workshop on

financial education and entrepreneurship.

- The launch of a financial education call center to provide guidance to clients and the general public on basic personal finance topics.
- Renewal of the cooperation agreement with CONALEP on promoting entrepreneurial culture among technical professionals in training and parents, through workshops on financial education and entrepreneurship on campus, as well as for students and administrative staff through the “A in Finance” e-learning platform.
- Development of content for the Curricular Autonomy Project, through financial education textbooks for 1st- and 2nd-grade students.
- Campaigns to disseminate information from various government agencies – CONDUSEF, CONSAR, BANSEFI, BANXICO and IPAB– through Aprende y Crece (Learn and Grow) publications, websites and social networks, as well as in Banco Azteca branches.
- Participation in CONSAR’s Financial Education Committee.
- Contribution to the Financial Education Census for AFOREs, in keeping with the requirements of CONSAR.

In Latin America, Aprende y Crece (Learn and Grow) achieved the following:

- Permanent installation of the “Space Academy for Save-O-Nauts” in the Chiminike Children’s Museum in Honduras, using cutting-edge technologies.
- Successful participation in leading financial education forums: The Family Finance Fair in Peru; Financial Education Week in Honduras; Global Money Week in El Salvador, Guatemala, Panama and Peru; and World Savings Day in El Salvador, Honduras and Panama.
- Financial education training to Banco Azteca employees.
- Promoting entrepreneurial culture among technical professionals in training.
- Development of financial skills for children and young people in primary and secondary school and university events.
- Women’s empowerment through financial and business education, to face day-to-day challenges.
- Support for migrants and their families with personal finance activities and businesses to optimize their use of remittances.

Banco Azteca El Salvador took actions to strengthen financial education, such as:



- Signing of the Alliance for Financial Education with the Superintendency of the Financial System.
- A temporary exhibit called “how does the financial system work?” at the Tin Marin Children’s Museum.
- Financial Magic with Ben the Magician at the García Flamenco School Center.
- Participation in the informational and play fair on Financial education, entitled “Experiences in Interstellar Travel toward Savings,” in an alliance with the Central Reserve Bank.
- Visit to a Banco Azteca branch by students from the Miguel Pinto School Center, who learned about how a bank branch works and what services it provides.
- Talks given during the “Train the Trainers” financial education alliance for employees of the Superintendency of the Financial System and trainers in the Financial Education Program.
- Talks within the Financial Education Alliance on “It’s Not Just Saving,” aimed at employees from the La Cabaña sugar mill.
- Participation in the Financial Education and Innovation Fair in San Salvador and Santa Ana with the “Space Academy for Save-O-Nauts” activity, Episode II, “Expedition to the Planet of Productive Savings,” in an alliance with the Superintendency of the Financial System.

- Celebration of World Savings Day, with the workshop “Financial Fallings-Out,” at the Universidad Francisco Gavidia, attended by students from various schools, in an alliance with the Superintendency of the Financial System and the Central Reserve Bank.

Because of the successful strategy and wide range of financial inclusion activities involved, Banco Azteca’s Aprende y Crece (Learn and Grow) program encourages people to adopt many responsible habits:

|  |  |  |
|--|--|--|
| Personal and family budgeting                                    | Increased saving   | Avoiding excess debt                               |
| Avoiding the use of informal financial services                  | Trusting in the formal financial system  | Using financial services correctly and responsibly |
| Being aware of the risks of incorrectly using financial services | Developing skills for making the right financial decisions                                   | Taking advantage of productive opportunities       |
|  | Acquiring knowledge on business matters to be able to start up or improve one’s own business |  |

All of the activities carried out in the Aprende y Crece (Learn and Grow) program have been internally evaluated through the following methodologies:

- Satisfaction survey. To detect whether participants liked the training workshops and whether they met their expectations. A general assessment that contributes qualitative results.
- Pre-post evaluation. A simple comparison exercise that measures the short-term impact and detects whether expected

results are being achieved. First an evaluation is conducted prior to the activity, in order to determine what knowledge participants had going into the exercise. After the activity concludes, another evaluation is conducted, to find out whether that knowledge was increased. The results of this evaluation are evident in the degree of learning, level reached and applicability in daily life, which were 85% and 95%, meaning after the various learning strategies within the Aprende y Crece (Learn and Grow) program, participants proved that they had acquired financial and business skills and considered them useful for their lives.

- Diagnosis for external evaluators. A consulting firm of experts in financial education evaluates the design, methodologies and implementation of activities in order to propose improvements.

The goals of Aprende y Crece (Learn and Grow) in 2019 are:

- Launch the online financial education program “A in Finance” for the general public.
- Promote education for the use of digital banking.
- Update the [www.aprendeycrece.mx](http://www.aprendeycrece.mx) website with a user-centered interface.

- Provide long-distance training with Financial Education tips through social networks –YouTube and closed Facebook groups.
- Introduce a model for monitoring and evaluating impact.

## WORKING FOR ROAD SAFETY

Principle 1



As a Socially Responsible Company, Italika is firmly committed to promoting road safety and good driving habits among its motorcycle owners, informing them of the rights and obligations of everyone who drives on public roads.



Italika, together with state and municipal governments and retail chains where its products are sold, gives a free driving course to current and potential Italika customers, to show them how motorcycles can make their daily activities more efficient, provided they always wear a helmet and use the vehicle responsibly. It also communicates through social media campaigns promoting the correct use of Italika motorcycles in keeping with traffic regulations.

To achieve these goals, Italika has a Driving Culture team made up of 42 employees, including instructors, assistants, analysts and driving culture heads. It also has three Italika Mobile Schools (trucks), which:

- Transport material for driving courses – Italikas, traffic cones, banners, etc.
- Serve as a mobile classroom for the theoretic driving course.

Besides promoting Driving Culture, Italika encourages a Culture of Service, in which its Driving Culture and Service Culture teams together attend certification routes, with the following goals:

- Instructing the Service team about the maintenance schedule and care of each Italika.

- Review the status of the motorcycles in person
- Provide minor maintenance on motorcycles that may require it.

7,458 Italika clients participated in driving courses in 2018.

185 Driving Culture training events in 17 states of Mexico: Aguascalientes, Chiapas, Mexico City, State of Mexico, Guerrero, Hidalgo, Jalisco, Michoacán, Morelos, Nuevo León, Puebla, Quintana Roo, San Luis Potosí, Sinaloa, Tabasco, Veracruz and Yucatán.



# FUNDACIÓN AZTECA

203, 413: 103-1, 103-2, 103-3

102-12, 203-2, 413-1, 413-2

Principle 1, 2, 3, 4, 5, 6, 7, 8, 10

Fundación Azteca is the main social arm of Grupo Salinas, and for more than 20 years it has been creating social, environmental and educational value through high-impact programs and synergies with the public sector and the citizens of Mexico. All of the social responsibility actions of the Group are carried out solely and exclusively to bring better living conditions to new generations in the countries where it operates.



FundaciónAzteca

fundacionazteca

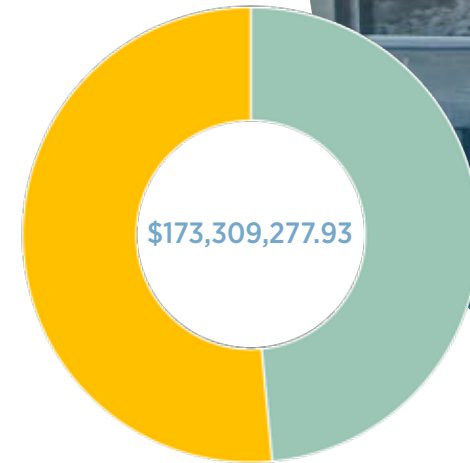
@FundacionAzteca

fundacionazteca.org

Grupo Salinas' Fundación Azteca has affected and improved the lives of millions of people by reaching out to address their most pressing needs through organizations with a similar sense of commitment and social responsibility.

The actions Fundación Azteca carries out are sustained by three pillars: Education and Culture, Environment, and Community. The essential tools it has for the optimal functioning of each area are:

|                               |  |
|-------------------------------|--|
| <b>Accountability reports</b> | Like the Annual Transparency Report to the Tax Administration System and monthly donation reports to comply with the Law on Prevention and Identification of Illegal Funds.  |
| <b>Azteca Social Network</b>  | Where nonprofit organizations can apply for support. The Donations Evaluation Committee proposes, coordinates, executes and oversees compliance with processes and policies that ensure transparent allocation of support. |



Ps. 575.8 million pesos total invested by Fundación Azteca in the development of its programs in 2018.

More than Ps. 173.3 million pesos donated by Grupo Elektra in 2018 to support the actions of Fundación Azteca.

## EDUCATION AND CULTURE

### Plantel Azteca



Education is one of the most powerful tools for improving quality of life, so at Plantel Azteca (or Azteca Campus) –a private school that provides high school and preparatory school degrees–

scholarships are available to low-income students to gain an education with academic excellence.

Students have an opportunity to obtain a high-quality academic education, with technical excellence, values and new technological tools.

**2,100 scholarship students at the Mexico City campus**



More than 11,000 graduates



655 students and 100 teachers benefited in 20 schools in Durango

### Collaborative Learning Model



This was developed for the purpose of promoting a new teaching model that optimizes students' performance through a curriculum based on their daily lives and family and community context.

42,703 students and 1,636 teachers benefited in 464 schools in Puebla

1,200 students and 141 teachers benefited in 40 schools in San Luis Potosí



### “México de 10”



Since 2016, Fundación has Azteca provided stipends to university students with outstanding grade point averages, to cover food, transportation and school supplies.

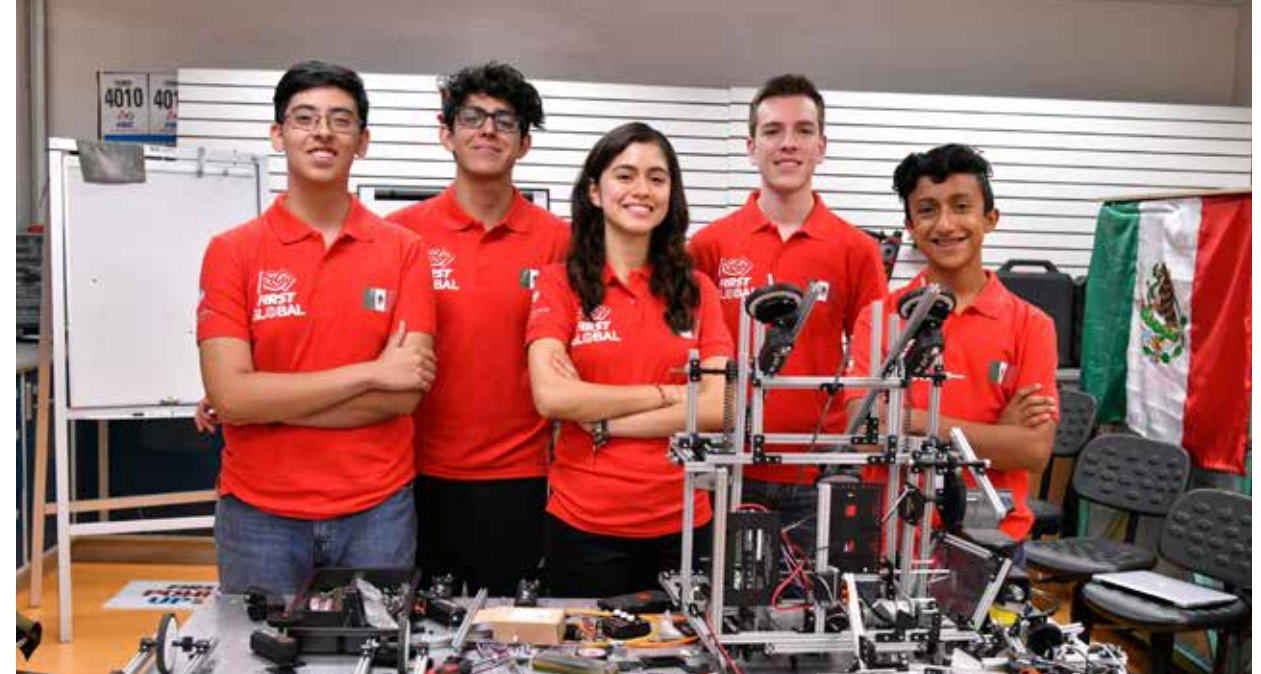
In 2018, 50 outstanding university students received stipends

### Bicentennial Generation Scholarships



In the year 2010, one thousand of Mexico’s best students from primary, secondary and preparatory school were awarded monthly scholarships that would support them throughout their entire education.

509 beneficiaries in 2018



### Robotics



An initiative that fosters interest among children and youth in science and technology and helps them develop numerous skills in a fun, hands-on learning experience alongside experts, through sponsorships for participating in local and international robotics championships and contests.

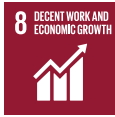
Children and young people learn in a playful and fun way alongside experts while they interact and make equipment with contestants from other states and even countries.

10 participating teams sponsored by Fundación Azteca in 2018

Participation of the Aztech team in the Regional Championship in Monterrey, and, for the first time, in the Regional championship abroad in Calgary, Canada. The team won the Engineering Word and went on to the FIRST world championship.

The second edition of the FIRST Global Challenge was held in Mexico City, and the Mexican team was selected and sponsored by Fundación Azteca. The team won the Albert Einstein Silver Medal and Al Khwarizimi Gold Medal for its performance as “Outstanding Supporter.”

## Esperanza Youth Symphony Orchestras and Chorus



A social-musical program conceived to improve the quality of life of disadvantaged children and youth, their families and communities, through music, while teaching them values like discipline, excellence and teamwork.

The initiative gives new generations an opportunity to gain an excellent musical education with committed professional teachers.

62 Symphony Orchestras and children and youth choruses

532 concerts in 2018



## COMMUNITY

### Azteca Social Network



A multi-action program created to assist and connect nonprofit organizations with people who can provide direct and indirect aid to others, primarily through goods, social services and health.

In 2018 the fourth Azteca Social Network called “Leave Your Mark” was launched, focused on supporting institutions previously enrolled in the network who work to rescue abandoned dogs.

More than 2,000 nonprofit organizations registered in the Azteca Social Network

700 associations attended the Second Nonprofit Organizations’ meeting arranged by the Azteca Social Network in 2018

13<sup>th</sup> annual Small-Scale Donation (Donativo Hormiga) presentation ceremony: 1,380 articles donated with a value of Ps. 2.7 million

100 benefited institutions through direct donations in 2018

6,780 hours of volunteer time given in 2018

Additionally, the Azteca Volunteer corps was fortified in 2018 through the participation of various universities in Azteca Social Network campaigns, bringing in an additional 150 eternal volunteers who each donated three days of their time.

2,700 hours of external volunteer time





## Movimiento Azteca



Together with TV Azteca, Fundación Azteca maintains a shared social and environmental responsibility campaign inviting society to contribute to various institutions.

In 2018 the 100th Movimiento Azteca (or Azteca movement) was carried out, this time benefiting victims of the September 2017 earthquakes. In this event, Grupo Salinas, together with various allies and thousands of people who came together in support of the event, raised more than Ps. 63 million in a first phase.

With this amount, 525 families received help in rebuilding their homes in five states of Mexico:

- 20 in Puebla
- 72 in Morelos
- 121 in Chiapas
- 132 in Mexico State
- 180 in Oaxaca

The funds also went to building a school in San Dionisio del Mar, Oaxaca.

In the 105 *Movimiento Azteca* campaigns held to date, around 359 organizations and more than 1.5 million pesos have received support, among thing children, young people, adults and the elderly.



Five MOVAs were held in 2018, benefiting 30 institutions throughout Mexico.



## Vive sin Drogas (Drug-Free Living)



A campaign intended to encourage people – mainly young people– to choose a healthy, addiction-free life. The initiative explores issues relating to drug use, alcoholism, correct use of social networks, bullying, smoking, eating disorders, and promotion of sports and artistic and cultural activities.

In 2018 more than 140 tours were carried out in Mexico, the United States and Central America, in which more than 400 lectures and specialized seminars were given.

20 years of broadcasting TV spots, interviews and news.

627,000 people affected by the campaign and more than 6,500,000 calls received by the Citizen's Addiction Help Line, under an agreement with CONADIC.

## Tocando Vidas

Through this TV show, whose title means “Touching Lives,” hosted by Esteban Moctezuma, Fundación Azteca shares inspiring and positive life stories.

28 episodes of “Tocando Vidas” aired in 2018

## Professional midwives



A program that provides three years of training to women who to accompany women in child-birth in their communities, generally located in remote areas with limited access to public health facilities. Their goal is to reduce maternal-infant death.

6 scholarship recipients completed their studies in 2018



## ENVIRONMENT

### Limpiemos Nuestro México (Let's Clean up our Mexico)



GRI 304: 103-1, 103-2, 103-3  
304-3

Fundación Azteca is a supporter of this program to raise public awareness about the seriousness of the solid waste problem. The aim is to raise environmental and social awareness through an ongoing call to action toward a clear goal: building a cleaner, sustainable Mexico, committed to protecting the environment and biodiversity.

|  |   |
|--|---|
| <p><b>“Proudly Clean Desierto de los Leones” drive</b></p> <p>50% reduction in waste in the La Venta zone. 2,800 cigarette butts, 3,098 straws and 1,114 screw caps were collected</p>   | <p><b>Mega Beach Cleanup and Waste Collection Day</b></p> <p>The event was held along 16 kilometers of the coastline in the municipality of Alvarado, Veracruz. 3,680 brigade members helped collect 10 metric tons of trash.</p>                                     |
| <p><b>Cleanup and Space Recovery Day</b></p> <p>Held in the Laguna de Terminos, Comisaría de Puerto Rico, Atasta and Carmen zones of Campeche, where 60 children from the Interact Perla del Golfo Rotary Club pitched in to help with 10 local police officers. One metric ton of trash was collected in two hours of activity.</p> | <p><b>10,000 blankets made out of recycled PET</b> (each using 56 600ml bottles) were donated to poor communities, generating a reduction of 30.56 metric tons of CO2 emissions in partnership with Morphoplast, Red Social and its “Weaving for Mexico” program.</p> |
| <p><b>National Public Space Recovery day in partnership with local police forces</b></p> <p>More than 6,000 volunteers came together in 32 states to collect more than 100 metric tons of trash and restore more than 76 kilometers of public space.</p>   | <p><b>“Proudly Clean Campeche” drive</b></p> <p>600 preparatory school students enrolled with the Campeche State University participated in a Mega-Cleanup day, collecting 6 metric tons of trash in the areas surrounding campus</p>                                 |

## 27,288 hours of volunteer time by Grupo Elektra associates in the 2018 *Limpiemos Nuestro México* campaign.

In November 2018, Fundación Azteca carried out its “Recyclathon” together with the Ministry of the Environment and Natural Resources (SEMARNAT) and the city of Xalapa, Veracruz, with the following results:

|                     |                         |
|---------------------|-------------------------|
| Expired medicines   | More than 1 metric ton  |
| Electronics         | 15 metric tons          |
| Vegetable oil       | 450 liters              |
| Mineral oil         | 40 liters               |
| Paper and cardboard | More than 4 metric tons |
| Glass               | 6 metric tons           |
| Styrofoam           | 5 m <sup>3</sup>        |
| Plastic             | 400 kg                  |
| Spent batteries     | More than 1 metric ton  |

The *Limpiemos Nuestro México* program has been replicated in Guatemala, as *Limpiemos Nuestra*

Guatemala. As in Mexico, the program’s aim is to build people’s awareness about the problem of solid waste and the negative impact it has on the environment.

It also proposes possible solutions, communicates the benefits of recycling and reforestation and seeks to plant the idea in each Guatemalan that we are all responsible for leaving coming generations a better world, through actions we take today as good citizens.

Between 2012 and 2018, eight nationwide cleanup days have been held, mobilizing 2.2 million volunteers and collecting more than 19,000 metric tons of trash.

### 4,230 metric tons of trash collected through the “*Limpiemos Nuestra Guatemala*” program, with the participation of 559,904 volunteers organized into 2,988 brigades.

The short-term goal is to start up *Limpiemos Nuestro Perú* and *Limpiemos Nuestra Colombia*.



In 2018 *Limpiemos Nuestro Mexico* also held a contest to recognize environmental leaders. The winners by category were:

- Community Environmental Leaders
  - › 1<sup>st</sup> place. Centro de Bachillerato Tecnológico Agropecuario No. 184, for their work in Acatlán de Osorio, Puebla.
  - › 2<sup>nd</sup> place. Brigada Eco-Mapaches, for their dedication in Península de Atasta, Municipio de Carmen, Campeche.
  - › 3<sup>rd</sup> place. Brigada Ríos Limpios, in recognition of efforts to clean up the Río San Joaquín/Presa Capulín and the Tarango, Xochimilco, Playa Progreso and Nautla rivers.
- Grupo Salinas Environmental Leaders
  - › 1<sup>st</sup> place. Regional television station brigades.
  - › Honorable mention. TV Azteca Brigade, for its work in the Cuemanco-Canal Nacional sports area, Mexico City.
- Environmental Leaders by institution or company
  - › Grupo Bimbo, Chetumal Sales Center.
  - › Barcel, Laguna and Centro de Ventas Gómez Palacio Brigade.
  - › SEMARNAT, San Luis Potosí Delegation.
- Recycle 2017-2018
  - › 1<sup>st</sup> place. Mapwater, for its recycling efforts in favor of sustainable development.

## ¡Que Viva la Selva Lacandona! (Long Live the Lacandon Rainforest!)



This initiative raises public awareness, particularly among Mexican children, about the importance of conserving natural protected areas. Through a drawing contest on the theme “Long live the Lacandon Rainforest!” and various productive projects, Fundación Azteca helped protect the rainforest.

More than PS. 325,000 invested in prizes for winners of the *Limpiemos Nuestro México* contests in 2018

More than 500 children between 9 and 15 years of age submitted drawings, and winners were given a chance to travel to the Montes Azules Reserve in Chiapas, visit the Lacandon rainforest, becoming environmental ambassadors and spokespersons for this important ecosystem.

In February 2018 the campaign succeeded in having the Mexico City Viveros/Derechos Humanos metro station renamed “*¡Que Viva la Selva Lacandona!*,” helping raise awareness among millions of users of the Mexico City mass transit system.

More than 42,000 drawings entered

32 children won a trip to the Lacandon Rainforest

The program was also introduced in Guatemala with the name “*¡Que Vivan Nuestros Lagos!*” (Long Live our Lakes), focusing on ecology through a nationwide drawing context aimed at raising social-environmental awareness through the vision of children and their artistic expression. Also with this Initiative, Fundación Azteca





170,000 participants in the “¡Que Vivan Nuestros Lagos!” initiative in Guatemala in 2018.

Guatemala works to highlight the importance of conserving water resources, like lakes lagoons, rivers and beaches.

With eight campaigns to date, more than 640,000 drawings have been submitted from across the country, and 1,100 kids won awards, eight of which were given a chance to visit the Lacandon rainforest in Mexico.

Eco-tours were also given to more than 160 children from various parts of Guatemala, like Lago de Atitlán, Petén, Champerico and Cobán. The experience gave youth an opportunity to get to know other regions of Guatemala and the country’s cultural diversity.

### Juguetón

The world’s largest toy drive, bringing toys to children in schools, shelters, orphanages, indigenous communities, hospitals, day care centers, soup kitchens, youth recreation centers, migrant shelters and penitentiaries. Year after year, Juguetón brings joy to thousands of children in critical situations.

Around 17.5 million toys delivered, with 11,800 volunteers joining the cause



## Un Nuevo Bosque (A New Forest)

[gruposalinas.com.mx/es/un-nuevo-bosque](http://gruposalinas.com.mx/es/un-nuevo-bosque)

This is an ongoing reforestation campaign that seeks to build environmental awareness in the general population through campaigns, news capsules in digital and televised media, and involvement in reforestation work.

“Un Nuevo Bosque” embodies the environmental commitment of Grupo Salinas and its companies, for the purpose of restoring areas affected by natural phenomena or human action.

The program is endorsed by the National Forestry Commission (CONAFOR), which helps it with the selection and preparation of land, participation of brigade members, and advice to volunteers.

425,000 trees planed, 448 hectares restored in rural areas, and 23,870 volunteers participating in Un Nuevo Bosque in 2018

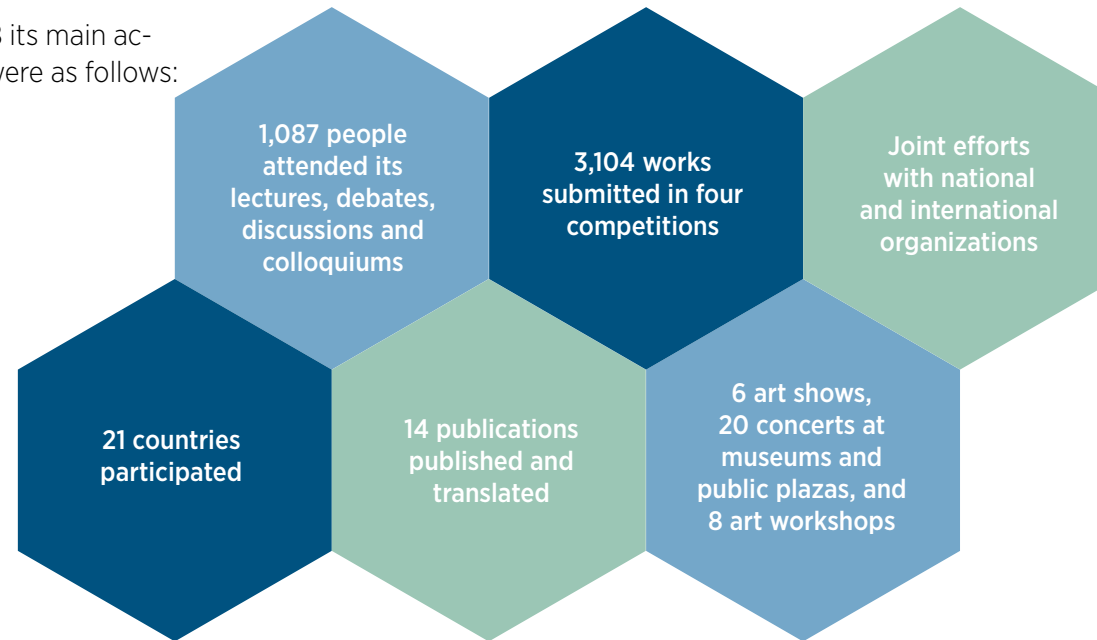
## Caminos de la Libertad

### (Paths to Freedom)

[caminosdelalibertad.com/](http://caminosdelalibertad.com/)

This is a social initiative by Grupo Salinas, which is important because it serves as a forum for transmitting the Group’s ideas and principles in Latin America, influencing public opinion both locally and internally on the matter of fundamental human rights –like economic freedom and freedom of expression– the rule of law, free trade, individual and civil liberty, the war on poverty, creation of wealth, and the social value of entrepreneurs.

In 2018 its main actions were as follows:



**La Ciudad de las Ideas  
(City of Ideas)**

This is a festival that brings together brilliant minds who are changing the world. Its goal is to empower society through knowledge; a celebration of human creativity and curiosity. *La Ciudad de las Ideas* is an event designed to share perspectives, dialogue and encourage critical thought.

Based on the principles of respect, plurality and tolerance, it seeks to give citizens tools for social transformation so that all Mexicans can live in a free, safe, respectful, responsible and prosperous Mexico. It does so through an articulated presentation that promotes the development of new alternatives and critical analysis of political and government issues.

85 million people have followed the festival through live streaming and various programs aired by TV Azteca and adn40

La Ciudad de las Ideas seeks to empower society by encouraging:



Around 5.4 million plays on the official CDI channel on YouTube

More than 570 speakers

More than 170 art interventions on stage: dancers, musicians and international performers

More than 40,000 people attended the various festivals



## Kybernus



www.kybernus.org

Grupo Salinas is committed to shaping new generations of ethical leaders who can transform their communities. To this end, in 2011 it founded Kybernus, an initiative for creating shared social value and building leadership as an agent of change and certainty.

Kybernus wants to assemble a nationwide network of young leaders working together for a prosperous, inclusive, free and plural country.

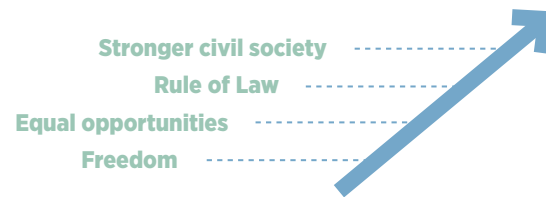
The areas promoted in this event are:

- Leadership
- Culture
- Peace
- Rule of law and respect for the law
- Citizen engagement and civic culture
- Environment
- Human Rights
- Lobbying
- Public policy
- Entrepreneurship
- Gender
- Transparency and accountability

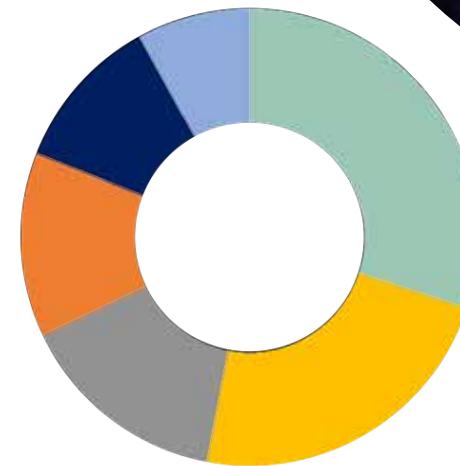
Kybernus is made up of more than 2,000 leaders throughout Mexico, 42% of them women and 58% of them men.

More than 1,200 local activities in 2018.

Kybernus promotes the individual freedom of leadership, helping positively transform and strengthen the Rule of Law, respect for the law and equal opportunities.



Furthermore, through the agendas of its local collectives, it promotes gender equity. To do this, it operates a national cooperative network of Kybernus leaders, called the “Gender Equality Network,” whose goal is to positively influence legislative and public agendas.



|                    |     |
|--------------------|-----|
| Government         | 30% |
| Private enterprise | 23% |
| Academe            | 15% |
| Civil Society      | 13% |
| Political parties  | 11% |
| Others             | 8%  |

In 2018, Kybernus carried out 42 projects on gender equity nationwide.

It promotes entrepreneurship through a collaborative entrepreneurial network made up of leaders of business changes, entrepreneurs and youth, focused on innovation.

In 2018, Kybernus held 129 entrepreneurship activities across the country.





## 2018 Highlights

Worked with more than 450 agencies, organizations, and people

#RecuperaTuFuturo (recover your future) National Forum

- 36 local forums and 5 regional forums
- 1,635 public policy proposals

First Feminist Conference of Young Kybernus Leaders: Substantive Equality, Positive Impact:

- 35 women participated

First Kybernus Citizen Value Award

First Kybernus Enterprising Merit Award

### Emergency Assistance



In 2018 Banco Azteca played an important role in Guatemala after the eruption of Volcán de Fuego. Through Fundación Azteca Guatemala, it coordinated efforts to support people whose homes were damaged or destroyed, as well as its clients, by placing a freeze on 235 outstanding loans with a total balance of 697,417 quetzals.

AGiven the magnitude of the disaster and the need for immediate assistance to hundreds of Guatemalan families, Fundación Azteca Guatemala and all the companies that make up Grupo Salinas in that country –Banco Azteca Guatemala, Elektra Stores, Italika and TV Azteca Guate-



mala- joined in to help in the immediate aftermath of the emergency.

Teams made contact with local and municipal authorities to determine priority needs. All Elektra Stores, Banco Azteca branches, Italika and corporate offices became supply collection centers, and employees, customers and society at large were asked to donate to fill the needs reported. A donation center was also set up by Fundación Azteca Guatemala through which people could also provide cash support.

The response was positive, resulting in the collection of food and other supplies that were taken

to the Escuintla municipal collection center for distribution to shelters in the region. The delivery was assisted by a team of volunteers and executives from Fundación Azteca Guatemala and other Grupo Salinas companies –Banco Azteca Guatemala, Elektra Stores, Italika and TV Azteca Guatemala- and executives from Mexico as well.

The next step was to assess the future challenges and needs of families affected by the volcanic eruption. Based on these findings, Fundación Azteca Guatemala and Grupo Salinas companies in Guatemala joined efforts once again to address the damages from the emergency, helping to repair and rebuild.



The first step was to raise funds to detect and respond to social needs in the area where the homes would be built. Banco Azteca pledged to match a dollar for every four remittances that came to Guatemala.

At Banco Azteca Honduras, food baskets were donated to employees affected by flooding in Monjarás, Choluteca, and employees that were directly and indirectly affected received counseling and assistance.

USD27,036.55 delivered to Banco Azteca by Fundación Azteca Guatemala to address the social needs of people affected by the eruption of Volcán de Fuego in 2018.



42 metric tons of supplies delivered to victims.



Also in that country, in the wake of the political crisis that followed the November 2017 elections, Banco Azteca supported its clients through:

- The freezing of 1,407,258 Honduran lempiras in debt for 90,000 clients and waiver of back interest
- Almost immediate reopening of branches damaged or destroyed by looting and vandalism, in order to continue serving clients.
- Daily updates to information on the progress of reopening bank branches, through social media and TV Azteca Honduras, to preserve clients' access to financial services.

# ENVIRONMENTAL VALUE



# COMMITMENT TO THE ENVIRONMENT

Principle 7, 8, 9

Grupo Elektra is firmly convinced that building shared prosperity requires us all to do more in favor of the environment. Accordingly, the Group continually reiterates its pledge to generate environmental value by designing initiatives and actions that mitigate our adverse impact on the environment and expand opportunities for present and future generations.

## ENVIRONMENTAL MANAGEMENT



102-11

Grupo Salinas has an Energy and Environment Area, which specializes in matters of energy and environmental efficiency to generate strategic solutions through technology, innovation and research projects. It is also responsible for ensuring environmental compliance so that the busines-

ses can continue improving while guaranteeing optimization of natural resources.

As part of this effort, the Energy and Environment and Information Technology areas developed an Energy Management System\* which provides information on electricity consumption by all the companies that make up Grupo Salinas. We can thus evaluate our energy efficiency through the following activities:

\* This system is not externally audited; the data come from official billing from the Federal Electricity Commission (CFE).



- Analyze monthly electrical energy consumption through a comparison against past billing.
- Audit representative buildings to model environmental mitigation programs.
- Prepare a report for the National Emissions Registry, in accordance with the General Law on Climate change, in order to achieve Mexico's goal of reducing emissions by 30% by 2025 and by 50% by 2050.

- Measure the success of communication campaigns during the year (number of hits).
- Monitor monthly waste generation and recycling volume.
- Internal tracking audits.
- Detect opportunities for improvement against official regulations and standards in terms of infrastructure, health and wellness, civil defense and the environment.





- Meet water quality and waste management standards
  - › ISO 9001:2015, risk management, within the Quality Management Systems
  - › ISO 14001:2015, management system for improving the lifecycle of property, risk management and environmental improvement.
- Compliance with these and other standards requires the cooperation between many areas: Maintenance, Sanitation, Energy and Environment, Procurement, and Communication, as well as service suppliers.

The main benefits of the Energy Management System are:

- Identification of consumption patterns in our buildings, individually or as a whole, for given periods of time
- Tracking of activities and goals established by the Energy and Environment area.
- Manual collection of data by building heads.
- Generation of notices and alerts about consumption-related events and information.

At the close of 2018, Grupo Salinas we considering the possibility of expanding the system to monitor not only energy consumption but also water use and waste generation.

**Around Ps. 201.3 million invested by Grupo Elektra in replacing lighting fixtures and air conditioning equipment**

**More than Ps. 1.2 million pesos invested by Ensamblika en 2018 in non-recyclable waste disposal, water and sanitation system maintenance, and environmental compliance**

Mexico's environmental ministry has an Annual Operating Seal which is used to identify environmental risk, quantifying the generation of hazardous waste, the potential for the transfer of pollutant to the atmosphere, ground and water, fuel consumption and greenhouse gas emissions resulting from the operation of a business.

Environmental licenses obtained by the companies of Grupo Salinas, including Grupo Elektra, require monitoring of atmospheric emissions, generation and treatment of hazardous waste, environmental impact, environmental risk and wastewater discharge, with their respective chemical analyses.

## ENERGY



GRI 302, 307: 103-1, 103-2, 103-3

Because electrical energy is one of the main inputs for Grupo Elektra's company operations, it must abide by various regulations and standards to guarantee the safety of its employees and its workplace processes, and to use energy efficiently, among which are:

- NOM-001-SEDE-2012, electrical installation safety
- NOM-031 y 031-ENER-2012, Energy efficiency and minimum parameters for LED lighting.
- NOM-025-STPS-2008, Workplace lighting conditions
- NMX-AA-164-SCFI-2013, Minimum environmental criteria for sustainable buildings.
- National Emissions Registry/General Law on Climate change, annual report on CO2 and greenhouse gas emissions, primarily because most of these emissions stem from the use of energy required for our operations
- Annual report of High-Consuming Users (UPAC) at the Esmeralda Torre 1 headquarter

of Elektra Stores, mandated by the Energy Transition Law to guarantee sustainable energy use.



Compliance with these standards guarantees the safety of people and operations, the comfort of our workplaces and the efficient use of electrical energy in various processes.

In addition to abiding by all these standards, Ensemblika also has an internal system for tracking electricity consumption, calibrating meters, preventive and corrective maintenance of substations, budgets for changing and upgrading lighting fixtures, an internal system for managing and tracking energy use through the Energy Management System, and policies on savings, with on-site inspections using specialized equipment.

In 2017, Ensemblika's operating license was marked pending, so measurements were carried out and targets established. Addressing these areas of opportunity, in 2018:

- Ensemblika obtained the operating license and related permits from the municipality of Toluca.
- It also addressed all orders and requests from the environmental authorities, including a series of studies.

To comply with these regulations and add value to the environment, one of Grupo Salinas' priorities in the area of energy is the ongoing pursuit of efficiency in all of its operating, production and distribution activities, while remaining competitive. This competitive means controlling costs while deciding on different ways to optimize resources.

At Grupo Salinas, all electrical equipment –air conditioning, lighting, generators, etc.– is certified compliance with energy efficiency standards. Various energy optimization actions have also been taken, such as:

- Overhauling Elektra Stores branches to replace lighting and air conditioning equipment for high-efficiency models that consume about 30% less energy than a store with standard equipment. This is equivalent to 42 MWh a year per store, and with 63 stores revamped in 2018, the annual savings comes to 2.6 GWh.

- Improvement in maintenance of air conditioning equipment and condenser fan control, adjustments to the compressor start and shutoff system, and monitoring pressure in refrigerators.
- Emphasis on decommissioning fragile, inefficient compressors.

In addition to these efforts, continuing its commitment to environmental care and resource efficiency, Grupo Salinas is developing plans and strategies so that in coming years it can increase its consumption of energy from renewable sources to more than 50% of the total, primarily through:

- Distributed generation: installation of solar panels on building rooftops.
- Renegotiation of current self-supply contracts
- Better rates and commercial conditions available in the market –entering the wholesale electrical market and looking for a new self-supply contract.

**In coming years, Grupo Salinas intends to maintain an electrical energy savings rate of 20% or more**

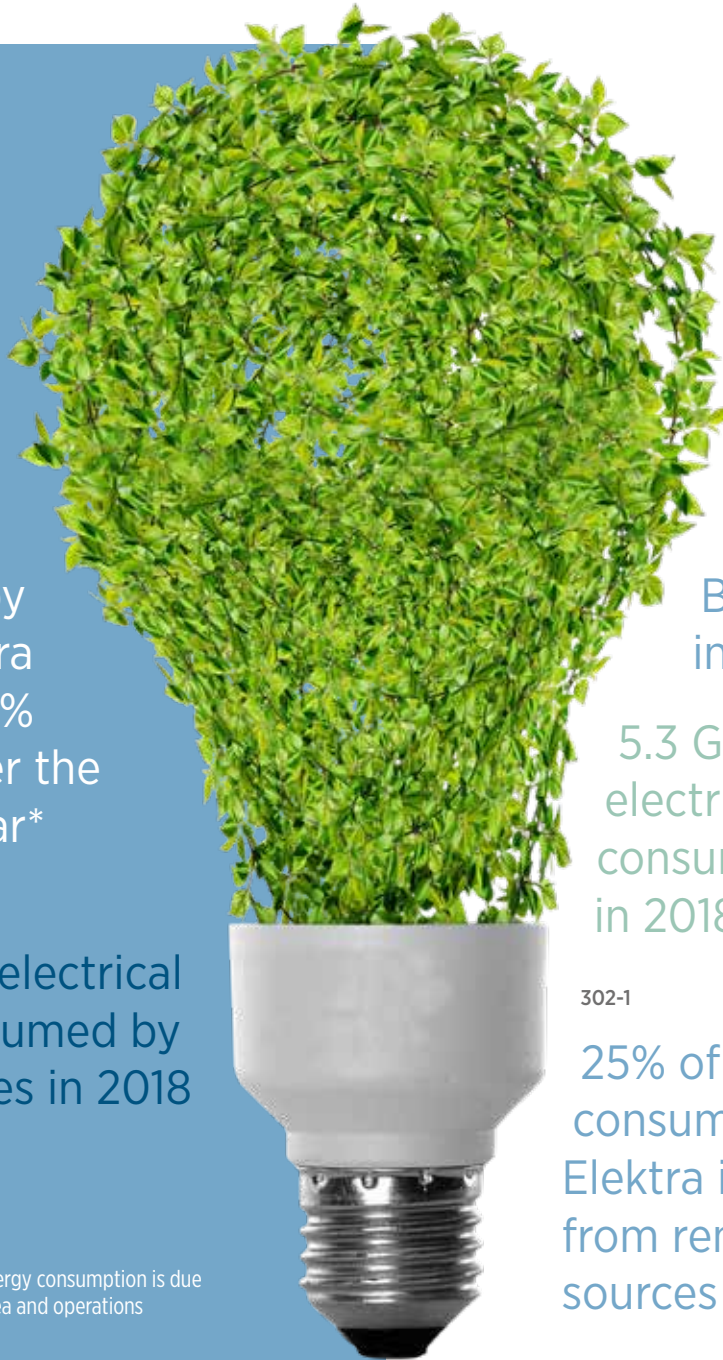


208 GWh of electrical energy consumed by Grupo Elektra in 2018, a 10% increase over the previous year\*

302-1

133 GWh of electrical energy consumed by Elektra Stores in 2018

\* The increase in electrical energy consumption is due to expansion of sales floor area and operations

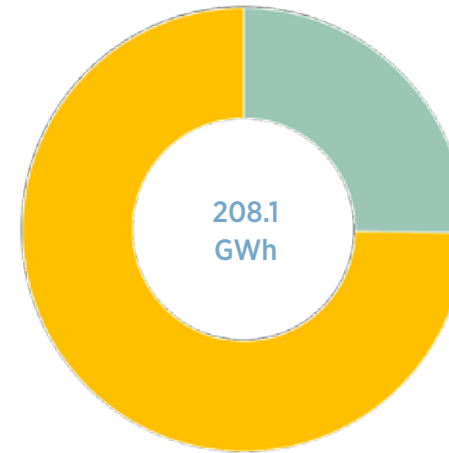


69.7 GWh of electrical energy consumed by Banco Azteca in 2018

5.3 GWh of electrical energy consumed by Italika in 2018

302-1

25% of the energy consumed by Grupo Elektra in 2018 came from renewable sources

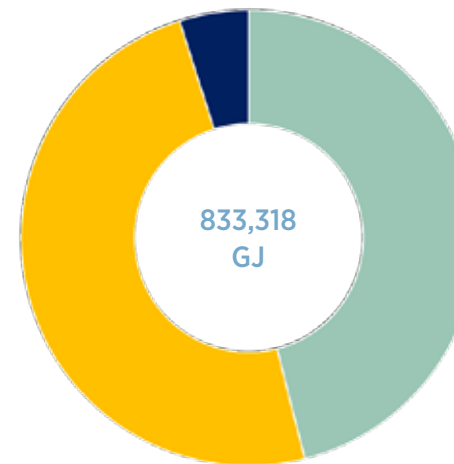


### Grupo Elektra Energy consumption by type of source (Gigawatts/hour)

|              |           |     |
|--------------|-----------|-----|
| Renewable    | 52.5 GWh  | 25% |
| No renewable | 155.5 GWh | 75% |

Notes:

- GWh means Gigawatts per hour..
- The breakdown of non-renewable energy consumption by company and source was as follows:
  - > Elektra Stores: 102.2 GWh of electricity; 422,647 liters of gasoline; 5,700 liters of diesel; and 44,355 liters of LP Gas.
  - > Banco Azteca: 48.1 GWh of electricity and 6,934,264 liters of gasoline.
  - > Italika: 5.258 GWh of electricity and 573,287 liters of gasoline; 12,521 liters of diesel; and 82,435 liters of LP Gas.



### Consumption of fuel from non-renewable sources (Gigajoules)

|              |         |     |
|--------------|---------|-----|
| Elektra      | 383,805 | 46% |
| Banco Azteca | 408,507 | 49% |
| Italika      | 41,006  | 5%  |

Notes:

- GJ = Gigajoules.
- The breakdown of renewable energy consumption by company and source was as follows:
  - > Elektra Stores: 102.2 GWh of electricity; 422,647 liters of gasoline; 5,700 liters of diesel; and 44,355 liters of LP Gas.
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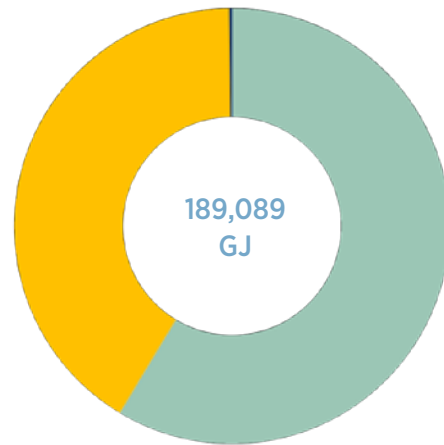


117,417 kWh of electrical energy consumed on average by each Elektra store in 2018, a 2% reduction from 2017

24,473 kWh of electrical energy consumed on average by each Banco Azteca branch in 2018, an 8% increase over the previous year

206,038 kWh of electrical energy consumed per Italika location in 2018

8.3 kWh of electrical energy consumed for each Italika motorcycle assembled in 2018, an 8% reduction from the previous year



Consumption of fuel from renewable sources (Gigajoules)

|                |           |       |
|----------------|-----------|-------|
| ■ Elektra      | 110,833.0 | 58.6% |
| ■ Banco Azteca | 77,896.0  | 41.2% |
| ■ Italika      | 360.0     | 0.2%  |

Notes:

- GJ = Gigajoules.
- The breakdown of renewable energy consumption by company and source was as follows:
  - > Elektra Stores: 30.8 GWh of electricity (13.4 GWh of wind energy and 17.4 GWh of geothermal energy).
  - > Banco Azteca: 21.6 GWh of electricity (6.4 GWh of wind energy and 15.2 GWh of geothermal energy).
  - > Italika: 0.1 GWh of geothermal energy.

To calculate energy consumption, Grupo Elektra follows the international protocol developed by the Efficiency Valuation Organization (EVO), the purpose of which is to measure and guarantee energy savings, reduce costs and systematize the measurement and verification of energy performance.

Furthermore, like other Grupo Salinas companies, Grupo Elektra calculates a Seasonal Energy Efficiency Ratio (SSER) and Integrated

Energy Efficiency Ratio (IEER), which calculate the energy consumption efficiency of equipment in cooling the environment to different temperatures. These ratios improved with the installation of new high-efficiency inverter-type air conditioners, resulting in efficiency ratings of 18.3 SEER/IEER in 2018, compared to 15.3 in 2017.

We also installed thermal insulation on our roofs and thermal film on the windows of some fa-

cilities, maximizing energy savings by cutting down on the amount of heat from sunlight.

The current strategic solutions proposed for improving our energy efficiency and thus generating savings and higher profit on existing and new businesses are:

- Improving maintenance and refrigerant gas in air conditioners
- Thermal insulation
- Insulating film for windows

302-4, 302-5

## Banco Azteca reduced its energy consumption by 0.4 GWh in 2018 through energy efficiency and conservation initiatives

Finally, the group introduced sustainable procurement guidelines based on a calculation of the energy efficiency of lighting and air conditions, as well as technical requirements. These methods are applied to expansions of retail locations and financial service offices throughout Mexico and in planning and executing energy savings initiatives by Grupo Salinas.



# EMISSIONS

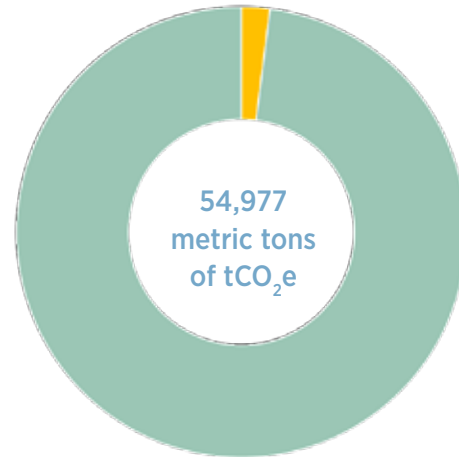


GRI 307: 103-1, 103-2, 103-3

Since 2010 the companies of Grupo Salinas have been reducing greenhouse gas (GHG) emissions through a number of initiatives, such as:

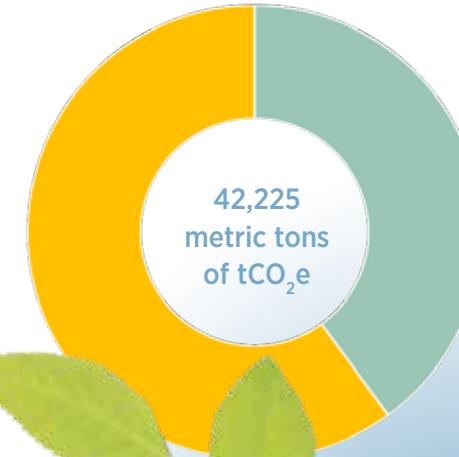
- Use of new LED lighting technology and inverter-type air conditioning which optimize energy consumption and efficiency and thus reduce indirect emissions of CO<sub>2</sub> equivalent (Scope 2).
- Use of environmentally-friendly refrigerant gases (R407, R410A and R507) for air conditioning, which are non-ozone depleting.
- GHG mitigation through reforestation campaigns like Un Nuevo Bosque, which represent the capture of an estimated 144,000 to 316,000 metric tons of atmospheric CO<sub>2</sub> by around 6.7 million trees planted and 4.2 million surviving trees, as well as 1.7 million metric tons of oxygen released into the atmosphere per year. Although there are areas of opportunity in measurements and indicators on soil improvement and environmental services – rainwater absorption and retention, capture of suspended particles modification of

49.2 metric tons of CO<sub>2</sub> equivalent emitted per store in 2018 (scopes 1 and 2)



| Scope   | Value  | Percentage |
|---------|--------|------------|
| Scope 1 | 1118   | 2%         |
| Scope 2 | 53,859 | 98%        |

85.3 metric tons of CO<sub>2</sub> equivalent emitted per bank branch in 2018 (scopes 1 and 2)

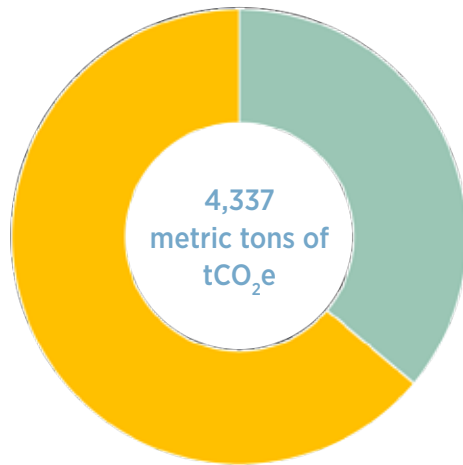


| Scope   | Value  | Percentage |
|---------|--------|------------|
| Scope 1 | 16,877 | 40%        |
| Scope 2 | 25,349 | 60%        |

Notes:

- Direct emissions are composed of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O).
- GHG emissions come from consumption of fuel and electrical energy reported to the National Emissions Registry (RENE). IN this methodology, the volume of each fuel is multiplied by an emission factor and by its Global Warning Potential. Each type of gas (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O) has its own factor. For more information, visit: <https://www.gob.mx/semarnat/acciones-y-programas/registro-nacional-de-emisiones-rene>.
- This approach has been adopted for consolidating emissions encompasses financial and operational controls.





**Italka  
GHG emissions  
(metric tons of carbon  
dioxide equivalent)**

|           |       |     |
|-----------|-------|-----|
| ■ Scope 1 | 1,567 | 36% |
| ■ Scope 2 | 2,761 | 64% |

**0.00444 metric tons  
of CO<sub>2</sub> equivalent  
emitted for each Italka  
motorcycle produced in  
2018 (scopes 1 and 2)**

**5% reduction in Italka  
emissions at the close  
of 2018.**

indispensable to our operations, we can continually work to use it more responsibly and minimize consumption and the resulting impact on the environment.

**Nota:**

- Direct emissions are composed of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O).
- GHG emissions come from consumption of fuel and electrical energy reported to the National Emissions Registry (RENE). IN this methodology, the volume of each fuel is multiplied by an emission factor and by its Global Warning Potential. Each type of gas (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O) has its own factor. For more information, visit: <https://www.gob.mx/semarnat/acciones-y-programas/registro-nacional-de-emisiones-rene>.
- This approach has been adopted for consolidating emissions encompasses financial and operational controls.

local climate, etc.– that result from these campaigns, reforestation is generally good for the environment and helps protect biodiversity.

- Strict controls to avoid atmospheric emissions through a focus on energy efficiency, specifically electricity consumption. Although we cannot stop using electricity altogether because it is

The regulations governing Grupo Elektra companies are aligned with the criteria of the Carbon Disclosure Project (CDP), taking into account stewardship of natural resources as well as reduction of carbon footprint. The annual RENE report identifies the main sources of direct and indirect emission (Scope 1 and 2, respectively) and programs to reduce consumption and mitigate environmental impact.

The first RENE report, which was filed in 2014 and provided the baseline for future comparisons, showed the following:

- Elektra Stores: 54,021.652 metric tons of CO<sub>2</sub> equivalent
- Banco Azteca: 22,772.9742 metric tons of CO<sub>2</sub> equivalent

Italka filed its first RENE emissions report in 2017.

**304-2**

Ensamblika is also subject to Mexican national standard NOM-085-SEMARNAT-2011, atmospheric contamination –maximum permissible limits on emission by indirect-heat combustion systems and their measurement, which establishes maximum permissible emissions of smoke, particles, carbon monoxide (CO), sulfur dioxi-

de (SO<sub>2</sub>) and nitrogen oxide (NO<sub>2</sub>) from indirect-heat combustion equipment that use conventional fuels or blends, in order to protect air quality. This is because Ensamblika uses adjustment chambers in startup and functional testing of its Italkas, and these emit combustion. This process is carried out on an average of up to 3,000 Italkas every day.

In 2018, Ensamblika continued its strategy of direct product delivery, optimizing fuel consumption and reducing atmospheric emissions. The main results were:

- 9,821 shipments in 2018  
↓ **18.3% vs 2017**
- 11.6 million kilometers traveled in 2018  
↑ **63.8% vs 2017**
- 12,078 metric tons of CO<sub>2</sub> emissions  
↑ **63.8% vs 2017**
- 533 shipments less sent to Elektra Distribution Centers because of the direct-delivery strategy, avoiding the emission of 612 metric tons of CO<sub>2</sub> equivalent, equivalent to a 141% increase in the CO<sub>2</sub> equivalent savings.



# WATER

Every year, Grupo Elektra reinforces its commitment to saving natural resources through the conscious use of water and various communication campaigns on reducing water use, avoiding water waste through leaks and misuse.

At the operational level, the company has a number of water stewardship initiatives in place:

- Tracking logs to measure the efficiency of awareness-building campaigns.
- Replacing bathroom fixtures for more efficient models at Ensamblika, which is expected to result in a minimum 10% saving on consumption at the plant.
- Rainwater capture at the Montes Urales building, home to Seguros Azteca.
- Nighttime watering to minimize evaporation; at Ensamblika, lawns are no longer watered.
- Installing water purifiers in corporate offices, which has a number of positive effects, such as improving employee quality of life by providing them with a constant supply of drinking water; optimization of economic resources; reducing the use of plastic containers; reducing emissions caused by highway traffic generated by

distribution of water jugs, and savings on warehouse space.

- Monitoring to detect leaks in toilets, faucets and cisterns.
- Monthly check of the physical condition of meters, pipes and devices.
- The use of water-saving toilets –four liters per flush, according to NOM-009-CONAGUA-2001.
- Certified water quality analysis of cisterns and water coolers to meet official standards such as:
  - › NADF-015-AGUA-2009, maximum permissible limit of contaminants in wastewater discharged from processes and services into the Mexico City drainage and sewage system from fixed sources.
  - › NOM-092-SSA1-1994, water analysis. Aerobic plate count method.
  - › NMX-AA-042-SCFI-2015, water analysis. Count of total coliform organization, fecal coliforms (thermotolerant) and Escherichia coli, using the most probable number in multiple tubes method.
  - › NMX-AA-108-SCFI-2001, water quality. Measurement of free chlorine and total chlorine.

33,706,968 m<sup>3</sup> of water consumed by Elektra Stores\* in 2018.

25,274,722 m<sup>3</sup> of water consumed by Banco Azteca\* in 2018.

12,572.5 m<sup>3</sup> of water consumed by Ensamblika, Italika's assembly plant, in 2018.

\* Note: Because all Elektra Stores branches share facilities with Banco Azteca branches, water consumption is measured jointly based on the size of the branches and the number of employees in each, number of clients per day and buckets of water used for cleaning each day; this gives the total cubic meters of consumption. After that, the percentage occupied by each company in terms of square meter (70% for Elektra Stores/30% for Banco Azteca branches) is applied to the calculation on use of cubic meters of water. Banco Azteca also has some standalone branches, whose water consumption is added to the above calculations to arrive at the company-wide total. Finally, metered water consumption at Grupo Elektra's seven corporate offices is added to the total.

One hundred percent of the water consumed by Grupo Elektra –Elektra Stores, Banco Azteca and Italika– in Mexico City comes from the Mexico City Water System, for use in bathrooms, plant watering, dining rooms, cooling systems and water coolers/purifiers in office buildings. For Ensamblika, the water consumed at the assembly plant comes from the Mexico State water system.

The microbiological quality of the water in TV Azteca cisterns and filters is analyzed monthly in certified laboratories. These examine aerobic mesophilic bacteria, fecal coliforms and residual chlorine. Cisterns are always kept at 90% of capacity.

Additionally, the Torre Grupo Salinas office building has its own water treatment plant, which cleans between 30 and 50 m<sup>3</sup> of water a day.

Grupo Elektra's water goals for 2019 focus on reducing cost and increasing savings by pursuing well water supply; introducing pipe degassing systems, water-saving toilets, dry urinals and wastewater treatment plants; monitoring city water bills to make sure readings are accurate; attention to nighttime watering and looking in to the possibility of incorporating water consumption monitoring to the company-wide Energy Management System.

# MATERIALS



301-1

By the nature of its business, the materials Grupo Elektra uses for operation are mostly lighting fixtures and air conditioners:

3,382 lighting fixtures and 1,373 air conditioners acquired by Grupo Elektra, a 95% and 50% reduction, respectively, from the previous year.



301-1, 301-2, 301-3

In 2018, Ensamblika used the following materials for its operations:

15,426 million assembly components.

24,292.5 metric tons of packaging materials\*.

\* The breakdown of packing materials used by Ensamblika in 2018 was: 1,578.8 metric tons of cardboard, 78.9 metric tons of plastic wrapping material, 2,223.5 million metric tons of wooden pallets and 18,411.3 metric tons of metal pallets.

100% of the packing material used by Ensamblika was recycled by an independent authorized specialist.

# WASTE



GRI 306, 307: 103-1, 103-2, 103-3  
306-2

In keeping with the Internal Manual on Solid Waste Classification, Grupo Elektra has a program for separating waste at all its corporate offices, which includes recycling stations where waste is sorted into four types: organic, inorganic, recyclable and hazardous.

There are also waste management standards governing the various companies of Grupo Salinas, including Grupo Elektra, among them:

- NOM-017-STPS-2008, personal protection equipment, use and handling in the workplace.
- NOM-002-STPS-2010, fire safety, prevention and protection in the workplace.
- NOM-005-STPS-1998, safety and health conditions in the workplace regarding handling, transportation and storage of chemical substances.
- NOM-006-STPS-2014, handling and store of materials, safety and health conditions in the workplace.
- NOM-052-SEMARNAT-2005, procedure for identifying hazardous waste.

- NOM-161-SEMARNAT-2011 and its amendments, criteria for classifying special handling waste.
- NADF-024-AMBT-2013, criteria and technical specifications for sorting, classifying, selectively collecting and storing waste in Mexico City.
- NOM-055-SEMARNAT-2003, requirements for sites to be used for controlled confinement of hazardous and previously stabilized waste.
- NOM-087-SEMARNAT-SSA1-2002, classification and specifications for handling biological-infectious waste for environmental protection and health.
- NOM-054-SEMARNAT-1993, procedure for determining incompatibility between two or more types of waste.
- ISO 9001:2015, Quality Management System.
- ISO 14001:2015, Environmental Management System.
- NMX-AA-164-SCFI-2013, minimum environmental criteria for sustainable buildings.

306-4

Waste collection services are supplied by outside vendors with a preference for those who are socially and environmentally responsible and generate value chains. To identify these, we have

prepared quality standards that are part of the requirements listed on requests for bids on waste collection and cleaning services.

Grupo Elektra continues to promote waste management actions to monetize as much as possible and reduce the volume of waste sent to sanitary landfills. It participates in cleanup campaigns like *Limpiemos Nuestro México*, which has also resulted in new initiatives to expand waste separation and recycling efforts.

Recycling programs in our corporate offices focus on shredded paper, cardboard, aluminum, PET, HDPE and plastic film. Grupo Elektra recently established synergies with other Grupo Salinas business units to channel part of this waste to social programs at *Fundación Azteca*, where they can be made into blankets, coast, toilet paper, hand towels, etc., useful for a variety of causes.

Additionally, to promote proper waste handling during our 2019 *Jugueton* toy drive, in 2018 Grupo Salinas trained employees on correct waste separation. It established general guidelines for setting up recycling station, planning cleaning tasks, construction, the work, supplier logistics, delivery of recycled products and analysis of results. It also developed quality standards for requesting bids on storage, collection, transport, placement, reuse, treatment, recycling, incineration and final disposal of all types of waste.

It also created alliances with waste recycling companies who are able to turn some recycled material into profitable products. The Energy and Environment area guarantees the execution of recyclable material collection services while the maintenance area manages solid urban waste, hazardous and special-handling waste.

**In 2018, more than Ps. 143,000 in paper and cardboard and more than Ps. 15,000 in PET, aluminum and HDPE were recycled from our corporate offices**

**Close to Ps. 11 million pesos recovered from recycled cardboard at Ensamblika**

301-1, 301-2, 301-3

Ensamblika has an internal management system for measuring the volume of recyclable waste and efficient logistics through which it recycles 100% of cardboard through an independent supplier, as well as other materials produced on a smaller scale, like Styrofoam, foam rubber, metal, etc. it also has a system for sorting waste, areas

for temporary storage, and independent vendors who collect waste.

**Ensamblika has a grinder and thermal Styrofoam recycling machine**

In 2018, the plant installed Styrofoam grinders and melting equipment that turns recycled Styrofoam into material for making shoe soles. The process makes it possible to reuse the material and also improves logistics and the waste area by freeing up storage space. It also reduced material removal transportation needs by 80%.

Also, Ensamblika has been able to reuse 18,400 metric tons of metal pallets used to transport motorcycles to points of sale. To keep these pallets in optimum condition and continue the returnable program, they are regularly checked and given maintenance. The program began in 2017 and has been working well.

For 2019, Ensamblika plans to establish new environmental indicators, and at the close of 2018 was in the process of analyzing options for collection and recycling of materials so far not included in the program, and measures to optimize the resources needed to make and distribute motorcycles.

**In 2018, Ensamblika improved its waste disposal logistics and increased the amount of materials sent for recycling to a total of 6,089 metric tons of combined waste:**

- 6,023 metric tons of cardboard and scraps
- 6 metric tons of packing bands
- 50 metric tons of foam rubber

At the close of 2018 some projects were being analyzed for feasibility, such as:

- Production of biogas and compost from organic waste
- Recycling of wood for use in furniture and decoration, wood chips for boiler, or biofuel.

Grupo Salinas has the following goals regarding waste management in coming years:



- Improving management of special-handling waste, like requesting wood recycling quotes from paper pulpers, pressboard manufacturers, carpenters and craftsmen; clear out rubble and metal scrap from warehouses.
- Optimizing the handling of solid urban waste through improvement of recycling stations, strengthening of environmental education and awareness campaigns, separating out waste at the source and in containers, monetizing waste, strengthening calls for bids from waste collection vendors, and creating automatic monitoring processes through the company-wide Energy Management System



Close to 3,323 metric tons of waste generated by Banco Azteca in 2018, around 15 metric tons of which were sent for recycling.

Close to 6,313 metric tons of waste generated by Elektra Stores in 2018, around 6,089 metric tons of which were sent for recycling.

Close to 8 metric tons of hazardous waste generated by Grupo Elektra, which was disposed off through independent people or firms authorized to handle this type of waste.

Close to 4,360 metric tons of waste generated by Elektra Stores in 2018, around 35 metric tons of which were sent for recycling

## ABOUT THIS REPORT

### 102-1, 102-5, 102-50

Grupo Elektra is pleased to present its 7th Sustainability Report, which contains the results of the economic, social and environmental performance of the operations of Grupo Elektra, S.A.B. de C.V. for the period between January 1st and December 31, 2018.

### 102-54

For the second time, this report has been prepared in accordance with Global Reporting Initiative (GRI) standards, Core Option, and continues to report information pertaining to the financial Services Sector Supplement (FSSS).

### 102-45

The information in this report corresponds to the results of Elektra Stores, Banco Azteca and Itali-ka in Mexico, as well as in El Salvador, Guatemala, Honduras, Panama and Peru, when possible; environmental data corresponds only to Mexico.

The amounts contained herein are reported in Mexican pesos (MXN/Ps.), unless otherwise specified.

### 102-48

The presentation of occupational health and safety indicators in 2018 is different from previous years because the area responsible modified the calculation methodology.



## PRINCIPLES USED IN PREPARING THIS REPORT

Grupo Elektra's 2018 Sustainability Report is intended to serve as a clear, balanced, comparable, precise, timely and accurate document, and accordingly it applies the principles established by the Global Reporting Initiative (GRI) for determining the report's content and quality, as follows:

### SUSTAINABILITY CONTEXT

Grupo Elektra reiterates its commitment to inclusive prosperity, through the generation of economic, social and environmental value. In 2018, as part of Grupo Salinas, it joined the United Nations Global Compact and reaffirmed its commitment to the Sustainable Development Goals (SDG), mapping the initiatives through which it contributes to achieving the global Agenda 2030.

### MATERIALITY

Grupo Elektra is aware of the impact of its operations in various areas, and focuses on processes and initiatives that help it optimally manage the aspects that were identified in the 2017 materiality study, and validated through the stakeholder engagement in 2018. It therefore takes actions that help both the Group and each of its companies to strengthen their sustainability strategy.

### STAKEHOLDER INCLUSIVENESS

In 2018, Grupo Elektra updated the 2017 materiality study based on dialogue with two groups of stakeholders –suppliers and employees in regional branches and in corporate headquarters. This report takes into account the opinion of both groups, validating material aspects and strengthening the continuous improvement process, both in terms of the level of information required by stakeholders, and their sustainability strategy.

### COMPLETENESS

Throughout this report you will find the results of Grupo Elektra's performance in economic, social and environmental terms, providing an exhaustive account of the significant impact on material aspects and coverage of each of these areas.





# GRI CONTENT INDEX

102-55

| GRI Standard                  | Disclosure  | Page / Direct Response | Omission |
|-------------------------------|---|------------------------|----------|
| <b>General Disclosures</b>    |   |                        |          |
| <b>Organizational profile</b> |   |                        |          |
| 102-1                         | Name of the organization  | 4, 135                 |          |
| 102-2                         | Activities, brands, products, and services                                    | 4, 5, 6                |          |
| 102-3                         | Location of headquarters  | 144                    |          |
| 102-4                         | Location of operations  | 4                      |          |
| 102-5                         | Ownership and legal form  | 4, 135                 |          |
| 102-6                         | Markets served  | 5, 6                   |          |
| 102-7                         | Scale of the organization   | 3, 4, 5, 6, 21         |          |
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| 102-11                        | Precautionary Principle or approach   | 31, 124                |          |
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| 102-13                        | Membership of associations  | 19                     |          |
| <b>Strategy</b>               |   |                        |          |
| 102-14                        | Statement from senior decision-maker  | 8                      |          |
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GRI 102: General Disclosures 2016

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| 102-21 | Consulting stakeholders on economic, environmental, and social topics    | 26             |   |
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| 102-27 | Collective knowledge of highest governance body                          | 26             |   |
| 102-28 | Evaluating the highest governance body's performance                     | 28             |   |
| 102-29 | Identifying and managing economic, environmental, and social impacts     | 28             | <p>The emerging risks identified are:</p> <ol style="list-style-type: none"> <li>1. A reduction in client confidence indicators due to the political and economic situation in Mexico, which has affected the Institution's credit placement activities. To mitigate this, Banco Azteca is continually expanding its portfolio of products to include innovative options for bringing wellbeing and progress to its clients.</li> <li>2. Slower growth in the Mexican economy (Gross Domestic Product, or GDP, is expected to decline in 2019), limiting access to financial services for millions of Mexican families. To mitigate this, Banco Azteca encourages financial inclusion by facilitating credit and promoting the product portfolio through digital banking</li> </ol> |
| 102-30 | Effectiveness of risk management processes                               | 28             |   |
| 102-31 | Review of economic, environmental, and social topics                     | 25, 28         |   |
| 102-32 | Highest governance body's role in sustainability reporting               |                | All areas participate in approving the Sustainability Report; the Sustainability area meanwhile, carries out a permanent monitoring of the process.   |
| 102-33 | Communicating critical concerns  | 28             |   |
| 102-34 | Nature and total number of critical concerns                             | 28             |   |

GRI 102: General Disclosures 2016



|                                   |  |  |        |   |
|-----------------------------------|--|--|--------|---|
| GRI 102: General Disclosures 2016 | 102-35   | Remuneration policies                                  | 28     | <p>For Grupo Elektra executives, variable compensation and other bonuses and stock options are given once the financial statements have been approved by the Board of Directors. Fixed and variable compensation for the short and long term are calculated and paid based on net after-tax amounts.</p> <p>The compensation scheme is aligned with short-term value generation and medium- and long-term equity generation.</p> <p>Short-term compensation (fixed compensation + variable compensation + bonus for special contribution + bonus for special event) + Long-term compensation = total annual compensation the executive can expect.</p> <p>Short-term compensation is established as follows:</p> <ul style="list-style-type: none"> <li>- Fixed: minimum market level; annual income (13 months), market benefits and pension fund consistent with the law.</li> <li>- Variable: 0% to 100% based on business results; up to 100% of fixed compensation, 50% assigned based on business results and 50% based on executive performance</li> </ul> |
|                                   | 102-36   | Process for determining remuneration                   | 28     |   |
|                                   | 102-37   | Stakeholders' involvement in remuneration              | 28     |   |
|                                   | 102-38   | Annual total compensation ratio                        |        | For security reasons, this information is confidential.   |
|                                   | 102-39   | Percentage increase in annual total compensation ratio |        | For security reasons, this information is confidential.   |
|                                   | <b>Stakeholder engagement</b>                              |  |        |   |
|                                   | 102-40   | List of stakeholder groups                             | 11     |   |
|                                   | 102-41   | Collective bargaining agreements                       | 74     |   |
|                                   | 102-42   | Identifying and selecting stakeholders                 | 11     |   |
|                                   | 102-43   | Approach to stakeholder engagement                     | 11, 14 |   |
| 102-44                            | Key topics and concerns raised                             | 14, 41, 94   |        |   |
| <b>Reporting practice</b>         |  |  |        |   |
| 102-45                            | Entities included in the consolidated financial statements | 135  |        |   |

|   |                    |   |   |
|---|--------------------|---|---|
| GRI 102: General Disclosures 2016           | 102-46             | Defining report content and topic Boundaries  | 18  |
|   | 102-47             | List of material topics   | 18  |
|   | 102-48             | Restatements of information   | 135   |
|   | 102-49             | Changes in reporting  | There were no changes in the preparation of the Report  |
|   | 102-50             | Reporting period  | 135   |
|   | 102-51             | Date of most recent report  | 2017  |
|   | 102-52             | Reporting cycle   | Annual  |
|   | 102-53             | Contact point for questions regarding the report  | 144   |
|   | 102-54             | Claims of reporting in accordance with the GRI Standards                                  | 135   |
|   | 102-55             | GRI content index   | 137   |
| 102-56                                      | External assurance | The data contained in this report are reviewed internally, without external verification. |   |
| <b>Material topics</b>                      |                    |   |   |
| <b>Economic Performance</b>                 |                    |   |   |
| GRI 103: Management Approach 2016           | 103-1              | Explanation of the material topic and its Boundary  | 21  |
|   | 103-2              | The management approach and its components  | 21  |
|   | 103-3              | Evaluation of the management approach   | 21  |
| GRI 201: Economic Performance 2016          | 201-1              | Direct economic value generated and distributed   | 3, 21   |
|   | 201-2              | Financial implications and other risks and opportunities due to climate change            | 31  |
|   | 201-3              | Defined benefit plan obligations and other retirement plans                               | Retirement benefits are covered through the Mexican Social Security Institute (IMSS), with the contributions stipulated by law to fund termination, old age, disability and life insurance. |
|   | 201-4              | Financial assistance received from government   | Grupo Elektra receives no financial support from the government.  |
| <b>Corruption, Bribery and Transparency</b> |                    |   |   |
| GRI 103: Management Approach 2016           | 103-1              | Explanation of the material topic and its Boundary  | 35  |
|   | 103-2              | The management approach and its components  | 35  |
|   | 103-3              | Evaluation of the management approach   | 35  |

|   |       |   |   |  |
|---|-------|---|---|--|
| GRI 205: Anti-corruption 2016           | 205-1 | Operations assessed for risks related to corruption                             | 35  |  |
|   | 205-2 | Communication and training about anti-corruption policies and procedures        | 35  |  |
|   | 205-3 | Confirmed incidents of corruption and actions taken                             | During the period covered by this report there were no confirmed cases of corruption or money-laundering.               |  |
| GRI 103: Management Approach 2016       | 103-1 | Explanation of the material topic and its Boundary                              | 19, 35  |  |
|   | 103-2 | The management approach and its components                                      | 19, 35  |  |
|   | 103-3 | Evaluation of the management approach   | 19  |  |
| GRI 206: Anti-competitive Behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | During the period of this report there were no incidents relating to unfair competition or monopolistic practices.      |  |
| GRI 103: Management Approach 2016       | 103-1 | Explanation of the material topic and its Boundary                              | 19  |  |
|   | 103-2 | The management approach and its components                                      | 19  |  |
|   | 103-3 | Evaluation of the management approach   | 19  |  |
| GRI 415: Public Policy 2016             | 415-1 | Political contributions   | In accordance with the law, Grupo Elektra does not contribute in any way to political parties or their representatives. |  |
| <b>Materials</b>                        |       |   |   |  |
| GRI 103: Management Approach 2016       | 103-1 | Explanation of the material topic and its Boundary                              |   | Information not available. Grupo Elektra is currently working on creating mechanisms for managing the "Materials" aspect, so its commitment is reporting on those results next year. |
|   | 103-2 | The management approach and its components                                      |   | Information not available. Grupo Elektra is currently working on creating mechanisms for managing the "Materials" aspect, so its commitment is reporting on those results next year. |

| GRI 103: Management Approach 2016                               | 103-3  | Evaluation of the management approach                  |   | Information not available. Grupo Elektra is currently working on creating mechanisms for managing the "Materials" aspect, so its commitment is reporting on those results next year.   |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|---|--|--|---|--|---------------|------|------|------|------|-----------------|--------------|--------------|--------------|--------------|---------------------------------|--------------|--------------|--------------|---------------|-------------|--------------|--------------|--------------|--------------|--------------|----------------------|----------------------|----------------------|----------------------|
| GRI 301: Materials 2016   | 301-1  | Materials used by weight or volume                     | 132, 133  |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   |  | Recycled input materials used                          | 132, 133  |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | 301-3  | Reclaimed products and their packaging materials       | 132, 133  |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| <b>Environmental Policies / Environmental Management System</b> |  |  |   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| GRI 103: Management Approach 2016                               | 103-1  | Explanation of the material topic and its Boundary     | 125   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | 103-2  | The management approach and its components             | 125   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | 103-3  | Evaluation of the management approach                  | 125   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| GRI 302: Energy 2016  | 302-1  | Energy consumption within the organization             | 127   | The amounts calculated are based on the following ratio:<br><table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Negocio</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>DAZ stand alone</td> <td>\$87,651,207</td> <td>\$75,534,639</td> <td>\$89,354,167</td> <td>\$80,392,300</td> </tr> <tr> <td>Banco Azteca en Tiendas Elektra</td> <td>\$75,631,234</td> <td>\$79,283,633</td> <td>\$96,388,220</td> <td>\$108,991,759</td> </tr> <tr> <td>Corporativo</td> <td>\$16,626,690</td> <td>\$17,947,794</td> <td>\$21,375,409</td> <td>\$24,676,044</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$179,911,146</b></td> <td><b>\$171,868,282</b></td> <td><b>\$207,129,813</b></td> <td><b>\$214,262,113</b></td> </tr> </tbody> </table> <p>Corporate total refers to total spending at Torre Esmeralda, divided by 2, assuming that the other 50% is absorbed by Elektra and that revenues for Banco Azteca totaled Ps. 47,389,000,000.</p> | Negocio       | 2015 | 2016 | 2017 | 2018 | DAZ stand alone | \$87,651,207 | \$75,534,639 | \$89,354,167 | \$80,392,300 | Banco Azteca en Tiendas Elektra | \$75,631,234 | \$79,283,633 | \$96,388,220 | \$108,991,759 | Corporativo | \$16,626,690 | \$17,947,794 | \$21,375,409 | \$24,676,044 | <b>Total</b> | <b>\$179,911,146</b> | <b>\$171,868,282</b> | <b>\$207,129,813</b> | <b>\$214,262,113</b> |
|   | Negocio  | 2015   | 2016  | 2017   | 2018          |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | DAZ stand alone  | \$87,651,207   | \$75,534,639  | \$89,354,167   | \$80,392,300  |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | Banco Azteca en Tiendas Elektra                            | \$75,631,234   | \$79,283,633  | \$96,388,220   | \$108,991,759 |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | Corporativo  | \$16,626,690   | \$17,947,794  | \$21,375,409   | \$24,676,044  |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| <b>Total</b>  | <b>\$179,911,146</b>                                       | <b>\$171,868,282</b>                                   | <b>\$207,129,813</b>  | <b>\$214,262,113</b>   |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| 302-3   | Energy intensity   | 128  |   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | Reduction of energy consumption                            | 128  |   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| 302-5   | Reductions in energy requirements of products and services | 128  |   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| GRI 103: Management Approach 2016                               | 103-1  | Explanation of the material topic and its Boundary     | 125, 129, 132   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | 103-2  | The management approach and its components             | 125, 129, 132   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
|   | 103-3  | Evaluation of the management approach                  | 125, 129, 132   |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |
| GRI 307: Environmental Compliance 2016                          | 307-1  | Non-compliance with environmental laws and regulations | Grupo Elektra complies fully with all applicable environmental laws, and there were no reported breach of these laws in 2018. |  |               |      |      |      |      |                 |              |              |              |              |                                 |              |              |              |               |             |              |              |              |              |              |                      |                      |                      |                      |

| Biodiversity                      |       |   |  |
|-----------------------------------|-------|---|--|
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary  | 114  |
|                                   | 103-2 | The management approach and its components  | 114  |
|                                   | 103-3 | Evaluation of the management approach   | 114  |
| GRI 304: Biodiversity 2016        | 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Grupo Elektra has no operations close to protected natural areas.  |
|                                   |       | Significant impacts of activities, products, and services on biodiversity   | 130  |
|                                   | 304-3 | Habitats protected or restored  | 114  |
| Waste Management                  |       |   |  |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary  | 132  |
|                                   | 103-2 | The management approach and its components  | 132  |
|                                   | 103-3 | Evaluation of the management approach   | 132  |
| GRI 306: Effluents and Waste 2016 | 306-2 | Waste by type and disposal method   | 132  |
|                                   | 306-3 | Significant spills  | By the nature of the business, there is no risk of significant spills.   |
|                                   |       | Transport of hazardous waste  | 133  |
|                                   | 306-5 | Water bodies affected by water discharges and/or runoff   | During the period reported no water body was affected by water discharge of runoff.  |
| Talent attraction and retention   |       |   |  |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary  | 73   |
|                                   | 103-2 | The management approach and its components  | 73   |
|                                   | 103-3 | Evaluation of the management approach   | 73   |
| GRI 401: Employment 2016          | 401-1 | New employee hires and employee turnover  | 74, 75, 77   |
|                                   | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees  | “89<br>Grupo Elektra has a flex time program in the form of time-scaled scheduling, applicable to the business units. The home office program also gives employees a chance to work local.<br>We have breastfeeding/pumping rooms in all our corporate offices.” |

| GRI 401: Employment 2016                     | 401-3  | Parental leave  | 92   |
|--|--------|---|--|
| Occupational Health and Safety               |        |   |  |
| GRI 103: Management Approach 2016            | 103-1  | Explanation of the material topic and its Boundary  | 97   |
|  | 103-2  | The management approach and its components  | 97   |
|  | 103-3  | Evaluation of the management approach   | 97   |
| GRI 403: Occupational Health and Safety 2018 | 403-1  | Occupational health and safety management system  | 97   |
|  | 403-2  | Hazard identification, risk assessment, and incident investigation  | 97   |
|  | 403-3  | Occupational health services  | 90   |
|  | 403-4  | Worker participation, consultation, and communication on occupational health and safety                       | 90   |
|  | 403-5  | Worker training on occupational health and safety   | 97   |
|  | 403-6  | Promotion of worker health  | 90   |
|  | 403-7  | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 98   |
|  | 403-8  | Workers covered by an occupational health and safety management system  | 97   |
|  | 403-9  | Work-related injuries   | 98, 99   |
|  | 403-10 | Work-related ill health   | There were 15 fatalities in Credit and Collection activities at Banco Azteca; 0 fatalities at Ensamblika.” |
| Human Capital Development                    |        |   |  |
| GRI 103: Management Approach 2016            | 103-1  | Explanation of the material topic and its Boundary  | 81, 86   |
|  | 103-2  | The management approach and its components  | 81, 86   |
|  | 103-3  | Evaluation of the management approach   | 81, 86   |
| GRI 404: Training and Education 2016         | 404-1  | Average hours of training per year per employee   | 83, 85, 86   |

The data on training hours pertain to total man-hours of training rather than average hours of training, because employees may participate in various courses over the course of the year.

|   |       |  |   |
|---|-------|--|---|
|   | 404-2 | Programs for upgrading employee skills and transition assistance programs                                      | 82, 83, 85, 90  |
|   | 404-3 | Percentage of employees receiving regular performance and career development reviews                           | 86  |
| <b>Diversity and Equal Opportunity</b>                                  |       |  |   |
| <b>GRI 103: Management Approach 2016</b>                                | 103-1 | Explanation of the material topic and its Boundary   | 27, 45  |
|   | 103-2 | The management approach and its components   | 27, 45  |
|   | 103-3 | Evaluation of the management approach  | 27, 45  |
| <b>GRI 405: Diversity and Equal Opportunity 2016</b>                    | 405-1 | Diversity of governance bodies and employees   | 27  |
|   | 405-2 | Ratio of basic salary and remuneration of women to men   | 89  |
| <b>Human Rights</b>   |       |  |   |
| <b>GRI 103: Management Approach 2016</b>                                | 103-1 | Explanation of the material topic and its Boundary   | 45  |
|   | 103-2 | The management approach and its components   | 45  |
|   | 103-3 | Evaluation of the management approach  | 45  |
| <b>GRI 406: Non-discrimination 2016</b>                                 | 406-1 | Incidents of discrimination and corrective actions taken   | Because of Grupo Salinas' commitment to the United Nations Global Compact and Grupo Elektra's commitment to human rights, there were no cases of discrimination reported in 2018.   |
| <b>GRI 103: Management Approach 2016</b>                                | 103-1 | Explanation of the material topic and its Boundary   | 45  |
|   | 103-2 | The management approach and its components   | 45  |
|   | 103-3 | Evaluation of the management approach  | 45  |
| <b>"GRI 407: Freedom of Association and Collective Bargaining 2016"</b> | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Because of Grupo Salinas' commitment to the United Nations Global Compact and Grupo Elektra's commitment to human rights, there were no operations or suppliers in which a risk to freedom of association and collective bargaining was reported in 2018. |
| <b>GRI 103: Management Approach 2016</b>                                | 103-1 | Explanation of the material topic and its Boundary   | 45  |
|   | 103-2 | The management approach and its components   | 45  |
|   | 103-3 | Evaluation of the management approach  | 45  |

|   |       |  |   |
|---|-------|--|---|
| <b>GRI 408: Child Labor 2016</b>                | 408-1 | Operations and suppliers at significant risk for incidents of child labor  | Because of Grupo Salinas' commitment to the United Nations Global Compact and Grupo Elektra's commitment to human rights, there were no operations or suppliers where a risk of child labor was reported in 2018.             |
| <b>GRI 103: Management Approach 2016</b>        | 103-1 | Explanation of the material topic and its Boundary   | 45  |
|   | 103-2 | The management approach and its components   | 45  |
|   | 103-3 | Evaluation of the management approach  | 45  |
| <b>GRI 409: Forced of Compulsory Labor 2016</b> | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor                                   | Because of Grupo Salinas' commitment to the United Nations Global Compact and Grupo Elektra's commitment to human rights, there were no operations or suppliers where a risk of forced or coerced labor was reported in 2018. |
| <b>GRI 103: Management Approach 2016</b>        | 103-1 | Explanation of the material topic and its Boundary   | 45  |
|   | 103-2 | The management approach and its components   | 45  |
|   | 103-3 | Evaluation of the management approach  | 45  |
| <b>GRI 412: Human Rights Assessment 2016</b>    | 412-1 | Operations that have been subject to human rights reviews or impact assessments  | Grupo Elektra conducts impact evaluations of suppliers regarding human rights; it does not conduct any internal evaluations.  |
|   |       | Employee training on human rights policies or procedures   | 35  |
|   | 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 45  |
| <b>Social Impact</b>                            |       |  |   |
| <b>GRI 103: Management Approach 2016</b>        | 103-1 | Explanation of the material topic and its Boundary   | 58, 100, 109  |
|   | 103-2 | The management approach and its components   | 58, 100, 109  |
|   | 103-3 | Evaluation of the management approach  | 58, 100, 109  |

|   |       |  |                   |
|---|-------|--|-------------------|
| GRI 203: Indirect Economic Impacts 2016         | 203-1 | Infrastructure investments and services supported  | 100               |
|   | 203-2 | Significant indirect economic impacts  | 58, 100, 109, 121 |
| GRI 103: Management Approach 2016               | 103-1 | Explanation of the material topic and its Boundary                                       | 100, 109          |
|   | 103-2 | The management approach and its components   | 100, 109          |
|   | 103-3 | Evaluation of the management approach  | 100, 109          |
| GRI 413: Local Communities 2016                 | 413-1 | Operations with local community engagement, impact assessments, and development programs | 100, 109          |
|   | 413-2 | Operations with significant actual and potential negative impacts on local communities   | 100, 109          |
| <b>Requirements to Suppliers</b>                |       |  |                   |
| GRI 103: Management Approach 2016               | 103-1 | Explanation of the material topic and its Boundary                                       | 44                |
|   | 103-2 | The management approach and its components   | 44                |
|   | 103-3 | Evaluation of the management approach  | 44                |
| "GRI 204: Procurement Practices 2016"           | 204-1 | Proportion of spending on local suppliers  | 44, 48            |
| GRI 103: Management Approach 2016               | 103-1 | Explanation of the material topic and its Boundary                                       | 45                |
|   | 103-2 | The management approach and its components   | 45                |
|   | 103-3 | Evaluation of the management approach  | 45                |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria                            | 48                |
| GRI 103: Management Approach 2016               | 103-1 | Explanation of the material topic and its Boundary                                       | 45                |
|   | 103-2 | The management approach and its components   | 45                |
|   | 103-3 | Evaluation of the management approach  | 45                |
| GRI 414: Supplier Social Assessment 2016        | 414-1 | New suppliers that were screened using social criteria                                   | 46                |

| Products and Services Development / Customer Relations Management |        |   |   |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|---|--------|---|---|-----------|------|------|------|------|-----|--------|--------|--------|--------|-----------|--------|--------|--------|--------|
| GRI 103: Management Approach 2016                                 | 103-1  | Explanation of the material topic and its Boundary  | 49, 53, 55  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 103-2  | The management approach and its components  | 49, 53, 55  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 103-3  | Evaluation of the management approach   | 49, 53, 55  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| "GRI 416: Customer Health and Safety 2016"                        | 416-1  | Assessment of the health and safety impacts of product and service categories                 | 51, 53, 55  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 416-2  | Incidents of non-compliance concerning the health and safety impacts of products and services | During the period of this report there were no cases of regulatory non-compliance; Italika received 46,420 guarantee claims at its service centers, 100% of which were addressed and resolved.  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| GRI 103: Management Approach 2016                                 | 103-1  | Explanation of the material topic and its Boundary  | 61  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 103-2  | The management approach and its components  | 49, 61  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 103-3  | Evaluation of the management approach   | 49, 61<br>One of the strategies for evaluating management's approach to Marketing and labeling is to carry out customer satisfaction surveys, in order to calculate the Net Promoters Score (NPS). The results of this tool for Banco Azteca in 2015-2018 were as follows:  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   |        |   | <table border="1"> <thead> <tr> <th>Indicador</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>IPN</td> <td>63.23%</td> <td>56.28%</td> <td>64.15%</td> <td>64.30%</td> </tr> <tr> <td>Encuestas</td> <td>17,929</td> <td>17,793</td> <td>18,000</td> <td>21,958</td> </tr> </tbody> </table> | Indicador | 2015 | 2016 | 2017 | 2018 | IPN | 63.23% | 56.28% | 64.15% | 64.30% | Encuestas | 17,929 | 17,793 | 18,000 | 21,958 |
| Indicador   | 2015   | 2016  | 2017  | 2018      |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| IPN   | 63.23% | 56.28%  | 64.15%  | 64.30%    |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| Encuestas   | 17,929 | 17,793  | 18,000  | 21,958    |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| GRI 417: Marketing and Labeling 2016                              | 417-1  | Requirements for product and service information and labeling                                 | 55, 56, 57  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   |        | Incidents of non-compliance concerning product and service information and labeling           | "52<br>In 2018 there were no reported violations of advertising or product information laws by Grupo Elektra."  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 417-3  | "Incidents of non-compliance concerning marketing communications"                             | In 2018 there were no reported violations of advertising or product information laws by Grupo Elektra.  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| GRI 103: Management Approach 2016                                 | 103-1  | Explanation of the material topic and its Boundary  | 65  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 103-2  | The management approach and its components  | 65  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
|   | 103-3  | Evaluation of the management approach   | 65  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |
| GRI 418: Customer Privacy 2016                                    | 418-1  | Substantiated complaints concerning breaches of customer privacy and losses of customer data  | In 2018, Grupo Elektra did not receive any sanction or fine from INAI resulting from improper treatment of personal data or breaches of data security, because it has a robust management system and procedures to mitigate those risks.  |           |      |      |      |      |     |        |        |        |        |           |        |        |        |        |

|  |               |  |  |
|--|---------------|--|--|
| GRI 103:<br>Management<br>Approach 2016      | 103-1         | Explanation of the material topic and its Boundary   | 55, 61   |
|  | 103-2         | The management approach and its components   | 55, 61   |
|  | 103-3         | Evaluation of the management approach  | 55, 61   |
| GRI 419:<br>Socioeconomic<br>Compliance 2016 | 419-1         | Non-compliance with laws and regulations in the social and economic area   | In 2018 there were no complaints of this kind, but there were requests to exercise ARCO rights, 100% of which were addressed. These are reviewed annually by the external certification firm NYCE. The regulatory authority (INAI) forwarded 4 investigation procedures which were decided in Banco Azteca's favor after concluding that there had been no violation of the Law. |
| FSSS<br>Product Portfolio                    | FS1           | Policies with specific environmental and social components applied to business lines   | Grupo Elektra has the Energy Saving Seal, an internal tool used at all the companies of Grupo Salinas to evaluate, validate and certify the purchase of efficient lighting equipment, air conditioning and any other device that consumes electricity.   |
|  | FS2           | Procedures for assessing and screening environmental and social risks in business lines  | 28   |
|  | FS3           | Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions | 55   |
|  | FS4           | Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines            | 49   |
|  | FS6           | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.  | 22   |
|  | FS7           | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose                  | 22   |
|  | FSSS<br>Audit | FS9  | Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures  |

|                              |      |   |         |
|------------------------------|------|---|---------|
| FSSS<br>Active Ownership     | FS12 | Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting | 19      |
| FSSS<br>Local<br>Communities | FS13 | Access points in low-populated or economically disadvantaged areas by type  | 101     |
|                              | FS14 | Initiatives to improve access to financial services for disadvantaged people  | 101     |
|                              |      | Policies for the fair design and sale of financial products and services  | 49, 103 |
|                              | FS16 | Initiatives to enhance financial literacy   | 103     |



## CONTACT

102-3, 102-53

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