



**CEO Comment**

March 2, 2016

To our stakeholders:

I am pleased to confirm that Hoteles City Express reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

For further information on Hoteles City Express sustainability program, please go to: <https://www.cityexpress.com/en/sustainability/>

Sincerely yours,

**Luis Barrios**

**CEO**

**Hoteles City Express**

## Preservation of Human Rights

At Hoteles City Express we are certain our most valuable assets are the employees who work diligently to ensure the company advances through the correct path. In so, we take care of them by protecting their rights as human beings and also make sure they respect those of others. That is why we exercise our influence so that every related party (both internal and external) respects the Universal Declaration of Human Rights and Environmental Protection. Among other things we ensure:

- **Gender Equality:** 44% of managers and directors are women. (57% of all employees are women)
- **Social Inclusion:** We have a program in which we hire people with hearing disabilities to work on our hotels. Other employees at the hotel are required to take a course on sign language (Turnover ratio diminished greatly when we implemented this program).

To ensure our commitment is carried out and continues even after there are changes on the management, we have made several internal policies to guide and programs to help the people in charge implement them. We have an Ethics Committee and a Sustainability Committee which have the responsibility of making sure the principles in these policies are fulfilled. Also, we have a Code of Ethics every employee and related party to the business has to sign in compliance.

We know we need to keep improving; this is why we have an anonymous mailbox (both online and offline) for employees and related parties to file in their complaints. We measure the amount of complaints received and how many of those are satisfactorily solved and compare these results to the previous period in order to know our improvement. The complaints received in the mailbox have to be solved by the Ethics Committee.

In addition to the above mentioned initiatives, Hoteles City Express holds several policies and guidelines with regards to human rights, for example, the company has an Employee Engagement Policy that states the base for human rights and working conditions our employees may have, as well as a Human Rights and Non-Discrimination Policy.

## Labour Principles

Our company ensures the Labour rights of our collaborators in many ways. We have internal policies that state the right of employees to join the Union of their choice and their right for collective bargain. We also assess their rights to compensation, their responsibilities and labour related risk. We do not work “informally” in any way:

- **No Forced or Compulsory Labour:** Every employee has a schedule they have to fulfill and a compensation for it. Extra hours are paid accordingly and they take part in the Chain’s earnings through bonuses and fair distribution according to the taxes associated (PTU: Participación de los trabajadores sobre las utilidades)
- **Formal Collaborators:** We do not work outside a labour contract. This avoids abuses from the company like child labour, unfair treatment to pregnant women and many other situations that occur when labour is informal. In 2015 no more than 3% of total employees were outsourced.

The company also makes significant efforts regarding social inclusion:

We hire people with hearing disabilities at our hotels and capacitate the rest of the personnel on sign language to facilitate communication. We encourage everyone reading this to try something similar; it’s not only a “good and responsible action” taken by the company but it’s resulted in record low rotation indexes.

Even though we are very proud of the mechanisms we’ve implemented we know we can still improve that’s why we have a Human Resources department in the company which solves any labour issue and reports to the Ethics Committee which ensures no violations are being left unsolved. Also, we know we can make a significant progress in this area by improving ourselves which is why our Human Resources department organizes more than 27,000 hours of capacitation every year.

Complaints have decreased significantly every year, as well as work related injuries due to an everyday effort made by our Human Resources collaborators. They have special compensations related to improvements in these aspects of the business.

Finally, the company holds an employee engagement policy in which the main guidelines all employees should follow are stated as well as rights they hold regarding working hours, home-office practices, rights when the employee has children, balance between work and family, etc.

## Environment

From the very beginning of Hoteles City Express, we've been focused on making the most efficient hotels in order to save energy and have the lowest carbon footprint possible. In the past few years, we've increased our efforts significantly to improve the positive impact our operation has on the environment and reduce the negative one.

We've created a Sustainability Committee, we've started a program to buy carbon bonds to compensate for some part of our carbon footprint (around 30%), we've implemented a program to create Environmental awareness in the Central Offices as well as recycling program, and we've given considerations to socially and environmentally responsible companies on our tenders, among many others. Also, all of our hotels have the latest technology in terms of water and energy savings (though we're always looking to improve) and guests are informed of their spending of these resources. We have several policies and programs aimed to direct HCe's environmental efforts which ensure the Sustainability strategy keeps running as planned.

Even though there's always room to improve, we think we've been having great results:

- 80% savings in energy with respect to the first generation of hotels.
- Furniture made of recycled wood.
- Materials used in construction are 36% more efficient than standard.
- First Hotel in the World to get the Edge Certification.
- More than 39 hotels with the Biosphere Certification and 18 more on process.
- 6 hotels with Leed Certification and 2 more in process.
- 2015 was the first year we got the ESR (Empresa Socialmente Responsable) certification.

However, we have internal audits to evaluate our hotels and central office performance in terms of Environmental practices and we conduct 3 external audits every year.

## Anti-Corruption

Hoteles City Express has a strong commitment to the best in practice Corporate Governance Principles. Amongst other things, we have Zero-Tolerance for corruption, bribery and extortion which applies to every aspect of the company's processes. We do not accept gifts from related parties in order to prevent special treatment or biased judgments. We've given several courses to our collaborators in Work Ethics and best corporate practices. To back this up, we have an Anti-Corruption policy and a Code of Ethics that every one of our providers and collaborators has to sign in compliance. Also, we have business relations with the International Finance Corporation (IFC) which obliges us to comply with their Anti-Corruption standards.

However, we know this will not prevent acts of corruption completely, which is why we have a Mailbox to report related issues to the Ethics Committee. In 2015, there was only one act of (internal) corruption reported through this channel and was satisfactorily solved by the Ethics Committee.

In terms of anticorruption practices the Company holds the following policies: a) Anti-corruption policy, b) Non-monopolistic and anti-dumping policy, c) Socially Responsible Purchases Policy, d) Code of Ethics for Employees, Directors and Officers, e) Code of Ethics for Suppliers, etc.