

United Nations Global Compact
2017 Communication on Progress
of Foncière des Régions



This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact.

We welcome feedback on its contents.

October 2017

17 SDGs to change the world

During the sustainable development summit held in New York in September 2015, the 193 UN State Members officially ratified a new sustainable development program called “Transforming the world: the sustainable development program to be achieved by 2030”. This program contains 17 objectives broken down into 169 targets.

Over the next 15 years and thanks to new objectives to be achieved by all, countries will combine forces to tackle climate change, end all forms of poverty and fight inequality. This program has been enforced since January 1st, 2016.



Like his predecessor, M. Ban Ki-moon, M. António Guterres, the UN General Secretary, is an ardent defender of the 2030 sustainable development program: its 17 sustainable development objectives open a window on an universal and embedded vision encouraging transformation towards a better world.

Source: <http://www.un.org/en/index.html>

The 17 SDGs are part of an ambitious sustainable development program based on the three complementary elements to sustainable development: economic growth, social inclusion and the protection of the environment. Progress towards all 17 objectives and 169 targets in the new program will be monitored and assessed using international indicators.

A shared 2030 agenda

Foncière des Régions’ CSR policy is aligned with the impetus of the UN 2030 agenda. The information described in this Communication on Progress (COP) will show how Foncière des Régions’ sustainable development policy accounts for all 17 objectives and will provide concrete results for every single one of them.

The UN illustrations below are used for clarity purposes throughout the report:



Source : <https://www.unglobalcompact.org/sdgs/17-global-goals>

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Editorial by Christophe Kullmann

Renewal of our commitment

As early as 2011, it has been my wish that Foncière des Régions be part of the Global Compact network in order to establish our commitment to its 10 principles and the role of CSR at the heart of our corporate strategy. Our sustainable development policy, laid out as per our 2015/2020 action plan, is ahead of and complements the COP 21 ambitions and the 2015 energy transition legislation. It also incorporates the 17 Sustainable Development Goals (SDGs) for the planet set out by the UN 2030 agenda, which were ratified by world leaders during the historic United Nations summit in September 2015.

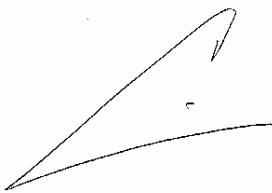
The December 2015 Paris Climate agreement and more recently the impetus given by France in favour of The Global Compact environment project show how determined our country is about these issues. The French Global Compact General Assembly, which was held on 30 June 2016, signalled the start of the journey for all French signatories towards the UN 2030 Agenda, which focuses on climate, environmental, human (health, equality, education and zero hunger...) challenges as well as economic ones (responsible industry and consumption).

In line with our CSR policy and our values, the 17 SDGs are now put in practice by many of our stakeholders (councils, banks, shareholders ...). We also now share these practices with our customers and suppliers.

Foncière des Régions is now getting ready to move towards a circular, low carbon economy where digital technology has an important role to play: we strongly believe that human comfort, well-being and health must remain at the centre of our projects. Our customers are now also paying more attention to these considerations which echo the 17 UN SDGs on many levels.

For all these reasons, I am delighted to renew Foncière des Régions' commitment to respect the 10 Global Compact principles and to promote them within its sphere of influence.

Christophe Kullmann
CEO



Preamble by the Head of Sustainable Development

Promoting transitional real estate

As early as our 2016 communication on progress, we used the 17 SDGs as a reporting tool, combining them with the 10 Global Compact principles. Our 2017 communication on progress follows the same structure. Our 2016 reference documents and sustainable development report use the 17 SDGs and, in compliance with the GRI (Global Reporting Initiative) table, allow chapters to be signposted.

Since 2010, Foncière des Régions' sustainable development policy has been based on 4 lines of action - Sustainable building, Corporate, Social and Governance – within which all Global Compact commitments are represented: environment, human rights, working conditions and fight against corruption. At all company levels, the staff is committed to building more responsible and sustainable growth, with the support of the Board of Directors and senior management.

In 2016, we were proud to receive the award for the best communication on progress (in the under 500 employee organisation category) : our sustainable development strategy was rewarded for the relevance of its approach to deal with the challenges in our industry. We also raised a bond worth €500 million called the “*Green Bond*”: its success demonstrated how highly rated Foncière des Régions is by some of the most prestigious global financial and non-financial indices.

By placing CSR and innovation at the heart of our economic model, we secure sustainable success. But the challenges ahead are considerable : climate change with incalculable consequences, reduction of raw material stock, humanitarian crises...Foncière des Régions anticipates energy, low carbon and digital transitions by developing - in collaboration with its stakeholders – real estate that can adapt and integrate changes such as new ways of working, consuming, commuting and more generally, living.

I hope the following pages will bring some clarity and I am available to discuss any points further.

Jean-Éric Fournier
Head of Sustainability



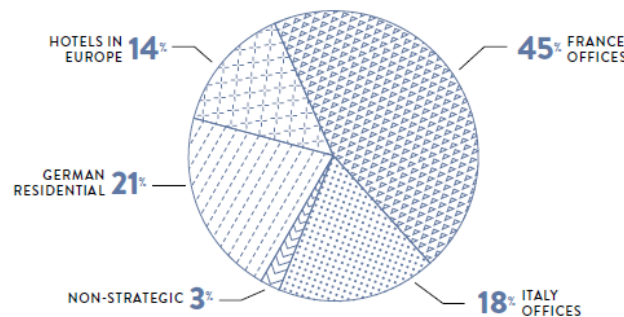
Foncière des Régions : promoting partnership.

Partnership culture as a major asset

As a benchmark real estate player, Foncière des Régions has built its development and real estate assets on a distinctive key value, partnership. With real estate assets totalling €19.3 billion (€12 billion attributable to the group) by end-2016, Foncière des Régions is now the recognised partner of companies and regional authorities and supports them with real estate strategies.

Operating in the Office market alongside Key Accounts, Foncière des Régions is present in the lucrative Ile de France market, linked to the Grand Paris development projects. It is also present in France's major regional cities and in northern Italy (through its Beni Stabili subsidiary). Foncière des Régions also operates in two other sectors : the hotels sector in Europe and the residential sector in Germany. With its pioneering, well-targeted approach, it rightly identified the potential of these two sectors. Through its expertise, it has become a reference on these two markets.

Breakdown of European portfolio by type of asset



A “high performance” long term strategy

As a listed REIT (Real Estate Investment Trust), Foncière des Régions has established reliable, long-term relationships with its various stakeholders - tenants, regional authorities, real estate players, investors and co-investors, suppliers, shareholders, etc. Attuned to its partners' needs, Foncière des Régions' ambition is to create high-performance buildings tailored to user expectations, based on a controlled economic rationale for sustainable, responsible real estate.

Foncière des Régions does not build its own buildings; it has all the skills in-house to keep track of the developments and renovations it decides upon, but the construction is done by building companies under the control of the architects and design offices it commissions.

Using a proactive approach on issues concerning diversity, equality, gender mix, and the place of seniors within the company, Foncière des Régions ensures that the initiatives which improve its performance in these areas cover all levels of the organisation (employees, management and the board of directors).

Gender breakdown among management staff



1. Foncière des Régions' Global Compact progress report



1.A. Human rights

Foncière des Régions performs its activities in France, in Germany via its subsidiary Immeo SE, and in Italy via Beni Stabili, a listed real estate company that has been a Global Compact member since 2016.

In principle, these countries present little risk regarding the violation of human rights. Nevertheless, Foncière des Régions remains vigilant and committed, ensuring that human rights are respected at all stages of its business activities.

Human Rights

Signatory companies are requested to:

	Principle No.1: support and respect the protection of internationally proclaimed human rights within their circle of influence and...
	Principle No.2: ... make sure that their own businesses are not complicit in human rights abuses.

SDGs covered in this section:



Principles Nos.1 and 2: support and respect the protection of internationally proclaimed human rights within their circle of influence and make sure that their own businesses are not complicit in human rights abuses.

Respect fundamental human rights

Foncière des Régions is committed to applying the laws, agreements and regulations in force in the countries where it operates and respecting the principles of international reference texts, in particular:

- the Universal Declaration of Human Rights (UDHR) and its additional protocols
- the conventions of the International Labour Organization (ILO)
- the ten Principles of the Global Compact
- the Diversity Charter.

Foncière des Régions' internal rules and human resources policies govern 100% of all Foncière des Régions' activities and comply with the international conventions on human rights.

Every year since 2010, Foncière des Régions' sustainable development report has been verified by an independent third party, which vouches for its commitments and declarations. Six audits have already been conducted with no reservations expressed. Compliance with the GRI (G3.1, G4 since the 2014 report) and its Construction & Real Estate Sector Supplement was also audited by EY, along with adherence to EPRA's Best Practice Recommendations.

Foncière des Régions' commitment to the protection and respect of human rights is demonstrated through its Code of Ethics and a number of internal procedures.

Ethics and transparency are promoted and supervised by the CEO and the Chief Operating Officer, who are also members of Foncière des Régions' Management and Compliance Committee.

Initiatives in this field are coordinated by the Internal Audit Department. This department is specifically responsible for the regular update of the Code of Ethics (latest update in 2014) and coordinates staff training regarding the implementation of the Code and several procedures linked to sensitive issues (such as corruption, etc.). These meetings, known as "Process Mornings" have so far made it possible to train 146 employees by the end of 2016. Foncière des Régions' Code of Ethics is available at :

http://www.en.fonciere-des-regions.fr/content/download/226/2108/version/4/file/CharteEthique_UK_2015.pdf

Additionally, Foncière des Régions promotes all 10 Global Compact principles while interacting with external stakeholders and most specifically its suppliers.

Challenging and supporting suppliers

Foncière des Régions makes sure it is not complicit in human rights abuses throughout all its activities; it must be said that Foncière des Régions has no operations in at-risk countries. However, a Responsible Purchasing Policy was designed back in 2010. The tools were finalised in 2011 and the measures were first deployed in 2011/2012.

Since then, suppliers accounting for expenditure in excess of €200,000 are expected to :

- fill out a survey questionnaire; 10 compliance audits are carried out each year by an independent consultant to verify the quality and accuracy of the suppliers' responses and identify areas of improvement;
- demonstrate commitment by signing Foncière des Régions' Responsible Purchasing Charter, to which are appended all 10 Global Compact principles, thus contributing to their promotion and dissemination. The ILO's fundamental conventions as well as the Diversity Charter are also appended to Foncière des Régions' Responsible Purchasing Charter.

Pierre PELOUZET – Business mediator



"Signing the Responsible Purchasing Charter confirms Foncière des Régions' commitment towards its suppliers and offers new opportunities for fair and sustainable relations with them."

At the end of 2016, 342 suppliers (vs 302 at end-2015) had filled out the questionnaire and signed Foncière des Régions' Responsible Purchasing Charter out of 481 surveyed - construction companies, self-employed workers, consultants, etc. This procedure provides Foncière des Régions with better knowledge of its suppliers' CSR profiles and positioning with regard to the group's key values. Each supplier is rated based on their survey responses; the computer program designed to provide the rating

makes adjustments according to the size of the supplier using two criteria : annual revenue and staff numbers. The average rating of the first 245 suppliers who responded to the survey was 10.7/20.

Both the Charter and the survey questionnaires take into account the various CSR aspects (environmental, social, corporate responsibility, etc.). The Charter is available on : http://www.en.fonciere-des-regions.fr/sustainability_innovation/stakeholders/a_partnership_model

As a result of this mature policy, the Responsible Supplier Relations Charter (a government supported initiative) was signed in 2015. This reflects a general aspiration to improve client and supplier relationships and helps promote fair and responsible purchasing practices. An internal mediator has been appointed at group level to help manage potential conflicts with suppliers. Additionally, Foncière des Régions' white paper on supplier relations was published on the day the Charter was signed.

The document, available on Foncière des Régions' website, explains the main phases in the design of the Responsible Purchasing Policy, the initiatives carried out as part of its enforcement and the benefits to the organisation. It also provides an overview of the results and future perspectives.

Human Rights : summary of 2016 results

Progress against principles Nos. 1 and 2:

- ✓ **100% of Foncière des Régions' activities comply with human rights;**
- ✓ **European operations are not considered as at-risk areas in regard to forced labour or child labour;**
- ✓ **146 staff members attended Code of Ethics training at end-2016;**
- ✓ **342 suppliers answered the CSR survey and signed Foncière des Régions' Responsible Purchasing Policy, which represents 89% of 2016 expenditure**
- ✓ **Signature of the Responsible Supplier Relations Charter**
- ✓ **Publication of Foncière des Régions' White Paper on Supplier Relations**

1.B. Employment rights, working conditions, labour relations

Foncière des Régions is attentive to working conditions and, since its creation, has always made every effort to maintain good labour relations within the company.

Human resources practices within Foncière des Régions and its subsidiaries comply with the fundamental ILO conventions. Indeed, France, Italy and Germany have ratified the eight fundamental ILO conventions on forced labour, freedom of association, the right to organise and bargain collectively, equal pay, abolition of forced labour, discrimination, the minimum age for employment and child labour. These fundamental principles are incorporated into French and Italian law. Human resources management and labour relations therefore comply with them.

Foncière des Régions operates in France and has subsidiaries in Germany and Italy. These countries' labour legislation protects workers. Moreover, these countries have ratified the International Conventions including No. 87 regarding freedom of association and protection of the right to organise and No. 98 on the right to organise and collective bargaining.

Employment rights

Businesses are expected to :



Principle No.3 : respect freedom of association and the right to collective bargaining



Principle No.4 : eliminate all forms of forced or compulsory labour



Principle No.5 : support effective abolition of child labour



Principle No.6 : eliminate discrimination in respect of employment and occupation

SDGs covered in this section:





Principle No.3 : Respect Freedom of association and the right to collective bargaining

Freedom of association and the right to collective bargaining are both legal rights in France : freedom of association has been part of French labour legislation since 01 July 1901. Workers have the right to collective bargaining which has been part of French labour legislation since 13 July 1971.

Additionally, Foncière des Régions and its subsidiaries do not operate in at-risk countries when it comes to employment or human rights abuse and are therefore not exposed to the challenges of having to enforce respect for these conventions in subsidiaries or suppliers.

Foncière des Régions cares for the development of constructive relations with all its stakeholders, in particular its employees, who are instrumental in creating wealth for the company. Various forms of employee representation are available within the company to facilitate dialogue : staff delegates, the Works Council, and the Health, Safety and Working Conditions Committee (CHSCT). 100% of our staff is protected by a collective agreement (excluding temporary staff).

Caroline Torner

Foncière des Régions' Corporate Law and remuneration manager



“Mid-year review meetings have been in place since November 25th, 2014 as part of the reduction and flexibility of working hours agreement: they provide a formal procedure to identify any workload issues and contribute to prevent stress at work and other psycho-social risks. If necessary, formal action plans can be used and when in place, are monitored throughout the year. The human resources department shares information (such as a summary of the identified incidents, their level of gravity as well as any on-going any action plan) with employee representatives who sit in the Life Quality Commission”.

Promoting and supporting transparency in social dialogue

Two work council meetings took place in 2016 during which social partners were informed and consulted on the group's social policy as well as business decisions and their impact in terms of jobs and skills.

Home working experimentation was discussed. The work council was involved and consulted on the deployment of a home working charter which will be enforced as of February 2017.

Six items of collective agreement (profit sharing, revenue sharing, employee savings, the use of the electronic voting system for the professional elections and the “contrat de generation*” agreement) were signed in line with previous years' collective agreements.

Additionally, for several consecutive years, Foncière des Régions has been securing unions' agreement on salaries as part of the compulsory annual negotiations (CAN). In 2016, several measures, such as the granting of free collective shares, were renewed as part of the CAN. As part of a comprehensive sustainable development policy, all employees in the group can now get an 80% refund (instead of 50% required by law) on their public transport commuting costs.

*The “Contrat de génération” is designed to help young people access employment and maintain senior people in employment.



Principles Nos.4 and 5 : Elimination of all forms of forced or compulsory labour; effective abolition of child labour

Foncière des Régions applies ILO conventions

Foncière des Régions applies all 8 ILO conventions : freedom of association, respect of the right to collective bargaining, elimination of all forms of forced or compulsory labour, effective abolition of child labour and elimination of all forms of employment and occupational discrimination.

Considering Foncière des Régions operates in France, Germany and Italy, the company is not exposed to the risk of forced or compulsory work or child labour. Aware that its responsibility also extends to its suppliers' practices, as part of its responsible purchasing policy (see page 11), Foncière des Régions has been collecting information on the practices of suppliers to avoid dealing with businesses that do not respect the ILO conventions.



Principle No.6 : Elimination of discrimination in respect of employment and occupation

Promoting Diversity and Equality

With regard to recruitment and in line with the 2010 Diversity Charter as well as the 2011 Global Compact, Foncière des Régions renewed the 21st December 2011 Diversity and Professional equality agreement in 2014. In 2015, some aspects of this agreement were reviewed, resulting in a broader and more systematic pay monitoring exercise to identify pay discrepancies that are 5% below average within an employee group with the same occupation (formerly 10% under the previous agreement). Following the 2016 review, four people were identified and pay adjustments were made accordingly.

Although gender distribution has evolved in favour of men (45% vs 43% at end-2015), the proportion of female managers has increased : the group now has 44% women among its management staff as of 31st December 2016 (vs 42% at end-2015). In 2016, two women join the French board of directors and the proportion of women is now 36% at board level.

Since 2013, applications and interview practices have been reviewed to ensure diversity in the range of candidates' profiles considered for each position. Every year, the human resources department provides a report to the members of the Equality and Diversity Commission : this report shows the number of applications reviewed according to gender, age and disability for each stage of the recruitment process (CV selection, feedback following interviews and final hiring decision).

In order to support senior staff in employment, Foncière des Régions organises systematic interviews with the human resources department for every member of staff when they turn 55; this interview can take place every year at the employee's request and is used to review different aspects of their role, discuss potential changes and plans of action (such as office ergonomics for instance). In 2016, 100% of senior staff members were invited to these meetings and 64% attended. Additionally, the group offers the possibility for all staff aged 55 or more to work part time with pension contributions equivalent to full time. So far, four staff members have gone part time which represents 15% of all senior staff.

Skills patronage initiatives

As part of their constantly growing commitment to solidarity and equal opportunities for all, Foncière des Régions and Frateli have launched a new skills patronage initiative in 2015. The Frateli Association facilitates a patronage arrangement allowing scholarship students with high potential to be coached by professionals. Students from poorer social backgrounds are given access to the tools, methods, networks and support they need to give them a better chance of success.

Foncière des Régions will also subsidise the construction of the Frateli student halls which will provide modern accommodation facilities to students sponsored under the patronage arrangement as well as CROUS* students. This will encourage cooperation and promote apprenticeship.

A better gender balance

The percentage of women sitting at board level was 36% following the Combined General Shareholders' Meeting on 24th April 2014 : it has increased to 40% since the General Meeting of Shareholders in April 2016 which saw Patricia Savin and Catherine Soubie appointed as board members. The Company's Board has committed to increasing the number of women at board level so as to rapidly achieve a better balance between men and women and anticipate legal requirements in this area.

Employment rights : summary of 2016 results

Progress against principles Nos 3, 4, 5 and 6 :

- ✓ **100 % of our staff is protected by a collective agreement;**
- ✓ **40% of board members are women;**
- ✓ **68.5% of our staff voted during the employee representatives elections back in March 2015 (these elections are run every four years);**
- ✓ **6 new agreements were signed in 2016 (profit sharing, revenue sharing, employee savings, use of the electronic voting system for the professional elections and the “contrat de génération” agreement);**
- ✓ **Awareness events around employability issues for disabled people, recruitment practices monitoring to ensure diversity in profiles of candidates interviewed;**
- ✓ **new recruitment management system implementation. Further developments to 2012 diversity agreement with an additional clause agreed in 2015 and pay adjustments made to ensure fairness...**

**CROUS is a public organisation that provides students with accommodation and financial support*

1.C. Environment

Conscious of its impact on the environment and its role as a leader, Foncière des Régions has adopted a comprehensive environmental policy by which it strives to reduce the carbon footprint of its assets during development, renovation or management, as well as for its own offices.

Following an analysis of both environmental risks and opportunities in its field, Foncière des Régions has adopted a new sustainable development strategy based not on the usual 3 lines of action - Environment, Economics and Social - but on 4 : Sustainable, Corporate and Social building and Governance.

- 1 **Develop asset to incorporate latest changes in sustainable building practices as well as health and usage considerations:**
 - ⇒ Promote responsible and high performance real estate practices in terms of energy, environmental and social impacts to create real value for the organisation as well as the community
- 2 **Build a sustainable, friendly and smarter city**
 - ⇒ support the dissemination of eco-responsible and innovative practices in transport, biodiversity, waste management; promote knowledge sharing among local stakeholders
- 3 **Develop and retain diversity among our people**
 - Enhance our staff's skillset thanks to innovative policies, and support mobility, diversity and adaptability to reflect changes in the industry
- 4 **Promote ethical practices**
 - ⇒ Provide an ethical framework and support transparency to ensure exemplary practices are used at all levels of the Company.

Patricia Savin - Legal Partner: co-heads the environment and sustainable development department at DS Lawyers, sits on Foncière des Régions' board as an independent administrator, and is Orée Association's President.



“Foncière des Régions’ Board members are attentive to sustainable development considerations in the real estate industry. Equipped with an ambitious CRS policy, Foncière des Régions takes the lead and asserts its environmental, social and economic values. I am pleased to see that this impetus is now shared at all company levels and among Foncière des Regions’ European subsidiaries.”

Respect for the environment



Principle No.7 : Organisations are expected to use caution when dealing with environmental issues.



Principle No.8 : Organisations are expected to undertake initiatives to promote even more responsible environmental practices



Principle No.9 : Organisations are expected to design and promote environmentally friendly technologies

SDGs covered in this section:



Principle No.7 : Anticipate health and climate risks

Property acquisition and management require carrying out a certain number of diagnostic tests which can be made mandatory depending on the construction date and the location of the property: asbestos, pest reporting depending on the municipality (termites), mining and technological risks (risks of flood, landslide, coastal submersion, Seveso risks, etc.), energy performance certificates, as well as lead, electricity and gas diagnoses for residential units.

Foncière des Régions has appointed a dedicated team responsible for “environmental safety” matters at all stages : from pre-acquisition, to management, through to the sale stage (called “data room”). Some risks may require further investigation (e.g. ground contamination, etc.), periodic monitoring (e.g. asbestos) or specific analysis (e.g. legionella, etc.).

As at 31 December 2016, the main risks for the Foncière des Régions offices portfolio related to 348 sites (vs 355 at 31 December 2015 – the difference is due to disposals), were as follows:

Diagnostics

Domaine	2014		2015		2016	
	Number of cases surveyed	Percentage	Number of cases surveyed	Percentage	Number of cases surveyed	Percentage
Technological and natural risks - number of cases surveyed :	375 (1)	100%	355	100%	348	100%
Cooling towers – number of sites concerned	2 (2)	100%	2	100%	1	100%

(1) Status of risk surveys in place

(2) Sites where the operator of the tower is the owner

Foncière des Régions strives to control health and environmental risks in all its buildings. The group is particularly attentive to compliance with ICPE* legislation (when it is the operator e.g. maintenance agreements and periodic inspections monitoring) and to cases of asbestos, ground pollution, legionella and natural and technological risks. Consequently, all the necessary diagnostic procedures were established in compliance with applicable regulations for the entire portfolio.

As in previous years, in 2016 Foncière des Régions was not convicted of any failure to comply with environmental laws or regulations. Foncière des Régions has therefore never had to book provisions or guarantees for contingencies in the environmental domain.

Interactive risk management

Foncière des Régions has been working with Provexi since 2007 to assist its staff in the assessment of asbestos risk. Provexi's secure online tool enables Foncière des Régions and all stakeholders to provide asbestos risk analysis and to meet disclosure and availability obligations.

Caroline Allingri

Environment Director at Foncière des Régions



“For optimal “polluted sites and grounds” management, we are setting up a tool that complements our estate risk management platform, which has been designed by Provexi. This collaborative tool gives us a simplified and exhaustive reading of all the information gathered from the diagnoses and highlights sites where specific monitoring may be necessary. Diagnoses and syntheses (such as identification of potential source of pollution, analyses results, interactive maps displaying data) are available on line and all stages of risk management are thus improved.”

(*ICPE : Installations Classées pour la Protection de l'Environnement – Buildings Classified for Environment Protection)

Risks associated with asset management

Within its operating portfolio, Foncière des Régions anticipates regulations and manages the various building-related risks. These may concern human health (indoor air quality, asbestos, Legionnaire's disease, lead, etc.); the environment (energy, greenhouse gas emissions, water, waste, etc.); mining and technological risks (risks of flood, landslide, coastal submersion, Seveso risk, etc.) or systems compliance (electricity and gas for residential units, etc.).

Beyond these regulatory compliance challenges, the Building Scientific and Technical Centre (CSTB) has developed a tool for Foncière des Régions to rate its assets. Designed as a decision-making aid for its arbitration and works policies, or during the acquisition of new properties, it is based on 20 to 24 indicators depending on the type of property. These indicators are used to evaluate an asset's overall environmental performance in relation to the risks mentioned above. All office buildings over €10 million are rated accordingly.



Principle No.8 : Businesses should undertake initiatives to promote greater environmental responsibility

The description of each asset, summarising its main characteristics, includes its rating derived from the tool described above. In addition, Foncière des Régions conducts studies that allow it to better take into account, within its multi-year works plans, the potential incidence of emerging issues, such as air quality, climate change, impacts on biodiversity, etc.

100% “green” developments

For its developments and renovations, Foncière des Régions seeks HQE and BREEAM certifications, as well as energy labels (BBC, BBC Renovation, etc.), considering them relevant tools for standardising the environmental performance of its projects on a transparent and comparable basis.

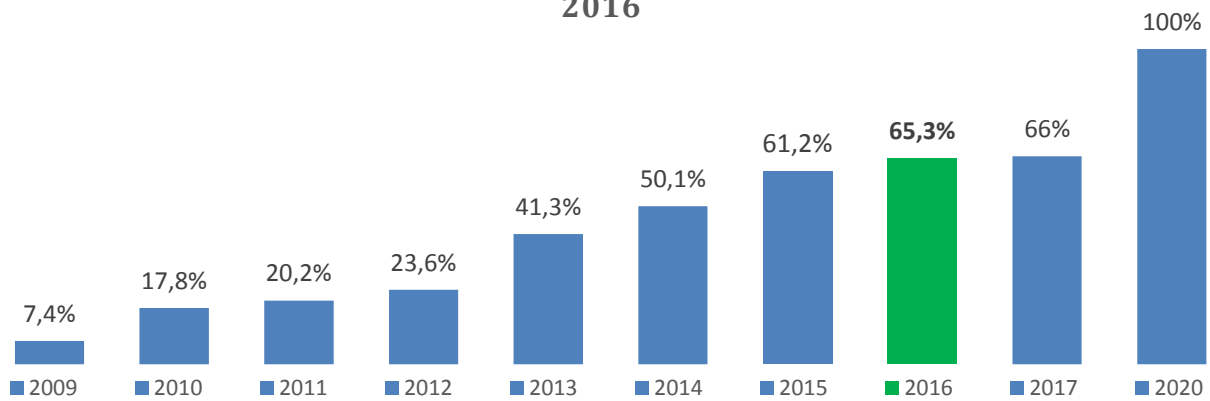
Foncière des Régions most frequently holds the HQE certification (HQE Renovation for restructuring operations) and more and more often the double certification (HQE-BREEAM).

65.3% of “green” assets by end-2016

Foncière des Régions sets itself a major objective in 2010: to make half (by value) of its French office assets “green” by end-2015. According to IPD (Investment Property Databank) “green” buildings are those where the building and/or its operating status are certified as HQE, BREEAM, LEED, etc. and/or which have a recognised level of energy performance confirmed by a certification such as BBC-effinergie®, HPE, THPE or RT Global.

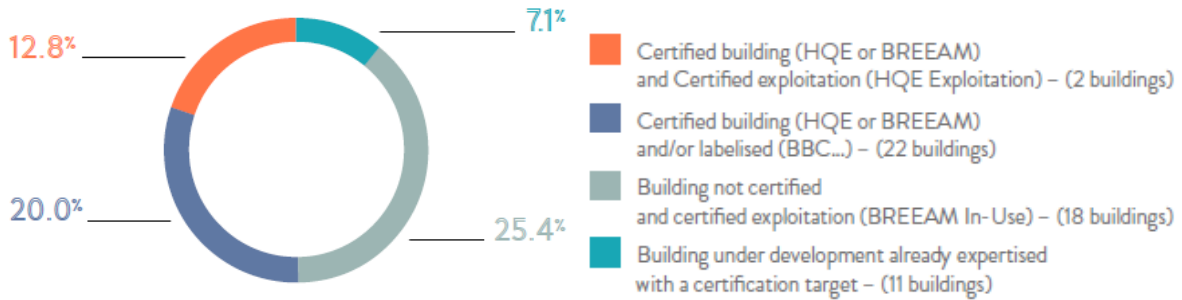
The target for 2015 was 50% (target achieved one year in advance) and this ambition was renewed via the implementation of the 2015/2020 targets, bringing the greening to 66% by 2017 and 100% by 2020. At 31 December 2016, 65.3% of the offices were "green".

Proportion of green assets (Offices France) in portfolio at end-2016



BREAKDOWN OF CERTIFICATIONS OBTAINED AT 31 DECEMBER, 2016

(in asset value)



Célia Blauel

Deputy mayor at Paris city council : Célia is responsible for the environment, sustainable Development, water and canals policy, as well as the energy and climate territorial plan.

“Since 2007, Paris has been running an ambitious climate change strategy and more specifically, has committed to reduce greenhouse gas emissions by 25% by 2020. The Paris Climate Action Charter, in partnership with Foncière des Régions, encourages economic and social players in the Parisian area to reduce their activities’ carbon footprint. This charter provides our partners with a platform facilitating discussion and meetings for all public and private players willing to share ideas about the Paris Climate Plan. The Charter signatories are designing a new Climate Plan with the ambition to reach carbon neutrality by

The proportion of “green” buildings among “core” buildings (i.e. those intended to be kept in the portfolio for the long term) was 73.6% by end 2016.

The increased “greening” of the portfolio was due both to the delivery of new or renovation projects and the certification of the operation practices of occupied sites.

In 2016, Foncière des Régions delivered four certified and/or labelled operations that contribute to making Foncière des Régions’ assets greener : Winchester in Saint Germain en Laye, Majoria in Montpellier, Euromed Calypso in Marseille and Dassault Campus’ extension in Vélizy. Several developments with delivery dates throughout 2017 such as Euromed Floréal, Euromed Hermione, Silex 1, Thais, Origin and Edo will contribute to the greening of the portfolio.

Promote biodiversity

Foncière des Régions aims to manage its sites in such a manner as to make them true drivers of biodiversity. To this end, its biodiversity policy is in keeping with the guidelines of the 2011-2020 National Biodiversity Strategy. Broken down into 20 objectives, its goal is to preserve, restore, and value biodiversity, taking user expectations into account and ensuring that each player in the building life cycle chain is committed to this approach.

During development or renovation operations, environmentalists are called upon to perform impact studies that identify plant and animal species on site and in the surrounding areas. This approach takes into account the “greenbelt” ensuring the survival of species and enabling ecosystems to continue providing their services to mankind.

Advanced environmental studies have been carried out by a specialised firm as part of the BREEAM In-Use certification procedures conducted within the operating portfolio since 2013. These studies highlighted the main directions for progress for each site and helped create a biodiversity map for the portfolio. The results of these procedures included the following : the nesting box installed on the Tower rented to EDF in Villeurbanne was used by a couple of peregrine falcons which produced four offspring in 2014.

These initiatives are part of Foncière des Régions’ biodiversity policy, which is structured around five themes and takes into account the various stages in a building’s lifecycle:

- Eco-development and sustainable renovation practices that take into account, very early on, biodiversity and interactions with the urban setting, stakeholders and green corridors, planting native species and preserving birds and butterflies,
- promoting the benefits of green spaces for users; carrying out surveys among users,
- adapting green spaces maintenance to meet eco-responsible criteria (adjust lawn mowing frequency, reduce use of chemical products, ...)
- contributing to research and to the creation of a biodiversity map of the tertiary properties in the “Grand Paris” area.

SDEMG* postgraduate students from Paris 1 Panthéon-Sorbonne university and the National School of Geographic Sciences.



“Foncière des Régions asked us to carry out a study to understand how circular economy can be adapted to the construction industry. Beyond environmental, technical, legal, and financial considerations, we want to identify good practices as well as drivers which will allow Foncière des Régions to encourage further work in this field in the future.”

**SDEMG: Sustainable Development, Environmental Management and geomatics.*

Foncière des Régions, in cooperation with the HQE and Orée, is working on biodiversity indicators in order to flesh out its reporting in this field; it also took part in experiments carried out at the end of 2015 as part of the HQE performance programme.

Biodiversity is also one of the topics discussed during civic initiatives conducted by Foncière des Régions : the Passerelle project is an initiative carried out for the benefit of two secondary schools located in deprived areas. With the support of Foncière des Régions and one of its biodiversity consultants, secondary school students are conducting a study which will feed national biodiversity databases; these databases are used by researchers at the National Museum of Natural History (MNHN).

Study of the impact on biodiversity

Studies on 16 of the 20 office sites (for which the green spaces are managed directly by Foncière des Régions' team, since the green spaces of single-tenant sites are managed by the tenants themselves) were conducted in 2014 to assess the impact of activities on biodiversity. Most of these sites are located in the Paris region, while the rest are spread across France.

The analysis was conducted in respect of the four Biodiversity GRI 4 indicators :

- Impact assessment for sites located near areas of ecological importance
- Impact assessment for sites located on areas of ecological importance
- Impact assessment for sites located near protected or restored areas
- Impact assessment for sites sheltering IUCN red listed species.

Two company Biodiversity Charters

To ensure that biodiversity aspects are taken into account and to obtain certifications in this respect, two charters were drafted in 2014, in collaboration with the operational teams, providing Foncière des Régions with a support tool to be used in all phases of its real estate management chain:

- The first charter deals with green space conception and is used to provide guidelines during green space development or renovation projects.
- The second charter deals with green space management and has been designed for sites in operation; these guidelines are designed to secure the Eve or EcoJardins labels.

Both charters provide details on how Foncière des Régions intends to manage biodiversity and landscape matters during both creation and management phases. These two important documents make tangible connections between development and management; beyond the attention butterflies deserve as biodiversity indicators, the charters provide a framework for sensible maintenance and attentive management of soils and green waste: they promote a more adapted approach respectful of plant species, ecological watering and an elimination of the use of chemical products.

The environmental annex: partnership and greening booster

Foncière des Régions has co-developed innovative real estate solutions following the purchase of asset portfolios outsourced by Key Accounts (e.g., Accor, B&B Hotels, EDF, Orange, etc.) who have then become lessees. Since 2009, Partnership Committees for sustainable development have been set up in connection with the group's energy and environmental mapping activities, resulting in the signing of environmental annexes.

The 12 July 2010 Grenelle Law and the 30 December 2011 Decree made the environmental annex mandatory for new office or retail leases of more than 2,000 sq. m as of 1 January 2012 and for leases already in operation as of 13 July 2013.

Foncière des Régions anticipated the publication of this decree by agreeing on environmental annexes; indeed, it considers them to be a useful tool to bring fresh momentum to its relationship with clients. Since 2010, Foncière des Régions' green annex model has focused on the subjects mentioned by the implementation decree: information sharing around systems and consumption linked to assets' environmental performance and annual CSR reporting (energy, carbon, water and waste data). It even

goes beyond that by adding subjects such as transport and biodiversity, as well as specific adaptations for the hotel and catering businesses.

On its own initiative, and although not required by the decree, Foncière des Régions started organising periodic meetings where participants get to share on CSR actions and objectives. This approach led to the certification of office building operations in 2013 and 2014, in coordination with companies including Cisco, GDF-Dégremont and Orange.

Tenants overall adhere to the approach promoted by Foncière des Régions, finding it enhances occupant comfort and reduces operating costs. This environmental annex facilitates the implementation and renewal of operating certifications. As well as construction certifications and labelling, this approach increases the proportion of “green assets” in the portfolio and therefore increases its value.



Principle No.9 : Businesses should encourage the development and diffusion of environmentally friendly technologies.

Innovation, a value-creation driver

Innovation has always been instrumental to Foncière des Régions’ success whether it involves co-developing real estate solutions with its tenants or using new technologies and tools (such as BIM, ACV, C2C, environmental annexes, etc....)

To be in tune with new trends that support its market (digital revolution, urbanisation, resource restraints, new ways of thinking about real estate, working, travelling, and living) Foncière des Régions has strengthened its approach to innovation around 4 main themes:

a. Strengthen its position in the innovation ecosystems that are associated with the changes in the real estate industry

In a constantly changing world, dynamic management of innovation ecosystems interactions, called “open innovation” has become key. Foncière des Régions’ partnership with Immowell-Lab brings new growth opportunities thanks to innovative solutions designed by start-ups to improve well-being as well as construction or buildings energy management. Beyond this partnership with new economy businesses, Foncière des Régions has also increased the number of initiatives involving several associations, bringing together real estate players who are interested in innovative solutions: for instance, SBA (Smart Building Alliance) whose mission is to represent smart buildings ecosystems.

b. Develop a flexible real estate offer

Attuned to its customers’ needs, Foncière des Régions is adapting its offer by diversifying its jobs range to include the design and management of third places. Because the way people work is changing quickly (flex office, co-working, ...) tenant companies must adapt to meet new needs from their employees. In the course of 2017, Foncière des Régions will offer innovative third places solutions which will meet specific needs for working space flexibility.

c. Invest in innovation for greater operational excellence

Inspired by customer satisfaction and experience, the Innovation Department, created in 2016, runs several initiatives which focus on operational issues such as providing new services for customers, improving customer relations or defining “tomorrow’s building”. These transversal innovation projects are incorporated in operational activities so as to develop and offer new solutions to customers.

d. **Promote a culture of innovation among staff members**

The scope of the innovation department's mission extends to staff members. Several initiatives such as internal conferences or site visits have been carried out to raise awareness around digital and management transformations in our society.

Philippe Boyer

Head of Innovation at Foncière des Régions



“Our partnership with Immowell-Lab demonstrates our ambition to anticipate and adapt to our customers' needs. This partnership also builds stronger bridges between our teams and the world of Innovation. As part of this innovation strategy, Foncière des Régions has joined the Open Innovation Alliance, an initiative launched by the Economic and Finance Ministry; the Alliance promotes innovation and offers good business practice guidelines to be used by big companies, smaller companies and start-ups.”

Foncière des Régions, an LCA pioneer

Foncière des Régions started carrying out LCAs (*LCA: Life Cycle Analysis*) as early as 2010; they worked alongside CSTB teams to perfect ELODIE, the software enabling such analysis. As a signatory of the HQE Performance Charter, Foncière des Régions makes its own studies available to be used in the software.

In 2013, Foncière des Régions extended the scope of its research beyond office development studies and carried out some of the first LCAs: one on a hotel in France and another one on a building renovation site (Steel building in Paris' 16th arrondissement); this confirmed once again its pioneering attitude.

LCAs involve the analysis of six modules (materials, energy, water, travel, work site and waste) based on nine environmental indicators: total consumption of primary energy, climate change, water consumption, waste, etc. In addition to the beneficial effects of thermal building regulations, this innovative approach allows Foncière des Régions to identify drivers on which it is presently advisable to concentrate efforts: energy and water consumption in the work site stage, CO2 emissions and transport.

LCA is a decision-making tool that allows the consideration of environmental restrictions, especially in respect of materials and equipment selection, taking into account the actual manufacture of materials and their impact in terms of energy (grey energy) and biodiversity (grey biodiversity).

Promote a more circular economy

In 2016, Foncière des Régions carried out research on the impact of circular economy on jobs in its field.

Several significant studies have been launched to determine the major role of the chosen material in the reduction of the environmental impact, specifically on biodiversity (in terms of raw material extraction and material production) and greenhouse gas emissions in all stages of the building life cycle.

In order to preserve natural resources, one should think about re-using material and how buildings will, in the near future, be part of a recycling process like cars for example. Foncière des Régions is using this approach, called “*Cradle to Cradle*” (C2C) as part of research carried out on two construction sites: an office building and Motel One Porte Dorée Hotel.

These studies go beyond LCAs and make it possible to identify discrepancies between current construction practices and the adjustments needed to meet circular economy requirements. Beyond these studies involving on-going operations, work is being carried out by Sorbonne Students under the supervision of their teacher, Adrien Sanchez, to write guidelines to be used by Foncière des Régions’ development teams: the aim is to demonstrate the impact of circular economy on the construction industry and how an asset manager like Foncière des Régions can prepare for it.

Arnaud Hermann

Sustainable Development Director at ACCORHOTELS Group



“Catering activities account for a quarter of Accor Hotels’ revenue and 90% of its biodiversity footprint. We reduce food waste by re-thinking our cold and supply chain practices such as buffet temperature stabilization, re-transformation (orange peelings used to make marmalade for example) and donating food to local associations or employees where legislation allows it.”

Foncière des Régions leads the way with BIM

Since 2012, Foncière des Régions has again demonstrated an innovative approach with the New Vélizy project : it is one of the very first French buildings where BIM (Building Information Modelling) was used during construction and will soon be used during the operation phase.

The New Vélizy campus consists of three office buildings totalling 49,000 sq. m. Since autumn 2014, this turn-key project has hosted Thalès staff and has received both an HQE and a “Very Good” BREEAM certification.

BIM enables project players to construct and go live with a complete and coherent 3D building database throughout the project life-cycle, from design through to operation. This database allows all project players to collaborate on the same basis, at each stage of the project. Thanks to 3D tools, precise plans and metrics can be prepared. The database is used during all phases of a project, from design to construction, through to operation and even deconstruction.

Implementing Green IT solutions

By choosing the Cloud, mobility and collaborative tools to improve its IT systems, Foncière des Régions again demonstrates its strong commitment towards innovation and sustainable development. The control of its own infrastructure and the implementation of high performance tools improve consumption levels (electricity, data) and reduce carbon footprint. All sensitive business data is managed and secured within a dedicated data centre. Its reliability is ensured through a regularly tested business continuity plan.

RESPECT FOR THE ENVIRONMENT: Summary of 2016 results

Principle No.7

- ✓ **Broadening of land and buildings pre-acquisition and management diagnoses (diagnoses covering asbestos, pests, mining and technological risks, energy performance, etc.)**

Principle No.8

- ✓ **65.3% green buildings by 31 December 2016 (vs 61.2% at end-2015).**
- ✓ **100% of development and renovation operations are green.**
- ✓ **100% signature rate on environmental annexes.**
- ✓ **Working with Orée association and HQE on biodiversity indicators.**

Principle No.9

- ✓ **LCA on the Green Corner building in St-Denis.**
- ✓ **BIM used for the new Vélizy building.**
- ✓ **C2C used for the Motel One - Porte Dorée hotel.**

1.D. Fighting corruption

One of the four lines of action of Foncière des Régions' sustainable development policy is governance. Like the other three, it involves various action plans which are reviewed each year. Fighting the risks of fraud and corruption remains a priority even though no wrongdoing has been recorded at Foncière des Régions since its creation.

FIGHTING CORRUPTION



Principle No.10: Businesses are expected to fight all forms of corruption including extortion and bribery.

SDG covered in this section:



Foncière des Régions' actions in this field are embodied by the Code of Ethics, shared among all employees through regular training sessions and awareness campaigns.



Principle No.10: Preventing the risks of fraud and corruption

In compliance with Global Compact's 10th Principle, which urges companies to act against corruption in all its forms, including extortion of funds and bribes, Foncière des Régions has increased its vigilance.

According to the 2016 Global Transparency index, France is among the top 10 countries in the world for the transparency of its practices. Virginie Houzé, Head of R&D Department at JLL, commented that "France has achieved rank 5 against all other countries in the world, but has been ranked first among non-English speaking countries in Europe two years in a row for its transparency levels, ahead of the Netherlands (7th) Ireland (8th) Germany (9th) and Finland (10th)."

The Global Transparency Index assesses several elements that help create a transparent and safe environment for real estate players. Results show that the top 10 most transparent countries secure 75% of global investment in office real estate operations.

In view of the findings of the risk mapping process carried out in 2012, the Board of Directors considered that, given its business activities and organisation, the potential risk of fraud and corruption was under control. Sensitive transactions, such as property or company sales, major construction or renovation works or calls for tender are guided by appropriate procedures, especially regarding contact with intermediaries, which is subject to regular monitoring. Moreover, the separation between orders and payments reduces the risk of fraud.

Since 2011, the company has also organised awareness events for employees managing transactions that could lead to fraud during the “Process Morning” sessions. “Anti-fraud” audits are carried out regularly within the group and have revealed no significant issues. At the beginning of 2014, the list of employees whose positions are exposed to fraud risk was updated and these employees attended “Preventing insider trading risk” training sessions throughout 2014 and 2015.

Creation of a whistleblowing system

To bolster its risk prevention toolset, Foncière des Régions set up a whistleblowing system at the end of 2014. It is used for specific cases where serious and intentional acts that can have a negative impact on the company have been identified. It is used exclusively in the following areas:

- accounting
- banking
- finance
- anti-corruption
- breach of competition law
- discrimination and harassment in the workplace
- environmental protection

Any employee within the group can thus report a risk they may have identified in these areas by contacting the Compliance Officer by any available means, including via a dedicated e-mail address.

The compliance officer systematically reviews any cases brought to their attention and implements all required measures to deal with them. Anonymous reports are disregarded. However, the whistleblower’s identity is kept strictly confidential. If the facts reported are not confirmed, the related data is immediately destroyed, without any sanction imposed on the whistle-blower.

The reported data which requires an audit is kept for a maximum of two months following the completion of the audit procedures, except in the event of disciplinary or legal proceedings against the person under suspicion or the author of a false report. Until the data is destroyed, the persons identified within the procedure have the right to access and rectify the data that relates to them, provided that the identity of the whistle-blower is kept confidential.

A Code of Ethics leverage of responsibility

Foncière des Régions introduced the Code of Ethics in 2011 as part of its *compliance and ethics* promotion campaign: it is intended for all employees of the Economic and Social Unit (ESU). Local ethical charters have also been implemented for staff in Germany and Italy. Foncière des Régions’ Code of Ethics can be viewed on its website: <http://www.en.foncieredesregions.fr>

The Code describes the ethical principles any Foncière des Régions’ employee must observe while carrying out their job and also when interacting with internal or external contacts. The ethical charter describes ethical governance, as implemented in the company’s various business lines. The fundamental principles detailed in the charter are as follows:

- compliance with laws and regulations
- respect for individuals (health and safety at work, prevention of discrimination, respect for third parties)
- respect for the environment
- compliance with rules regarding insider dealing
- prevention of conflicts of interest (relations with competitors, customers or suppliers, compliance with anti-corruption rules)

- protection of Foncière des Régions' activities (protection of information, assets and resources)
- transparency and integrity of information.

The Audit and Internal Control Department ensures that 100% of Foncière des Régions' ESU employees are made aware of the code of ethics. A copy of the Charter is given to every new joiner on their first day. Training on the code's procedures is also provided to employees during "Process Mornings" and each member of staff attends a refresher on the Charter's principles and the role of the compliance officer every two to three years. Nearly 100% of all employees have taken part in these meetings.

The secretary general was appointed compliance officer. He is involved in defining rules and duties in terms of professional ethics and ensures compliance across the company. The compliance officer provides assistance and advice on ethics to any employee who asks for it and helps in adopting and deploying the code of ethics. He received eight requests in 2016 mainly from employees who wanted to avoid any potential conflict of interest with regard to real estate investments, needed his assistance with invitations they had received from the group's partners, were requesting authorization for transactions in Foncière des Régions' securities, or were clarifying potential conflicts of interest linked to activities outside of Foncière des Régions.

2. Sustainable development initiatives

Foncière des Régions conducts several initiatives to promote sustainable development : they are based on the four pillars of its CSR strategy and often involve cooperation with external players : tenants, suppliers, research bodies (CSTB, MNHN, Palladio, ...), associations, etc. The main bodies and associations are listed below:

ADI : The Association of Real Estate Directors organises events, activities and discussion forums for the real estate professionals in collaboration with its partners, including Foncière des Régions.

FSIF : The main mission of the “Fédération des Sociétés Immobilières et Foncières” is to examine, promote and represent the collective and professional interests of REITs. Christophe Kullmann, Foncière des Régions’ CEO, has been the Chairman of the FSIF since 2011.

EPRA : The European Public Real Estate Association promotes, develops and represents listed real estate companies.

Association Apogée : Association Apogée brings together real estate development, ownership and management organisations wishing to improve their real estate management skills through the creation of specific tools (job descriptions, statistics on operating expenses, and committee work).

Alliance HQE-GBC France : develops and helps improving HQE certification (Haute Qualité Environnementale) as well as best practices in Sustainable Development linked in association with major stakeholders. As a member of the World Green Building Council, this association aims to federate, promote and represent the French Green Real Estate sector.

SBA (*Smart Building Alliance*) : is working on the development of a common platform for the various certifications and labels across the world; the idea is not to create a single certification, but to get players to agree on a common language, shared indicators, etc.

Orée : Orée brings together businesses, regional authorities, professional and environmental associations, academic bodies and institutions for a joint reflection on the best environmental practices and to design practical tools for integrated management of the environment.

Pacte Mondial (*Global Compact*) : embodies the commitment to the 10 universally accepted principles pertaining to human rights, the environment, labour legislation and corruption. Every year we publish a COP report (Communication on Progress) describing our initiatives and results in these areas.

Diversity Charter (signed in 2010) : The charter encourages businesses to promote and respect diversity within their workforce. By signing this charter, these businesses undertake to combat all forms of discrimination and set up measures to promote diversity.

Institut Palladio : created in 2008 with 5 patrons from the real estate world, including Foncière des Régions, it aims to bring together real estate players to raise the industry’s profile through the development of training, research and dialogue.

Foncière des Régions and its subsidiaries contribute no funds and provide no services to any political party whatsoever, nor to any government incumbent or candidate for any public position.

3. Useful links

Foncière des Régions' CSR Reporting is available to the public every year in Chapter 2 of the Reference document, the sustainable development report, the activities report (integrated) and Foncière des Régions' website, etc. Following the green bond issue in May 2016, specific reporting will be available in the Reference document on the 2016 activities report and will be verified by an independent third party, as will Chapter 2 (CSR), as well as the financial chapters. These documents are available on: <http://www.en.foncieredesregions.fr/>

2016 Sustainable development report

http://www.en.foncieredesregions.fr/sustainability_innovation/csr_strategy/documentation

2016 Activity report

<http://www.foncieredesregions.fr/2016publications/>

2016 Reference Document

http://www.en.foncieredesregions.fr/content/download/4305/38809/version/2/file/FDR_DDR_2016_UK.pdf



Foncière des Régions' Communications on progress are available on the Global Compact's website

<https://www.unglobalcompact.org/what-is-gc/participants/15495-Fonciere-des-Regions>

And on Foncière des Régions' website

http://www.en.foncieredesregions.fr/sustainability_innovation/ethical_governance2/ethical_principles



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