

F U N O

2016

SUSTAINABILITY  
REPORT



F U N O

**2016**

**SUSTAINABILITY**

**REPORT**



SCANN FOR MOR INFO

# CONTENT INDEX

<b>1. CEO LETTER</b>	04
<b>2. FUNO AT A GLANCE</b>	06
<b>3. OUR PATH TOWARDS SUSTAINABILITY</b>	08
3.1 Organizational profile	08
3.2 About us	12
3.3 Materiality and Strategy	15
3.4 Stakeholders	19
<b>4. CORPORATE GOVERNANCE</b>	26
4.1 Diversity and Composition	27
4.2 Risk Management	33
4.3 Ethics	37
<b>5. LEADERS WITH LONG TERM VISION</b>	40
5.1 Creating Economic Value for Mexico	40
5.2 Environmental Responsibility	42
5.3 Community Engagement	50
<b>6. GRI CONTENT INDEX</b>	68



# 1. LETTER FROM THE CEO

---

Message to our stakeholders

FUNO has contributed to the development of many communities where we operate and with it, we have also contributed to Mexico's development. Our properties play the part of spaces for social cohesion, cultural activities and drivers to local economy.

I am pleased to communicate, we are now signatories of the United Nations Global Compact, reinforcing our commitment with sustainable operation and to work with respect of Human Rights, perfect our Labor Practices, protect our natural environment and strengthen our anti-corruption mechanisms.

In 2016, we also created our sustainability department, indicative of our commitment and interest to institutionalize everything we do, towards communities, employees, the environment, in corporate governance and the economy. Congruently, we endeavored on our first materiality analysis which allowed us to understand and include our stakeholder's opinions into our sustainability strategy, while defining, sustainability priorities and action guidelines for the next few years.

To us, sustainability is creating shared value, through Real Estate operation and management, and by means of developing state of the art infrastructure. In accordance, we have invested importantly in the acquisition and development of LEED Certified or pre-certified properties. Which upholds us as innovative leaders in the Real Estate sector in Mexico.

We have also published our Code of Ethics, which is of mandatory observation by all employees. FUNO went all out, to train, educate and communicate our employees on the Code of Ethics and our Whistleblowing mechanism; which is also operated by a third independent party, in accordance with best international practices. To reinforce this initiative, we created an internal Ethics Committee who oversees case by case, and follows through each complain. These, is proof of our interest in promoting an ethical conduct amongst our employees and prevent corruption and bribery in our operations.

The present report, follows international standards, aiming at improving transparency on our performance, and with a clear goal of placing us, not only as a responsible and sustainable organization, but as leaders and exemplary. These is our first comprehensive effort, to measure and report our performance on all material issues.

We are convinced Mexico has an enormous growth potential, and we believe that by means of teamwork amongst the private and public sector as well as with communities, we can make the most of it. At FUNO, we keep our side of the bargain and we assume our responsibility and commitment in Mexico's social and economic development.

Be assured, we will continue working in sustainable value creation to our organization and our stakeholders.



**ANDRÉ EL-MANN**

# 2. FUNO AT A GLANCE



DIRECT ECONOMIC VALUE:

**\$ 13,253**

**+140**

COMMUNITY DEVELOPMENT INITIATIVES



**100%**

CODE OF ETHICS COVERS  
100% OF OUR EMPLOYEES



**636**

EMPLOYEES



**36%**

OF OUR TECHNICAL  
COMMITTEE IS INDEPENDENT



**467,000**

M<sup>2</sup> IN DEVELOPMENT



**\$ 3,264**

DISTRIBUTED  
ECONOMIC VALUE IN  
OUR OPERATION

Details page 40



**\$ 403**

DISTRIBUTED  
ECONOMIC VALUE TO  
EMPLOYEE'S

Details page 40



**\$ 10,198**

DISTRIBUTED  
ECONOMIC VALUE TO  
CAPITAL SUPPLIERS

Details page 40



**FUNO** is the first and largest REIT (Real Estate Investment Trust or FIBRA for its Spanish acronym) in Mexico. We have a business model focused on creating sustainable value and growth through acquisitions and developments, anchored by an efficient operation and financed by a solid and prudent capital structure. We execute our strategy supported by a highly-experienced group of founders, whose commitment to FUNO and 30+ years of experience in real estate is an unparalleled added value, and backed by a specialized management team.

**519**

OPERATIONS



**497**

PROPERTIES



**7.4**

MILLION M<sup>2</sup>



**94.4%**

OCCUPATION



**393,365 M<sup>2</sup>**  
LEED CERTIFIED



**60.3%** WATER TREATED



**121** HEALTH AND SAFETY COURSES



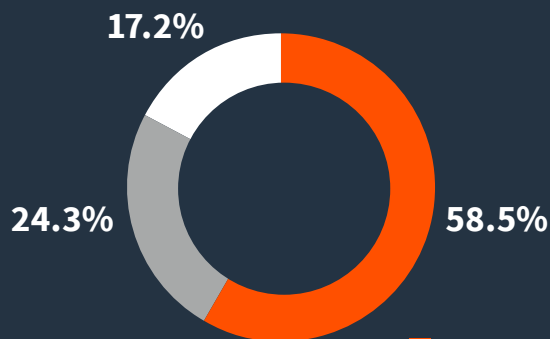
**6,888** HEALTH AND SAFETY TRAINING HOURS



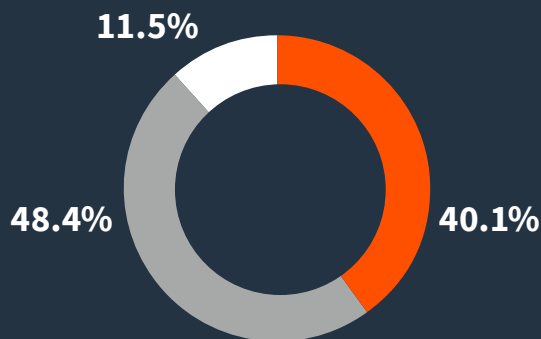
**100%** RETURN AFTER PATERNITY AND MATERNITY LEAVE

## PORTFOLIO DIVERSIFICATION

QUARTERLY INCOME



GROSS LEASING AREA  
(AL 31 DE DICIEMBRE DE 2016)



RETAIL INDUSTRIAL OFFICE



# 3. OUR PATH TOWARDS SUSTAINABILITY

## 3.1 ORGANIZATIONAL PROFILE

FUNO is the first and largest REIT (Real Estate Investment Trust or FIBRA for its Spanish acronym) in Mexico. We operate the largest, diversified portfolio of commercial real estate in three main segments: retail, industrial and offices. We consider that we have the best portfolio in Mexico given its size, key locations, asset quality and diversification.

We have a business model focused on creating sustainable value and growth through acquisitions and developments, anchored by an efficient operation and financed by a solid and prudent capital structure. We execute our strategy supported by a highly-experienced group of founders, whose commitment to FUNO and 40+ years of experience in real estate is an unparalleled added value, and backed by a specialized management team. We have several sources of growth and diverse sources of financing, which converts us in the best real estate solution for all our clients and the best investment option in the Mexican real estate sector.

FUNO is a vehicle that fosters the investment in commercial real estate, whose main value proposition comes from the appreciation of the properties over time, and secondly from constant cash distributions.

FUNO is also active member of the Mexican Association of REITS (Asociacion Mexicana de Fibras Inmobiliarias) and the National Association of Real Estate Investment Trusts (NAREIR)

## REPORT BOUNDARIES

**Period:** Our sustainability report is published on an annual basis and considers information on economic, social and environmental performance, generated from January 1st to December 31st 2016. For financial information, we refer the reader to that published on the annual report or the quarterly reports. If you wish to receive detail information on FUNOs performance or our 2015 sustainability report, please refer to our web site: [www.funo.mx](http://www.funo.mx)

**Methodology:** For the second year in a row we use the parameter of the United Nations, Sustainable Development Goals as well as the methodology from the Global Reporting Initiative G4, complemented with GRESB requirements. All data in this report, is stated in Mexican Pesos (MXN) and in the metrical system, unless otherwise stated

**Scope:** Financial and governance results presented in this report, consider all our operations. While Social, environmental, health, safety and human resources data only consider 96 properties internally managed. In subsequent years, we will add externally managed properties.

**Contact:** For any inquiry regarding this report or FUNO's sustainability performance, please contact us at: [investor@fibrauno.mx](mailto:investor@fibrauno.mx) or through our web site.

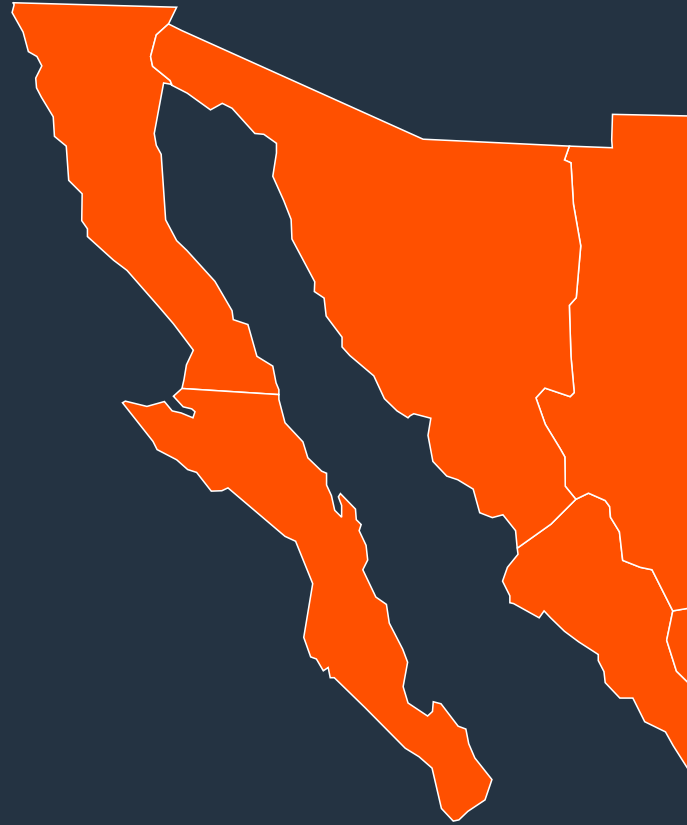
Being our first sustainability report, there are still some elements to be defined, such as actions, corporate policies and relevant objectives for each materiality aspect. Hence our current Report does not include “Disclosures on Management Approach”



**PHOTO:**  
FUNO Headquarters

# FUNO'S FOOTPRINT IN 2016

---



---

## GROSS LEASING AREA BY GEOGRAPHIC DISTRIBUTION

**39.2 %**  
ESTADO DE MEXICO

**16.2 %**  
MEXICO CITY

**11.0 %**  
JALISCO

**7.8 %**  
NUEVO LEON

**4.5 %**  
TAMAULIPAS

**3.6 %**  
QUINTANA ROO

**17.7 %**  
OTROS



## 3.2 ABOUT US

### Mission

To create sustainable value in our properties through leasing, operating, acquiring and developing real estate in key locations with high economic dynamism and favorable growth prospects in Mexico, always aiming to match our business model with our tenants' growth strategies, mainly in the retail, industrial and office segments.

### Vision

The focus to achieve our Mission is to fulfill our main objectives as follows:

- a) Be the first option to satisfy our tenants' real estate needs;
- b) Maintain geographic and segment diversification in markets with favorable growth prospects;
- c) Continue to be the leading real estate lessor, operator and developer in Mexico;
- d) Contribute positively to Mexico's development and of the communities where we operate;
- e) Grow our property portfolio through profitable acquisitions and developments, under favorable financing conditions and aimed at the creation of sustainable value for our investors;
- f) Maintain our commitment to social and environmental responsibility; and always seek a sustainable approach

### Values

- a) Respect and professional growth for our employees: We support respect and development of all our members so that we can access better opportunities, enhancing economic, personal, professional and social growth.
- b) Integrity and austerity: we act in an honest and responsible way, in connection with high ethics principles, always reflecting respect in our behavior towards our members, clients and investors.
- c) Passion for customer service: We are focused on identifying and fulfilling the needs of our tenants, always seeking their preference, through high-quality, flexible, and innovative solutions with competitive prices.
- d) Social value creation: We seek to positively reshape Mexico by contributing to the development of the communities where we operate real estate, through creating economic, social and environmental value. In FUNO our target is to build, transform, and modify projects with the highest-quality standards in the world. With this we contribute to the growth and development of Mexico through sources of wealth and employment. FUNO grows with Mexico and its people.

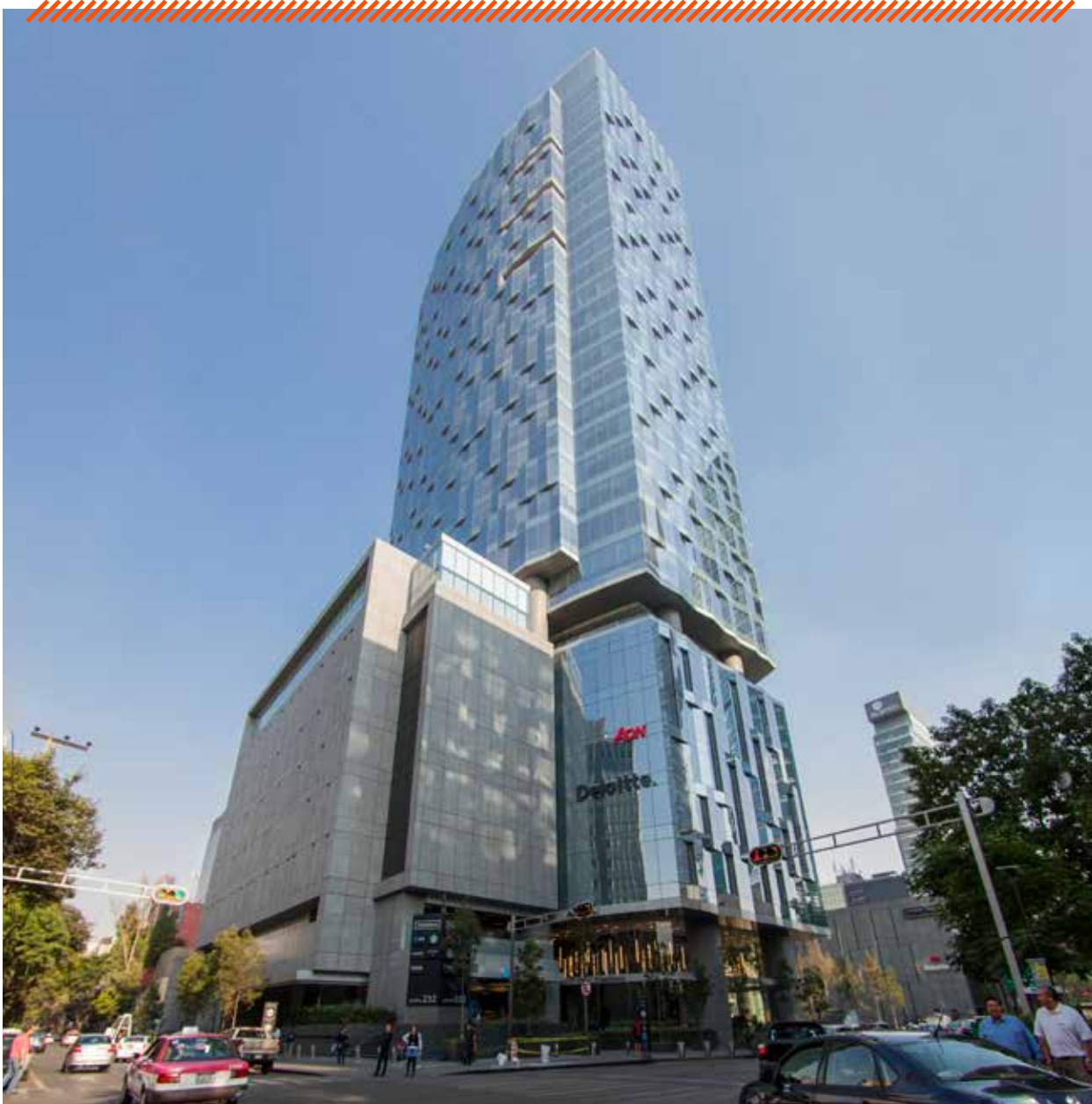
## CODE OF ETHICS OBJECTIVES

- a) To strengthen the respect of values, objectives and rules that Fibra Uno has determined;
- b) To ensure high-quality and competitive service and commitment towards our tenants, investors, suppliers, authorities and members;
- c) To respect our environment, natural resources and competitors.

## GENERAL ETHIC RULES

- a) In Fibra Uno we observe our people's dignity and respect their personality, character, diversity and privacy.
- b) No one will be discriminated against gender, age, marital status, religion, race, political preference, socioeconomic condition or disability.
- c) Everybody at Fibra Uno have the moral obligation to treat and be treated with respect, cordiality, justice and fairness.
- d) Sexual harassment will not be tolerated and must be reported.
- e) It is prohibited to deal with dishonest people who pretend to potentially harm Fibra Uno or its members.
- f) We do not make any remarks (whether on social media or within our families) about the activities carried on within Fibra Uno that could potentially disqualify it or those who work for it.
- g) We comply with all money-laundering guidelines and regulations that apply to Fibra Uno under Mexican law.
- h) We do not disclose any confidential information relative to processes, methodologies, strategies, planning, projects (market or other).
- i) All of Fibra Uno's members must:
  - Comply with all rules and guidelines;
  - Comply with policies and internal control procedures; and
  - Always behave diligently, honestly and loyally.
- j) Fibra Uno members shall not use neither Fibra Uno's good name nor its resources to obtain a personal benefit.
- k) Those Fibra Uno members who engage in political or religious activities shall do so personally and shall not use Fibra Uno's resources for such activities.
- l) Members who have been designated to use Fibra Uno's assets are required to use them adequately and to take good care of them.
- m) We understand the value and importance of information and we ensure the appropriate use and safeguard of delicate information, according to all applicable regulations. We understand that in case of loss or misuse due to negligence, these will have direct impact on the organization.
- n) When members are granted with bonuses, gratifications or other economic recognitions that later are regarded as inappropriate, those members shall reimburse Fibra Uno the total amount to those erroneous gratifications.



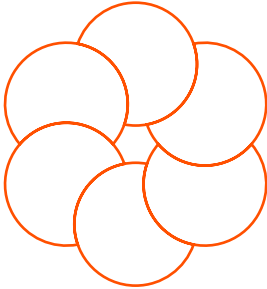
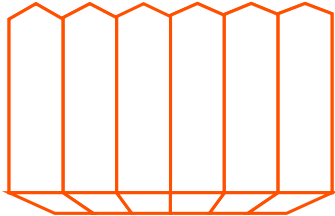
- o) FUNO shall not allow forced or involuntary labor in its employees nor in its suppliers.
- p) FUNO suppliers shall not hire children or under age
- q) Extra hours shall be done on a voluntary basis and shall not exceed legal maximum hours. Extra hours should not be a common practice and shall always be compensated in accordance with applicable regulation.





### 3.3 STRATEGY AND MATERIALITY

FUNO has always strived to keep strong relationships with communities, to efficiently use our resources and upkeep best practices in our Governance bodies, including risk management and operational efficiency. Sustainability at FUNO has grown and strengthen hand by hand with FUNO’s growth.

<p>What is sustainability at FUNO?</p>	<p>Create sustainable social value, providing real estate services with positive impact on communities, always respecting human rights.</p> 
<p>How do we identify relevant sustainability issues at FUNO?</p>	<p>Materiality assessment 2016</p> 
<p>What is the reference background for materiality at FUNO?</p>	<p>Our materiality reference background, reflects relevant issues, raised by stakeholders</p> 
<p>What are the action guidelines</p>	<p>Action guidelines are material issues, which will be the focus of our sustainability strategy 2016-2020</p> 

## Materiality reference background

FUNO operates real estate across the country, this poses significant impact on local economies, supply chains, surrounding communities as well as on resource availability. These also imply changes on stakeholders, including employees, clients, suppliers, guests, and all those who directly or indirectly get associated to our operations. Therefore, it was imperative to kick start our sustainability approach with a materiality study, and identify priority issues for our stakeholders, for our market and for FUNO.

Our materiality assessment was conducted by an independent consultant, who implemented a proven methodology, allowing to identify priority issues to our stakeholders and allowed us to prioritize those issues which require immediate action. As a result, we came up with a materiality chart including risk level and maturity for each issue. We considered three aspects:

- Maturity: understood as level of knowledge, processes and transparency within the organization
- Priority: understood as the level of attention given by stakeholders to each issue
- Risk: valued, based on level of attention, given by sustainability analysts.

We understand level of attention as a correlation between a material issue and possible damage to FUNO's reputation and operations.

The materiality assessment covers all of our operations, including office, retail and industrial. We also linked material issues with best recognized international practices, their risk and relevance to each of the following stakeholder groups:





Our prioritization process, defined 6 key action guidelines, in all three aspects (environment, social and corporate governance):



These does not mean we will put on hold all other issues, but rather we will put extra effort on this six, while simultaneously working on the others.

In 2016, FUNO allocated important resources into creating its sustainability vision, we created the sustainability department, we became signatories of the UN Global Compact in order to launch our commitment with good international practices on environment, human rights, labor and anti-corruption practices.




Our sustainability manager reports directly to the Investor Relations Vice-president, to ensure transparency and accurate communication of our non-financial results; the manager is also heavily supported by the Vice-president of Administration and it closely collaborates with the Vice-president of operations when it comes to implementing strategies within the organization.

For the drafting and data gathering of the present report, additional information was required from the Vice-presidents of Treasury, Finance and Legal, who are ultimately the holders of relevant sustainability data. In 2017, we will try to define strategic and priority initiatives, to support our strategy and the value creation we aim to achieve in order to become sustainability leaders in Real Estate in Mexico.

## 3.4 STAKEHOLDERS

At FUNO, we understand the relevance of keeping respectful relationships and co-responsibility towards our stakeholders, it is inextricably linked with the success of our business. As a result, we are determined to create social value through our estates and generate win-win opportunities for all.

Since the beginning, we have forged strong commercial and business relationships with all our stakeholders. In almost 6 years, we have implemented different communication mechanisms for each of them.

STAKEHOLDER	DESCRIPTION	LEVEL OF ENGAGEMENT	MEANS OF COMMUNICATION	ISSUES RAISED
 <p><b>CBFH Holders</b></p>	Institutional investor Private Investor	Organizational	<ol style="list-style-type: none"> <li>1. Investor Relations office</li> <li>2. FUNO day</li> <li>3. Conferences</li> <li>4. Meetings with analyst, banks, evaluator and others.</li> <li>5. One-on-one meetings</li> <li>6. Quarterly surveys</li> <li>7. Annual report</li> <li>8. Press releases</li> </ol>	<ul style="list-style-type: none"> <li>• Financial Results</li> <li>• Business continuity and stability</li> <li>• Transparency</li> </ul>
 <p><b>Tenants</b></p>	<ul style="list-style-type: none"> <li>• Nacional, regional and local</li> <li>• Industrial and Office:                             <ul style="list-style-type: none"> <li>• Multinational</li> <li>• SME</li> <li>• Government</li> </ul> </li> <li>• Retail                             <ul style="list-style-type: none"> <li>• Multinational</li> <li>• National Chains</li> <li>• SME</li> </ul> </li> </ul>	Organizational Portfolio Local	<ol style="list-style-type: none"> <li>1. Through our RUPs</li> <li>2. Asset Manager</li> <li>3. Collections department</li> <li>4. Tenant coordination department</li> <li>5. Social Media</li> <li>6. One-on-one meetings</li> <li>7. e-mail</li> </ol>	<ul style="list-style-type: none"> <li>• Quality and efficient service</li> <li>• Strong commercial relationships</li> <li>• Easiness on processes and paperwork</li> </ul>
 <p><b>Employees</b></p>		Organizational Local	<ol style="list-style-type: none"> <li>1. Open door policy</li> <li>2. Organizational environment surveys</li> <li>3. Integration days</li> <li>4. Human Resources department</li> <li>5. Whistle-blowing mechanism</li> <li>6. Manager annual meeting</li> <li>7. e-mails</li> </ol>	<ul style="list-style-type: none"> <li>• Reciprocity</li> <li>• Motivation and sense of belonging</li> <li>• Inter and intra-department collaboration</li> </ul>

STAKEHOLDER	DESCRIPTION	LEVEL OF ENGAGEMENT	MEANS OF COMMUNICATION	ISSUES RAISED
 <b>Suppliers and Subcontractors</b>	Real Estate managers Services <ul style="list-style-type: none"> <li>• Cleaning</li> <li>• Security</li> <li>• Others</li> </ul> Utilities <ul style="list-style-type: none"> <li>• Water</li> <li>• Electricity</li> <li>• Gas</li> <li>• Waste collection</li> </ul> Products Consultants	Organizational Local	<ol style="list-style-type: none"> <li>1. Procurement department</li> <li>2. Area contracting or needing the product or service</li> <li>3. Legal</li> <li>4. Supplier web-site</li> <li>5. One-on-one meetings</li> </ol>	<ul style="list-style-type: none"> <li>• On-time payments</li> <li>• Commercial relationship</li> <li>• Quality and distribution of services and products</li> </ul>
 <b>Banks</b>		Organizational Portfolio	<ol style="list-style-type: none"> <li>1. One-on-one meetings</li> <li>2. Office of Investor Relations</li> <li>3. Vicepresidents of Finance and Treasury</li> </ol>	
 <b>Government</b>	SAT Bank of Mexico Bank and securities commission COFECE Others	Organizational Portfolio	<ol style="list-style-type: none"> <li>1. Executive Directors</li> <li>2. Legal Office</li> <li>3. Asset managers</li> </ol>	<ul style="list-style-type: none"> <li>• FUNOs contribution to local development</li> <li>• Social and cultural initiatives</li> </ul>
 <b>Guests</b>	Workers and guests who visit our tenants in office or industrial assets. Guests to our retail centers	Organizational Portfolio Local	<ol style="list-style-type: none"> <li>1. Social media</li> <li>2. Asset managers</li> <li>3. on-site whistleblowing mechanisms</li> <li>4. on site marketing</li> </ol>	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Visitor experience</li> <li>• Innovative services</li> </ul>
 <b>ONG Communities</b>		Organizational Local	<ol style="list-style-type: none"> <li>1. Social media</li> <li>2. Website</li> <li>3. Asset manager</li> </ol>	<ul style="list-style-type: none"> <li>• Social engagement</li> <li>• Retail assets as integration and cultural sites</li> </ul>

## Commitments, progress and new goals

The world has undergone relevant challenges during this past year, such as Brexit, US election and other geopolitical, social and environmental challenges.

In terms of sustainability, at FUNO, we have identified two major challenges:

- Meteorological phenomena, which may affect our estates
- Changes in relevant regulations, regarding resources consumption, effluents, waste, emissions and others.

### 1. Performance, maturity and goals

2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
<b>SUSTAINABILITY</b>				
Strengthen and communicate our sustainability commitment	• Institutionalize sustainability at FUNO	■	<ul style="list-style-type: none"> <li>• Creation of the sustainability department in May 2016</li> <li>• First trainings and sustainability talks to executive directors and managers</li> <li>• First materiality assessment</li> <li>• Define our sustainability strategy</li> <li>• Became signatories of the United Nations Global Compact in June 2016.</li> <li>• Report under GRI guidelines</li> <li>• Report to the DJSI and CDP</li> <li>• Developed our Corporate Governance site on the website</li> </ul>	Focus on good sustainability practices to strengthen tenant and CBFi holder's confidence, as well as their profitability
Increase transparency in our sustainability results, as well as our compliance	• Measure and monitor our environmental, social, ethics, risks, human rights, human resources and supplier relation results.	▣		Increase information availability
Adhere to best international practices on sustainability	• Reporting and being transparent on our sustainability results under renowned guidelines	▣		Strengthen our partnership with the Global Compact and collaborate to increase awareness within FUNO
Conceptualize sustainability in FUNO	• Offering our stakeholders transparent and up to date information through our website	▣		
Strengthen our sustainability culture.	• Signing the Global Compact	■		

■ Done

▣ In Progress

2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
<b>CORPORATE GOVERNANCE</b>				
<ul style="list-style-type: none"> <li>Identify the main sustainability organizational risks.</li> <li>Strengthen ethical practices at all organizational levels.</li> <li>Safeguard and respect Human Rights within FUNO and in our interactions with other stakeholders.</li> <li>Reject all discriminatory practices.</li> <li>Maintain and continue working to upkeep, public spaces free of bribery and corruption.</li> </ul>	<ul style="list-style-type: none"> <li>Internal assessment and gathering of existing sustainability information.</li> </ul>	■	<ul style="list-style-type: none"> <li>We endeavored on our first sustainability analysis; and with this report, we will obtain a panorama on sustainability at FUNO based on GRI and GRESB guidelines.</li> <li>First organizational environment survey with employees</li> <li>Continued our feedback mechanisms with CBFH Holders, banks and analysts through Grayline.</li> <li>1st materiality assessment led by KPMG; identified our strengths and risks in different sustainability issues.</li> <li>Published our Code of Ethics</li> <li>Launched a whistleblowing mechanism, operated by a third independent party.</li> </ul>	Reinforce employee training on Human Rights, Ethics and Anti-corruption practices
	<ul style="list-style-type: none"> <li>Interviews with some Stakeholders in order to know their expectations (employees, clients, CBFH holders, advisors, suppliers, etc.)</li> </ul>	■		Increase communication on available tools to apply and comply with the Code of Ethics.
	<ul style="list-style-type: none"> <li>Materiality assessment. Identify priority issues, maturity and risks.</li> </ul>	■		Upkeep current feedback mechanisms with employees and investors. Improve and create new feedback mechanisms with suppliers and tenants.
	<ul style="list-style-type: none"> <li>Develop and publish FUNO's Code of Ethics. Making it applicable to all our employees.</li> </ul>	■		Collaborate with the Global Compact on implementation practices for Principle No. 10, on anti-corruption.
	<ul style="list-style-type: none"> <li>Training our employees on ethics, anticorruption practices and Human Rights.</li> </ul>	■		Include our supply chain, into our anti-corruption and ethics initiatives.





2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
<b>ENVIRONMENT</b>				
<ul style="list-style-type: none"> <li>• Increase our operational efficiency in energy and water consumption.</li> <li>• Comply with all applicable regulations.</li> <li>• Prevent and mitigate environmental risks in our operations.</li> <li>• Making a positive social contribution, creating shared value with the communities we work at.</li> </ul>	Collaborating with several government agencies at all levels, and complying with all legal and regulatory standards.	■	<ul style="list-style-type: none"> <li>• Continue developing state of the art properties; and currently all our own developments are certified or pre-certified LEED; or they include eco-efficient technologies while integrating communities around them.</li> <li>• Create partnerships with civil society, NGOs, governments and others; to expand our environmental efforts on particular issues such as reforestation or recycling.</li> <li>• We measured our emissions for the first time, including energy consumption, business travels, and refrigerants for all our internally managed properties.</li> <li>• Measured for the first time our consumption and water discharge; as well as those water bodies affected by these.</li> <li>• We began a lighting renovation program; aiming at replacing old technologies with new efficient ones.</li> <li>• Active participation with environmental awareness campaigns throughout our retail properties across the country.</li> </ul>	Continue strengthening our partnerships with stakeholders to improve environmental performance
	Encouraging the implementation of innovative technological solutions, that will enhance our environmental performance and reduce consumption and waste.	■		Add our headquarters to reforestation initiatives.
	Endorsing environmentally friendly actions to further the wellbeing of the communities we work with.	■		Monthly monitor our energy, water and refrigerant consumption
	Safeguarding and wherever possible enhancing the natural surroundings of our properties.	■		Identify our locations and their impact on areas with high biodiversity value
	Using safe materials and promoting the use of recycled and certified supplies.	■		Use eco-friendly materials; encouraging the use of recycled or certified products
	Endorsing environmentally friendly actions to further the wellbeing of the communities we work with.	■		Homogenize our measurements across portfolios, to compare and replicate good practices.



PHOTO: Patio Universidad

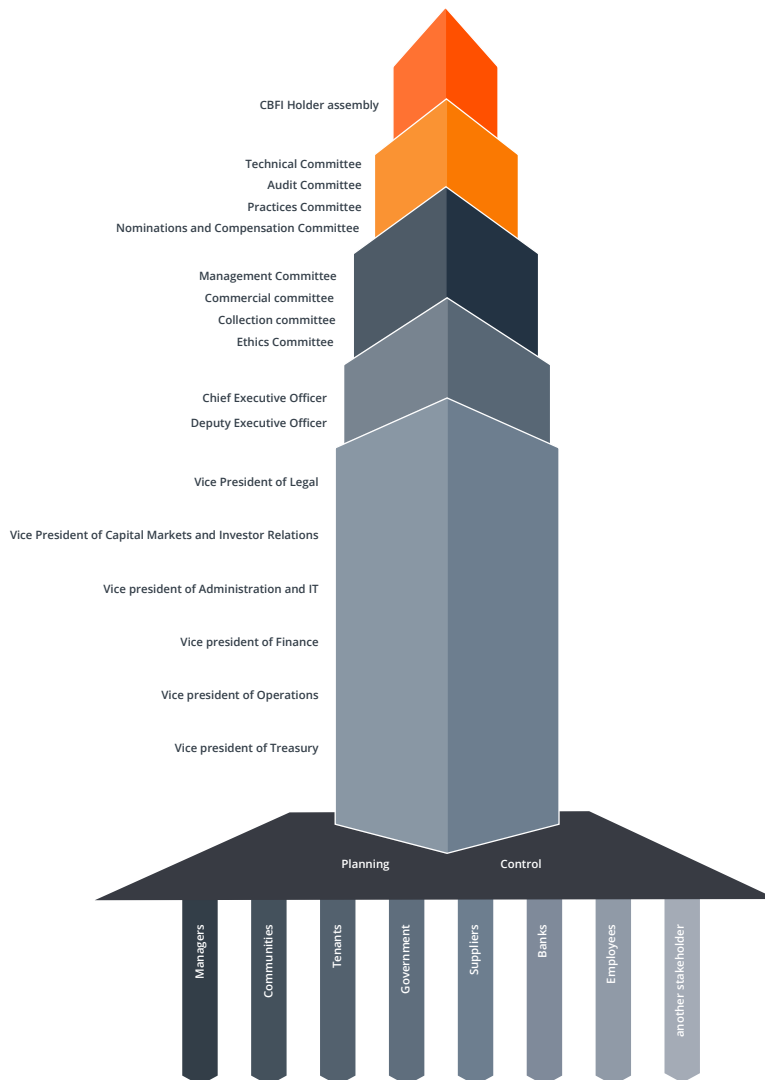
2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
<b>HEALTH AND SAFETY</b>				
<ul style="list-style-type: none"> <li>• Provide safe, healthy and hygienic spaces for our employees.</li> <li>• Foster an organizational culture, in which safety, health and wellbeing are pillars to our operations.</li> <li>• Maintain social spaces free of violence and discriminatory practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Keeping all protection and emergency response equipment in the best possible conditions, to be used in case of emergencies.</li> </ul>	■	<ul style="list-style-type: none"> <li>• We began measurement and disclosure of our H&amp;S performance</li> <li>• All our properties have multidisciplinary safety teams; with employee and employer representatives.</li> <li>• Continued our safety drills, as well as relevant training for these issues.</li> <li>• Communication campaign for our safety manual on all retail properties.</li> <li>• Continued our audits on all properties for safety procedures assessment and safety equipment adjustments.</li> </ul>	Continue providing safe and healthy work places to our employees
	Creating alliances with safety professionals to guarantee the best quality services.	■		Foster an organizational culture where health and safety are the basis of our activities.
	Complying with applicable regulations.	■		Provide violence and discrimination free properties.
	Providing all necessary information, education, training, instruction and supervision, so that all FUNO employees, can accomplish their activities in a safely manner.	■		
	Implementing and verifying that all emergency and response protocols are applied and followed with precise techniques on our properties.	■		
	Continuously pursuing improvement opportunities.			
	Implementing processes that allow us to identify and prevent risks.	■		



2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
<b>SOCIAL RESPONSIBILITY</b>				
<ul style="list-style-type: none"> <li>Proactively foster activities in favor of the social, economic and cultural advance of the communities we work at.</li> <li>Encourage a culture of respect, inclusion, peace and security</li> <li>Support social initiatives that promote infrastructure development and competitiveness in Mexico.</li> <li>Create socially responsible investment in our developments, with properties that are environmental and socially friendly.</li> <li>Invest in a responsible and positive way through our acquisitions; improving communities in the long run.</li> </ul>	Creating employment opportunities, with decent work and equitable remuneration.	■	<ul style="list-style-type: none"> <li>Defined our 5 management policies for Human Resources.</li> <li>Implemented an organizational environment survey</li> <li>Developed the foundation for training plan</li> <li>Human Resources process standardization</li> <li>All our own developments are certified or pre-certified LEED</li> </ul>	Establish our talent management system
	Implementing strategies to reduce inequalities; using criteria such as personal merits and competencies, regardless of gender, age, race, ethnicity, etc.	▣		Training and effective use of employee skills and talents
	Encourage our employees to advance in their careers, acquire new skills and give them trainings, so they can use their ideas and creativity in favor of FUNO and the communities we work with.	▣		Implement a first-comer training, with on-site trainings, to provide new employees with better understanding of our business.
	Rejecting all types of forced and child labor.	■		Increase labor satisfaction amongst employees through an organizational environment strategy, including cross-team audits.
	Requesting whenever possible and economically viable, that our new developments maintain the highest social and environmental standards; such as LEED certifications or others that promote good sustainability practices.	▣		Include anti-corruption clauses in contracts with suppliers.
		■		Upkeep high quality standards in our estates; and increase our LEED certified GLA.

# 4. CORPORATE GOVERNANCE

At FUNO we know that an adequate governance and administrative structure, favors transparency and performance, as well as communication within the organization. Hence our structure is robust and has been strengthened with an experienced and professional team.



Our CBFH Holders assembly is the highest governance body in the organization, through resolutions, they dictate guidelines within their competence. Such guidelines dictate action to our Technical Committee, which in turn may take direct action or delegate to our CEO, our Deputy Executive officer or to the vice-presidents, in order to comply CBFH Holders assembly mandates.

When it comes to sustainability issues, the CEO and the Deputy Executive officer, rely and get counsel from the vice-presidents; all of our vice presidencies are involved in either economic, environmental and social issues, in accordance with their responsibilities, experience and duties.

Vice-presidents commonly use the management committee meetings to raise and analyze relevant risks, impacts and opportunities regarding environmental, social and economic issues. If a topic, falls within the Technical Committee scope, it is escalated for its resolution, which in turn shall communicate it to the CBFH Holders Assembly. During CBFH Holders Assemblies and Technical Committee meetings, the CEO, the Deputy Executive Officer and involved Vice presidents, raise and present economic, environmental and social issues which may require discussion.

All other issues that under our trust, are not relevant to CBFH Holders Assembly nor to the Technical Committee, get usually communicated to stakeholders, through our management committee (CEO, Deputy Executive Officer and Vice-presidents)

The CBFH Holders assembly has delegated management and directive responsibilities to the Technical Committee; which is comprised by 11 members, 4 of which are independent.

The chairman of the Technical Committee and the Chief Executive Officer are two different persons, and it is imperative to mention that our Chairman is not part of the management team.

The Technical Committee is supported by three sub-committees at the highest level: Audit Committee, Practices Committee and Nomination and Compensation Committee; the first two are exclusively comprised by independent member of the Technical Committee, while the last one is 60% independent.

The Technical Committee is responsible for establishing and approving, FUNOs values, mission, strategy, policies and objectives.

## 4.1 GOVERNANCE DIVERSITY AND COMPOSITION.

As we mentioned before, our CBFH Holder General Assembly is the highest governance body and its composition is plural, since its comprised by women and men who trough the public market acquires FUNOs CBFHs. The Assembly has total independence and it is represented by an independent financial institution, playing the role of common representative.

Our Technical Committee is 33% independent. Independence is guaranteed through legal dispositions and our Trust deeds which establishes, in case of relevant decisions, the need for the majority of our independent members to vote favorably.

All Technical Committee members have vast experience in economic, social, environmental, politics and cultural issues related to our market; all our members have over 40 years old.

In 2016, our Technical Committee members are:

**Moises El-Mann (Chairman)**

Chairman of our Technical Committee. He has more than 40 years of experience in the real estate sector. Is founding partner of E-Group, one of the largest and most important real estate groups in Mexico. During his administration, led E-Group through each and every project in which the Group has participated, and that currently has a vertically integrated operating platform in the whole Mexican territory. Developed more than 170 real estate projects in key locations and has had an extensive collaboration in capital raising processes to fund projects both in Mexico and abroad. Performed essential roles in several charity and social projects. During more than 40 years, built a vast network of clients with whom he maintains long-lasting relationships that translate in being the best real estate solution for them.

**André El-Mann (CEO)**

FUNO's Chief Executive Officer and member of the Technical Committee. He has more than 30 years of experience in the real estate sector. Co-founder of E-Group, one of the largest and most important real estate groups in Mexico. Has extensive expertise in operating all the real estate segments, in raising capital to fund large-scale projects, and in acquiring real estate projects and properties. Currently member of the board of each of the companies that integrate E-Group. Has been member of the Metropolitan Council of BBVA Bancomer, is member of the board of directors of The TechnoWise Group, and is independent member of the board of Grupo Financiero Actinver.

**Max El-Mann**

Co-founder of E-Group and has almost 40 years of experience in the real estate sector. During his time with the group, he has focused his efforts in managing and operating industrial real estate, and on the acquisition of properties in all stages of the development process, and has led several large-scale projects in the industrial, retail, office and residential segments. Has also extensive experience in the retail sector, which has led him to play a relevant role in addressing the needs of clients in both the retail and industrial segments.

**Jaime Kababie**

Been partner of E-Group for more than 20 years. Has extensive experience in the real estate sector. Additionally, he is a remarkable businessman with more than 40 years of experience in the polyethylene processing and plastic packaging industries

**Abude Attié**

He is a remarkable businessman and a distinguished philanthropist, with more than 50 years of experience in the retail, real estate, financial and energy sectors. Founded Grupo Melody, a company dedicated to women apparel retail in the 1960s, and that was sold to a private equity fund in 2007. Entered the real estate sector in the 1970s, participating in several projects in the industrial, retail, office and residential segments. During his career, he has promoted and created several businesses in different sectors and has been shareholder in companies such as SARE, CorpoFin, The TechnoWise Group, Insignia Life, Presencia en Medios, among other. Additionally, he has played an important role in several charity initiatives and projects.

**Isidoro Attié**

Member of our Technical Committee and Executive VP of Strategy and Finance. He is a renowned businessman with broad experience of more than 30 years in the retail sector and more than 20 years in real estate. Former CFO and CEO of Grupo Melody, a women's apparel retail business founded by his father in the 60s and that was sold to a private equity firm in 2007. Since he joined E-Group, he has been actively involved in the development and acquisition of real estate projects in Mexico. Since then, he has been key to the growth and success of the E-Group, and played a significant role during the process and promotion of FUNO's initial public offering in March, 2011.

**Elias Sacal**

Has been part of E-Group since its foundation. He has more than 40 years of experience in the real estate sector. He has been responsible for the development and operation of different projects, especially in the retail segment. Has played an important role in the development, marketing, operation and promotion of several retail projects. Has a deep knowledge and grasp of the retail real estate segment, and has built an extensive network of clients that have been a significant part of both E-Group and FUNO's growth and success.

**Ignacio Trigueros (Independent Member)**

Has a lengthy and renowned academic career and is a distinguished scholar. Director of the Economic Research and Analysis Center and a full-time Economics professor with the Instituto Tecnológico Autonomo de Mexico (ITAM). He is member of the board of Evercore Casa de Bolsa and is advisor to the Investment Committee of AFORE XXI. Prominent economist and researcher; he has served as advisor to many government agencies and has been granted with several awards. Holds a BS in Economics from Instituto Tecnológico Autonomo de Mexico (ITAM), and earned his Master's and PhD from University of Chicago.

**Antonio Franck (Independent Member)**

Over 40 years working in corporate law, finance and stock, he has been advisor to several companies in Mexico and abroad; during mergers and acquisitions as well as joint ventures. He has actively participated in the creation of banks and financial institutions in Mexico as has been legal advisor to the group of banks advising the Mexican government during their foreign debt restructure in 1982 and 1992. Currently he is partner at Jones Day in Mexico. Expert in corporate governance issues and has been member of the board for many companies including: Coppel, Bancoppel, Farmacias del Ahorro, Landsteiner, Globo Cambio, Grupo Aeroportuario del Pacífico, Mexicana de Cananea, Sears Roebuck de México and Grupo Financiero IXE. He is president of the legislative and analysis committee at Consejo Coordinador Empresarial and member to the Honor and Justice Commission of the Mexican law Barr. Additionally, he has been an exemplary academic at Escuela Libre de Derecho and Universidad Iberoamericana. Holds a Law degree from Universidad Iberoamericana and postgraduate studies in law by Houston and Harvard Universities.

**Herminio Blanco (Independent Member)**

Chairman and CEO of Soluciones Estrategicas, a corporate consulting firm specialized in international trade matters. He has extensive experience in the public sector and in international trade. He is also Chairman of the Board of IQOM Inteligencia Comercial, the only day-to-day trade-analysis service available in Mexico and Latin America. Former Minister of Trade and Industry during the Zedillo Administration and Chief Negotiator of the NAFTA during the Salinas Administration. He has held several key positions in committees and boards of companies such as CYDSA, Grupo Financiero Banorte, Bancomext, and Foreign Trade Bank of Latin America. He has academic experience in Rice University of Houston and in el Colegio de Mexico. Holds a BS in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey and holds a PhD. in Economics from University of Chicago.

**Ruben Goldberg (Independent member)**

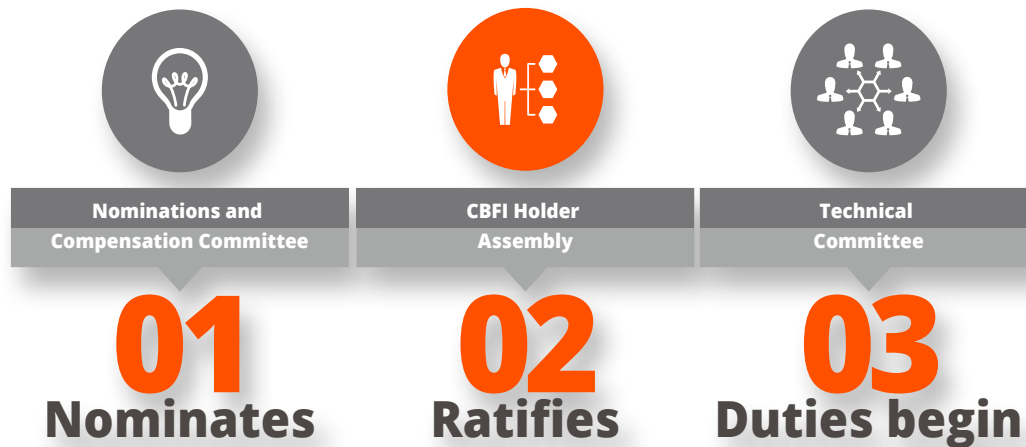
Partner and managing director of Goldberg, Alerhand y Asociados, S.C., an investment banking firm and is Chairman of the Investment Committee of Galileo Total Return Fund. Has extensive experience in finance, and in corporate and investment banking. Previously he was Head of Corporate Banking with Bank of America Mexico, Country-Manager for Wells Fargo Bank in Mexico, and CEO of Investment Banking with HSBC. He was also President of N.M. Rothschild & Sons. (Mexico) and a director of the board of Grupo Collado. Holds a B.A. in Public Accounting from Universidad Nacional Autonoma de Mexico, and earned his M.B.A. from The Wharton School of University of Pennsylvania.



PHOTO:  
PATIO SANTA FE



The Nomination process for new members of our Technical Committee is responsibility of the Nomination and Compensation Committee (60% independent); and ratification of new members is done by the CBFH Holders Assembly.



## 4.2 COMPENSATIONS

Only independent members of the Technical Committee receive emoluments, which are approved by the CBFH Holders Assembly. For the rest of the organization, we have set up a Compensation Plan which includes suggestions from the Technical Committee, external advisors and our CBFH Holders. In order to develop an adequate and appropriate compensation plan, we hired a third independent party expert in such matters; aiming at reflecting communication and feedback with our stakeholders.

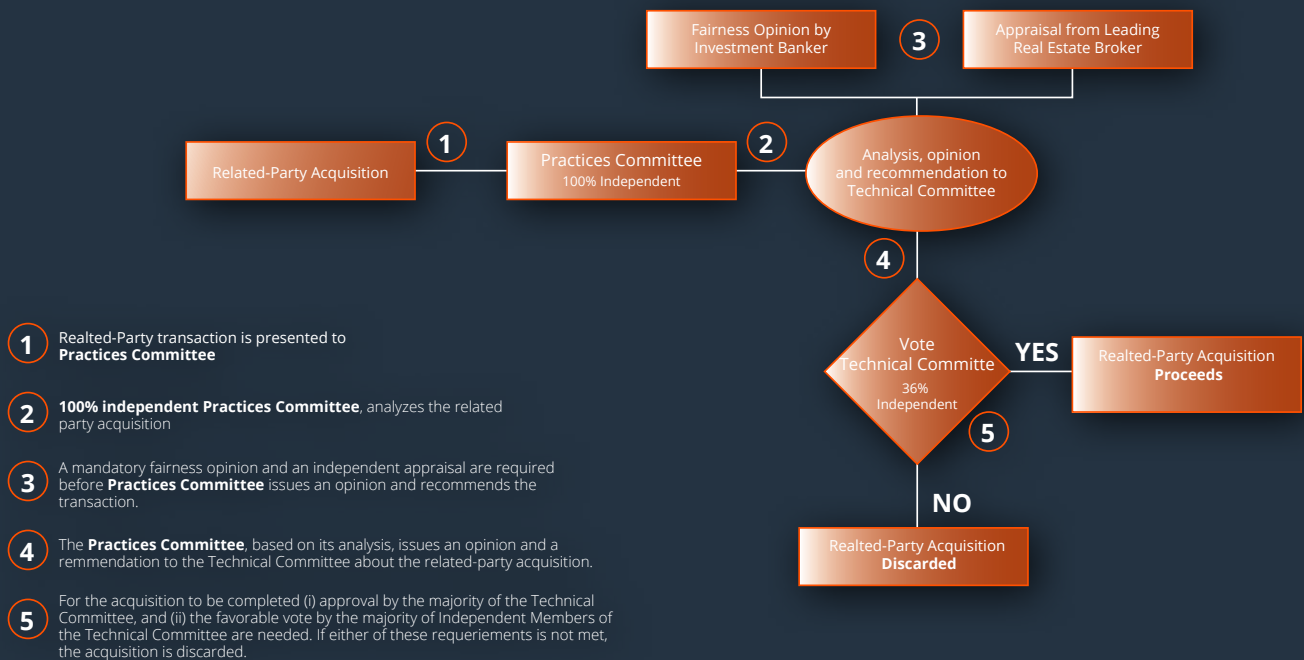
Our compensation plan has the following characteristics

- Duration: 10 years
- Governance: The Compensation and Nomination Committee was created in order to manage the Plan, the administration shall propose an annual compensation to the Compensation Committee, which in turn will analyze it and make appropriate recommendations; if accurate it shall recommend the Technical Committee to approve or reject the compensation. The Technical Committee will analyze the recommendations and instruct the administration to execute the compensation in accordance to the proposal. The administration will oversee the appropriate execution of the annual compensation.
- Size: limited to 162,950,664 CBFHs
- It will allow to encourage and reward employee performance
- Talent retention
- Align CBFH Holders interests with that of employees
- Parameters and goals are pre-established in a clear and practical way.

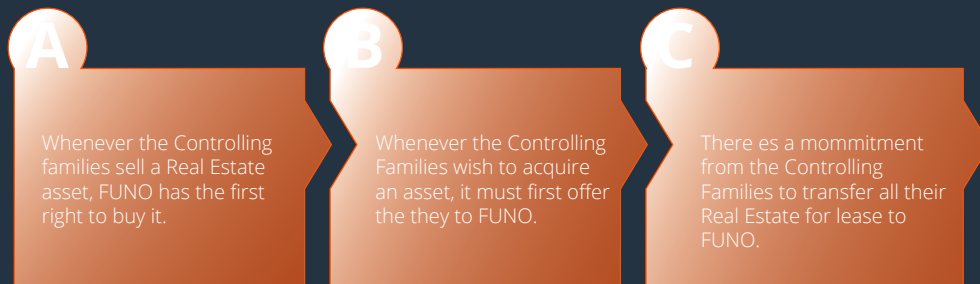
Conflict of interests in the CBFH Holders Assembly as well as in the Technical Committee are handled in accordance to legal regulations in the Mexican Securities Law and with The General Provisions Applicable to Securities Issuers and other Participants in the Securities Markets, as well as those dispositions established in our trust deeds. Whenever a conflict of interest arises, the person involved shall abstain from voting. It is also prohibited, for relevant families and related persons to the Trust administrator, to vote during several issues in the CBFH Holders assembly, according to our trust deeds.

Our process for conflict of interest resolution is the following

## RELATED-PARTY TRANSACTIONS



## COMMITMENTS AND RELATED PARTY AGREEMENT



## 4.3 RISKS

Risks, impacts and opportunities related to economic, social and environmental issues, are handled by the Technical Committee during ordinary or extraordinary sessions if the amount of the operation requires their involvement, then the Technical committee authorizes or rejects operations, they listen to due diligence reports and take appropriate measures considering economic, social and environmental impacts. Whenever appropriate, stakeholders are also taken into consideration and consulted to ensure better decision making.

A Trusts Technical Committee is recognized in article 80 of the Credit Institutions Law, given the administrator of a Trust deed to follow the Technical Committees decision, without causing any responsibility from the fiduciary. Our Technical Committee meets quarterly, some of the risk related issues they review are:

1. Review the trusts financial results, as well as decide the best way to manage the trusts resources in accordance with its internal policies.
2. Define investment policies in accordance with eligibility criteria, including economic, financial, environmental and even social impacts.
3. Approve investments, acquisitions, alienations, sells and divestitures for up to 19.99% of the trusts patrimony, based on financial information previously disclosed.
4. Approve operational policies with people and related parties, such policies shall have been previously revised by the Practices Committee and specially when it involves a conflict of interest from one or more of the Trust members; always aiming at identifying required processes to mitigate such conflict of interest.
5. Define accountability policies, with previous opinion from the Audit Committee, to guarantee mitigation of risk and operation impacts; and to ensure compliance with legal regulations in terms of internal control and auditing.
6. Approve the acquisition of responsibility insurance for Technical Committee members and relevant directors to the administrator.
7. Fix leverage policies for the Trust
8. Name and remove external auditors, based on the Audit Committee recommendation
9. Identify and mitigate, jointly with the Practices and Audit Committees, whichever risks or impacts which may arise from economic, social and environmental matters.

The Technical Committee has the capacity and ability to reach out to stakeholders and experts whenever they require it, for economic, environmental and social matters; to approve acquisitions, investments, mergers, etc. which may affect the trust or the community surrounding our operations. These also includes identifying and mitigating risks and impacts which may arise from the Trusts operations.

FUNO continuously performs risk assessments; currently our Audit Committee is in charge if regularly reviewing mitigation measures and evaluate risks. To typify breaches, unidentified risks or any other issue which may affect our operations, we have hired a third independent party who advises, verifies and examines such issues.

FUNO regularly publishes the different risks we are exposed to either at the estate level, the organizational level or market level; we do so, through our annual report, offering memorandums, our web page, presentations or interviews.

Amongst the major identified risks; are the following, please check our web site for details:

1. Reliance on our tenants: our operations may suffer if a significant number of tenants or any of our main clients, became incapable of fulfilling their financial obligations to us.
2. Economic trends in our sector or market.
3. Natural disasters, climate change and meteorological phenomena such as droughts, floods, hurricanes and earthquakes, may affect our assets.
4. Employee health and safety risks
5. Financial Risks.
6. Economic and political conditions in Mexico
7. Changes in applicable legislation and public policies.
8. Reliance on our executive team for success, we may not find a suitable replacement if their contracts expire or key elements leave the organization.

Organized crime in Mexican soil, is a major risk for any economic activity in the country. It is definitely one, FUNO takes into account.

## Risk Mitigations

Some, but not all, of our strategies for risk mitigation are:

1. Our main risk mitigation strategy is diversification. FUNO has clients from all economic sectors, properties across the country and we offer retail, office, mixed use and industrial services. This has allowed us to maintain stability and continuity in our income.
2. Constant communication with tenants. At FUNO we continuously work to offer our tenants quality services and real estate. We have positioned ourselves amongst the best REITS in the world, due to our services and strong relationships with our tenants.
3. FUNO's supply processes are centralized, hence avoiding business decisions to be made at the local level. Additionally, all payments have several check points and approval levels, from the estate manager to vice-presidents; guaranteeing a verifying process for each payment we make.
4. For leasing contracts as well as other income contracts (temporary leasing's, parking services, marketing, etc.) there is an internal committee which revises every single new contract and renovation; regardless of size, location or client importance. In this way, we try to avoid future risks with current tenants and we have been able to provide better services.
5. Our acquisition process for properties is subject to compliance with several requirements and regulations, including general assessments, audits, environmental assessments and verifications, traffic impact assessments and others. All of these are part of our control mechanisms to minimize risks during property acquisitions.
6. All our properties have been insured and we also require our tenants to insure their belongings and merchandise.
7. Our properties located in coastal or seismic areas, we have implemented safety procedures, emergency and response protocols to properly react in case of risk situations.
8. Additionally, those properties who have suffered damage from natural disasters, are redesigned, planned and remodeled to minimize damage recurrence.
9. Emergency disaster recovery plan, protecting our critical hardware and software; which will allow us to recover relevant information for continuity in our operations in case of natural or human emergencies.
10. Security and cultural measures have been adopted. We avoid cash handling in our properties to prevent corruption or other safety risks.



PHOTO:  
TORRE REFORMA

11. Every year we perform a health circuit and medical checkups; which also generate a health risk map at the individual level and the organizational level. Each employee gets its personal risk map with suggestions to improve their health and reduce disease.
12. Our Human Capital is our most important asset. We strive to offer our employees a healthy and safe working environment.
13. We continuously monitor new law and regulations proposals, laws, policies and reforms which may affect our operations. Our culture is one of prevention and we usually try to adjust before it can affect us.
14. FUNO complies with applicable regulations and normativity in its operations, management and orientation.

In addition to the above, our organizational structure was designed to prevent and mitigate risks, with actions ranging from open door policies, to office design. These are all initiatives targeting immediate and effective communication, as well as team work in case of emergencies.

Risk management in our operations is performed in a matrixial way, on a one-by-one basis, based on property, location, sector and activity. To ensure a holistic approach to risk management, the tasks to identify, evaluate and mitigate risks are performed by multidisciplinary groups with people from different organizational levels and departments. These teams include experiences and knowledge (operational and technical) from key departments such as operations, maintenance, architecture and design, acquisitions, finance, law, marketing, tenant coordination, management, collection, human resources and experts who revise case by case.

Additionally, we empower our employees with different tools, to identify, communicate and react in case of risks or emergencies:

- Operating manuals: updated regularly, documenting key operational risks and processes as well as reaction and response mechanisms
- Whistleblowing mechanism, through which they can anonymously report potential risks or inappropriate behaviors.
- Open door policy with all our executive team
- Monthly monitoring and audits through our operations department
- Estate management through exception.

Our Technical Committee, alongside the Audit and Practices committees quarterly, or whenever required by the trust management, review risks or impacts in economic, environmental and social issues, either in FUNOs properties or as a result of our operations in the communities we have properties.

## 4.4 ETHICS

Our Code of Ethics applies to all our employees including members of the Technical Committee, executives of our subsidiaries and affiliates.

Our Code of Ethics is a live document, regularly revised and updated. It primarily covers:

- Human Rights
- Behavior towards tenants
- Behavior towards authorities
- Conflict of interests
- Handling confidential information
- Behavior towards suppliers and contractors
- Competitive practices
- Publicity and marketing
- Transparency
- Anti-corruption practices
- Environment
- Health and Safety

In 2016, 100% of our headquarters employees signed and were trained in the Code of Ethics. 49 property managers, general managers and accountants were also trained. Through training lineups, communication strategies and our whistleblowing mechanism, we foster an ethical behavior in our work place and strive to strengthen, inform and apply the Code of Ethics in our operations.

At least 2.5 training hours for 100% of our employees, on Code of Ethics and ethical behavior. These training included headquarters employees and all our assets manager; with the intention, they are responsible for training all subcontracted employees working in our properties.

In 2017, we will include an anti-corruption clause with all suppliers and subcontractors, as well as an additional clause, requiring them to know and observe and comply with our Code of Ethics.

As an additional mechanism, to ensure ethical behavior in our operations, in 2016 we implemented a whistleblowing mechanism. Operated by a third independent party, open to all employees to openly or confidentially inform any ethical breaches, corruption practices or other relevant issues. All calls, emails, faxes or letters gathered by the third party, are subsequently directed to our Ethics Committee, which follows through each communication and determines corrective actions.



In case a breach mentioning a member of the Ethical Committee is notified, the information and notification shall be directed to the CEO for its follow up and solution.

In 2016, we received the following notifications through our whistleblowing mechanism:

- 0 notifications on environmental issues
- 4 notifications on labor practices
- 0 notifications on Human Rights issues
- 0 notifications on discrimination
- 0 notifications on malpractices on indigenous rights
- 0 notifications on corruption
- 0 notification on social or community issues
- 0 notifications on privacy of information issues

Out of the 4 notifications for labor practices, two were resolved during the period.

FUNO has not been object to any legal action resulting from monopolistic practices, anti-competitive behavior, or breaches on health, safety, publicity, marketing or advertising.





PHOTO:  
TORRE CABALLITO

# 5. LEADERS IN MEXICO'S REAL ESTATE, WITH LONG TERM VISION

## 5.1 CREATING ECONOMIC VALUE FOR MEXICO

FUNO as a real estate investment trust ("FIBRA" for its initials in Spanish), qualifies to be treated as a pass-through entity for Mexican federal income tax purposes. Therefore, all revenue from conducting FUNOs operations is attributed to the holders of its real estate trust certificates ("CBFIs" for their acronym in Spanish) and FUNO itself is not considered a taxable entity in Mexico according to Mexican Tax Laws and Regulations. In order to maintain FIBRA status, the articles 187 and 188 of the Mexican Income Tax Law have established that FIBRAs must distribute annually at least 95% of its taxable income to the holders of its CBFIs.

During 2016, FUNO did not have significant expenditures, related with fines for non-compliance with environmental, social, ethical, health or safety regulations or legislation.

FUNO does not have political affiliations and we do not make political contributions to parties.



**\$ 13,253**

**DIRECT GENERATED ECONOMIC INCOME**

(total income)



**\$ 3,264**

**ECONOMIC EXPENDITURES**

(operating expenditures: administration, operation, maintenance, insurance, property taxes)



**\$ 403**

**ECONOMIC DISTRIBUTION TO EMPLOYEES**

(Long term incentives)



**\$ 6,403**

**ECONOMIC VALUE DISTRIBUTED TO CAPITAL SUPPLIERS**

(includes long term incentives)

MILLON PESOS

The primary differences and changes in our operations during 2016 where:

- Acquisition: Puerta de Hierro and El Salto
- Incorporation from development to operation: Patio Revolución, Torre Latino, San Martín Obispo I and II, La Purísima, Torre Diana and Gustavo Baz I
- Began development of Mitikah with co-investors

Changes in social capital structure and other operations of maintenance and capital alterations:

**Balance as of December 31st, 2015.....\$113,358,378**

**Plus:**

Equity contribution ..... 2,095,942

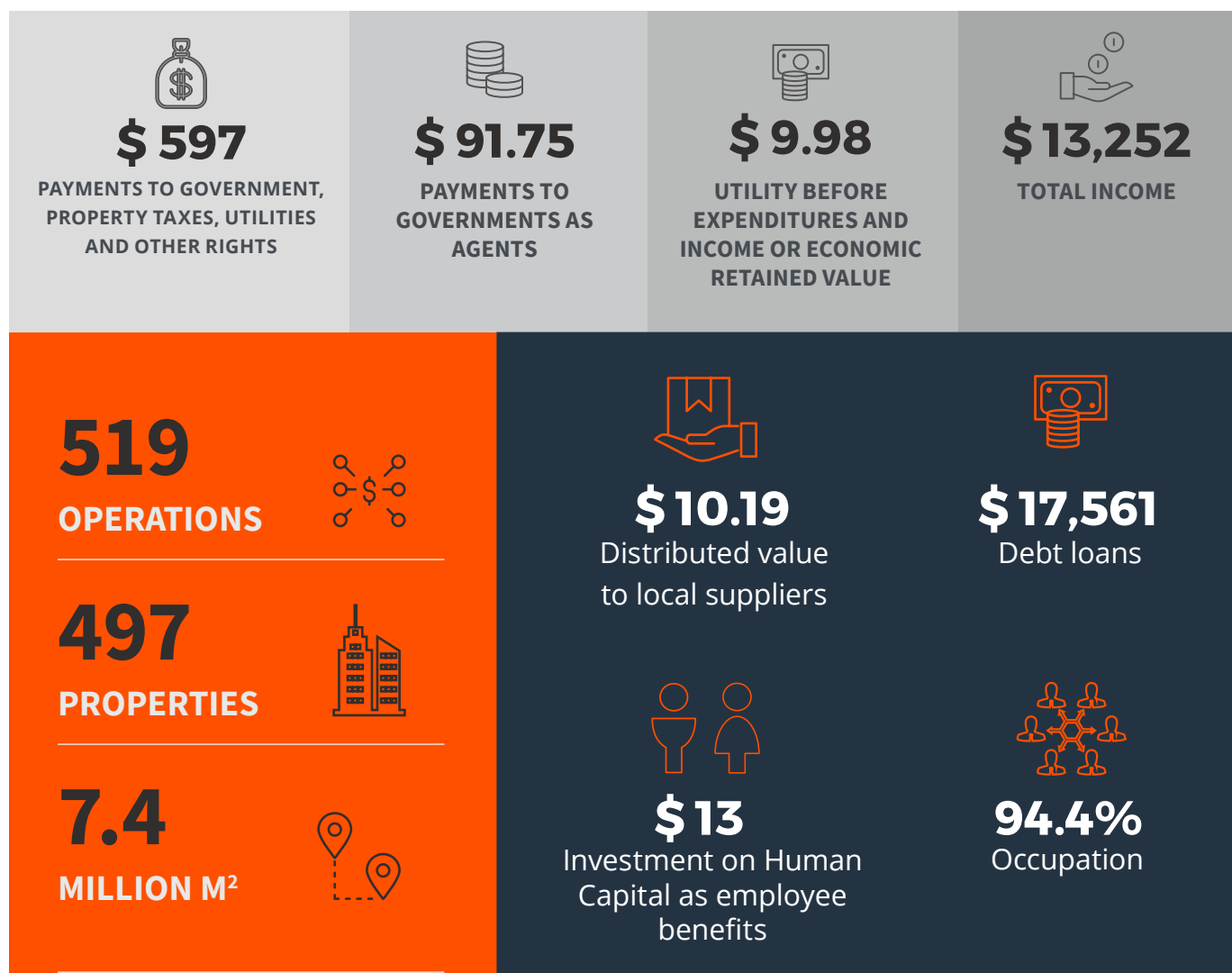
Consolidated net income .....11,824,632

**Minus:**

Distributions to trustors ..... (6,370,708)

Other comprehensive income, net income tax .....(103,006)

**Balances as of December 31st, 2016 ..... \$120,805,238**



## Supply chain description



## 5.2 ENVIRONMENTAL RESPONSIBILITY

“

The data presented in this report has not been audited nor verified by external or third parties, hence, it may be subject to changes, reforms, additions, clarifications or substitutions, hence it should not be considered definite data. The final version of this document with revised versions, will be available on FUNOs internet website.

”

At FUNO we consider three material environmental aspects: consumption and efficiency of electricity and water, as well as measuring and reducing emissions. These are material not only to our environmental impact, but also for our economic results.

It is important to note, that more than 90% of the properties we operate have been acquired as they were, hence FUNO did not have any say on the technologies, structural or architectural design selected for each property. However, we have been working in renovating such technologies or designs, to make our operations efficient and environmentally friendly. Our resources are being directed towards having state of the art properties with the highest quality standards. However, on those properties where we have a say during their development process, FUNO strengthens its commitment with sustainability; Currently 100% of our own developments are either LEED Certified or LEED Pre-certified.

### LEED Developments

FUNO believes in building sustainable communities and cities, as a result all our developments aim at being eco-efficient and incorporating state of the art technologies. FUNO shows its commitment through inves-

ting in LEED certified properties and being leader in the Mexican real estate market where there are few properties with such certifications; currently our LEED Certified or pre-certified estates are:

Property	Built square meters
Torre Mayor – LEED Gold desde 2013	157,000 m <sup>2</sup>
Torre Reforma Latino – LEED Pre-certified Silver 2013 .....	88,513.00 m <sup>2</sup>
Torre Diana – LEED Pre-certified Gold 2015.....	138,634 m <sup>2</sup>
CENTRUMPark Corporativo Tlanepantla – LEED Pre-certified Gold 2015 .....	*180,000 m <sup>2</sup>
Mitkah Torre Churubusco – LEED Pre-certified Silver 2016 .....	* 67,178.25 m <sup>2</sup>
Midtown Jalisco Oficinas- LEED Pre-certified Gold 2016 .....	* 279,600 m <sup>2</sup>

\* in development

In our procurement process of goods and services, we upkeep the highest quality standards on responsible consumption for FUNO but also for our tenants: we usually require the use of non-toxic paints and we have often proposed design alterations to reduce as much as possible the consumption of electricity and enhancing natural lighting.

When purchasing materials for remodeling or significant property alterations, in our retail assets, FUNO promotes the use of local materials (approximately 80% of our supplies, come from local producers). This is a positive measure in that not only reduces costs for FUNO, but it also encourages local economies.

Other criteria we use, when purchasing materials, is their eco-efficiency; always attempting to implement environmentally friendly technologies, reducing our consumption and at the same time our impact on surrounding communities. We often use climatic criteria when selecting materials, such as: durability, corrosiveness, maintenance, resistance to natural phenomena, humidity, etc.

PHOTO:  
LEED CERTIFIED  
TORRE MAYOR



Every time we purchase a new property, we have strict control and selection processes, which on top of fiscal, financial, legal and structural matters, also review and assess the following environmental points.

- Land use certificates and permits
- Environmental Impact assessment
- Hazardous waste generation and registration permits
- Delivery-reception manifest for hazardous wastes, issued by an accredited organization for its transportation and final disposition or through the municipal waste collection system.
- Water supply permits and licenses
- Waste water discharges
- Environmental license on GHG emissions
- The existence or absence of PCBs and asbestos
- The existence or absence of environmental fines
- The existence or absence of soil leakage or other types of pollution.
- Traffic and mobility license
- Others

## Water

TOTAL WATER CONSUMPTION	7,947,730 m <sup>3</sup>
Local network	7,727,589 m <sup>3</sup>
Transported water	220,141 m <sup>3</sup>

Our main water source is the local network for water distribution, in exceptional cases, when it is required we purchase water to cover our tenants needs. According to official data from Mexico's Water National Commission (Comisión Nacional del Agua), in 2015 local networks pulled out water from: superficial sources (rivers, lakes, etc.) 61.3% and underground sources 38.7%. FUNO does not extract water from Natural Protected Areas.



The data presented for water consumption and discharge, represents 77% of our Gross Leasing Area and include:

- 80 internally managed properties (retail and offices)
- 1 externally managed

And all those managed by the tenant: 100 industrial parks, Portfolio Rojo, Hilton Centro Histórico, Universidad de Guadalajara y Zapopan UVM; all of these do not add to our consumptions nor emissions, since our tenants are fully responsible for consumption, measuring and mitigation.

We have only included those properties we operate since or before January 1st, any further acquisition is not considered.



From all water consumption, we reuse 48,528 m<sup>2</sup> and we recycle 4,595 m<sup>3</sup>; at FUNO, reused water is that which has been used two or more times in different processes (i.e. used in sinks, then treated and reused in gardening) while recycled water is that used two or more times within the same process (i.e. cooling mechanisms).



DISCHARGE (QUALITY)	DESTINATION	2,147,311 m <sup>3</sup>
Black Waters	Local Sewage System	852,476 m <sup>3</sup>
Treated (Complies with NOM-002)	Local Sewage System	1,235,839 m <sup>3</sup>
Treated (Complies with NOM-002)	Superficial water bodies	30,000 m <sup>3</sup>
Treated Torre Mayor	Reuse and Local Sewage System	28,996 m <sup>3</sup>

In many cases our tenants have individual consumptions not registered in this report, because said consumption is total responsibility of our tenants; however, all water discharges are FUNOs responsibility hence these discharges are registered in this report.

For our total discharged water, we have an estimate of 60.3% treated water; all water is treated through our on-site water treatment plants and all of our treated discharges comply with applicable regulation (NOM-002) of Mexico's Environmental Agency (SEMARNAT for its acronym in Spanish); this regulation establishes maximum allowed limits for pollutants in residual waters going to local sewage systems.



Data presented for water discharge, only refers to 80 internally managed properties (retail and offices)



## Energy

FUNO has only one electricity supplier, with whom we have signed a collaboration agreement which includes all our properties in operation. With it, we aim to create a partnership that allows us to identify efficiency opportunities and expenditure reductions. Our supplier published that in 2016, 19.68% of their electricity was produced through sustainable and renewable sources.



The data, presented in this report, for energy consumption represent 84.3% of our Gross Leasing Area, including:

- 80 internally managed properties (retail and offices)

- Torre Mayor

- 19 externally managed properties

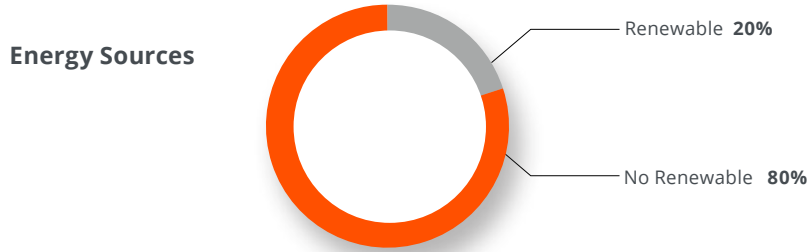
And all those managed by the tenant: 100 industrial parks, Portfolio Rojo, Hilton Centro Histórico, Universidad de Guadalajara y Zapopan UVM; all of these do not add to our consumptions nor emissions, since our tenants are fully responsible for consumption, measuring and mitigation.

We have only included those properties we operate since or before January 1st, any further acquisition is not considered

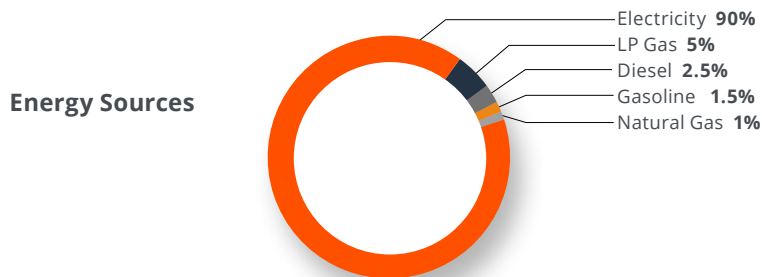


For electricity consumption, most of our tenants and particularly larger ones, have their one electricity meter, hence this report only considers, electricity we are responsible for; including common areas, vertical transportation systems, general AC systems, and the small percentage of electricity used by small and medium tenants located in gazebos or islands in shopping malls.





FUNO's main energy sources are:

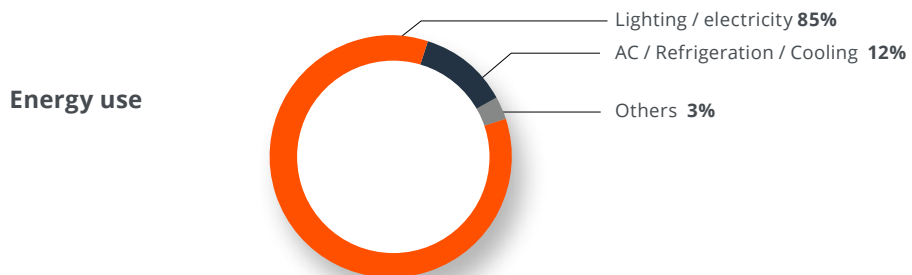


CONSUMPTION	
Electricity from local grid	83,449,082 Kw/h
LP Gas	466,002 Kw/h
Diesel	110,250 Kw/h
Gasolina	85 Its
Natural Gas	1,218 Kw/h

Out of the total energy consumption; 32% is usually transfer to third parties, such as tenants in small gazebos or islands and through AC.

Knowing our energy intensity, allows us to contextualize our efficiency. To calculate this indicator, we have decided to use Gross Leasing Area data and electricity consumption.

- For retail properties participating in our sample, energy intensity is 48.8 KWh per m2
  - For office properties participating in our sample, energy intensity is 17.6 KWh per m2
- 2016 will be our base year for comparisons in further years.



## Emissions

Our emissions data are approximates and are based on FUNOs internal registries; there may be differences in the homologation and conversion for the different metrics used across the organization. However, we feel comfortable with the results here presented, given that this is a first attempt to measure our GHG emissions.

“Emissions data refers to 82.4% of our Gross Leasing Area or 194 properties. We have only included those properties we operate since or before January 2016; all acquisitions after this date are not included on this report.”

The data here presented was calculated with the EPA GHG Emissions Calculator (SGEC). Based on the Climate Leader Greenhouse Inventory Guidance and Emission Factor Hub methodology, which also relies on the Intergovernmental Panel on Climate Change International Standards 4th Assessment Report

These is our first attempt to monitor, measure and report FUNOs emissions; our goal this year, was to establish a base line, in coming years we will try to mitigate and reduce our emissions.

Mexico has fulfilled its international commitment to avoid the use of CFC and other ozone depleting substances. FUNO, being a company who only operates in Mexico, obeys all regulations and guidelines established by the Mexican Government and by its international commitments.

During 2016, we did not attempt to formally measure our NOx nor SOx emissions.

<b>DIRECT EMISSIONS</b>			
<b>Onsite combustion</b>	<b>9,067,209 CO<sup>2</sup>-e (Metric tons)</b>	<b>Natural gas, gas LP y diesel.</b>	
	<b>CO<sup>2</sup> (kg)</b>	<b>CH<sup>4</sup> (g)</b>	<b>N<sup>2</sup>O (g)</b>
Natural Gas	313,462	5,907	590
LP Gas	9,027,285,116	445,217,080	95,403,660
Diesel	48,570	2,711	1,236
Refrigerants	13,558 CO <sup>2</sup> -e (Metric tons)	Refrigerants, chillers, equipment, minisplits, etc.	
<b>INDIRECT EMISSIONS</b>			
<b>Purchased and consumed electricity</b>	<b>71,791 CO<sup>2</sup>-e (Metric tons)</b>	<b>Electricity from the grid</b>	
	<b>CO<sup>2</sup> (lb)</b>	<b>CH<sup>4</sup> (lb)</b>	<b>N<sup>2</sup>O (lb)</b>
	157,561,954	8,763	1,644
<b>OPTIONAL EMISSIONS</b>			
<b>Employee business travel</b>	<b>143 CO<sup>2</sup>-e (Metric tons)</b>	<b>All business travel by airplane and by car payed by the organization</b>	
	<b>CO<sup>2</sup> (kg)</b>	<b>CH<sup>4</sup> (g)</b>	<b>N<sup>2</sup>O (g)</b>
Passenger car	21,735	1,063	768
Airplane short haul (< 300 millas)	7,138	236	226
Airplane medium haul (>=300 millas, <2300 millas)	77,838	384	2,498
Airplane long haul (>=2300 millas)	35,145	147	1,104
<b>Total net emissions</b>		<b>9,152,702 CO<sup>2</sup>-e Metric tons.</b>	

PHOTO:  
ELECTRIC MAINTAINANCE



## Biodiversity

At FUNO we promote the use of local and endemic flora in our green spaces. The use of native species favors the creation of links between the visitors and the space, since they are part of the local identity. It also reduces maintenance costs, given that these species have already adapted to local climatic conditions, requiring less water and other supplies.

As part of our efforts towards flora and fauna conservation, all our properties are evaluated regarding their impact on biodiversity, each time they require remodeling, or relevant structural modifications.

## 5.3 STRENGTHEN OUR COMMUNITY RELATIONS

### Partnership for sustainable development

At FUNO we believe in partnerships with stakeholders to increase our positive social impact. We consider collaboration fundamental to sustainable development, hence in alliance with government, society and NGOs; we have favored thousands of people through more than 140 community development initiatives.

#### Local Development

- Local craftsman's markets
- Gastronomy and tourism fairs
- Support to different local NGOs
- Dance shows for elderly people.
- Christmas carols and nativities
- Yoga classes
- Philanthropic donations (Clothes, books and shoes)

#### Institutional strength

- Granted Spaces for the Local Economic Development institute
- Granted Spaces for FONACOT, PROFECO and Government organizations
- Safety and anti-theft campaigns

#### Health and Safety

- Partnership with Red Cross, free rent
- 14 vaccination areas opened in our shopping centers, by IMSS and or Health Secretariat
  - Influenza, measles, triple viral, etc.
  - Anti-rabies campaign
  - Canine and feline sterilization.

In 2016 FUNO Headquarters together with our shopping mall SAMARA, engaged in the first ever clothing and books donation, with more than 7,000 items donated to:

- Casa Alianza Foundation: boys and girls between 12-18 years old, who have been living on the streets or victims of human trafficking and domestic violence.
- Karuna Foundation: farmers living under extreme poverty in the State of Mexico
- Casa Mambré: South American and African migrants coming into Mexico, who have been victims of violence and crime.
- Centro de Apoyo Marista in Queretaro City: Migrant refugee for Central and South American migrants attempting to cross Mexico, but end up staying here.
- Casa Mujeres Ometepec: Support center for indigenous women in the Guerrero Sierra, who have been victims of violence.

## Human Capital

At FUNO we understand the relevance of attracting, having and retaining talent and we consider it a key factor for our business sustainability. Hence, we have allocated important resources towards this; as a result, our organization has significantly changed in the last few years.

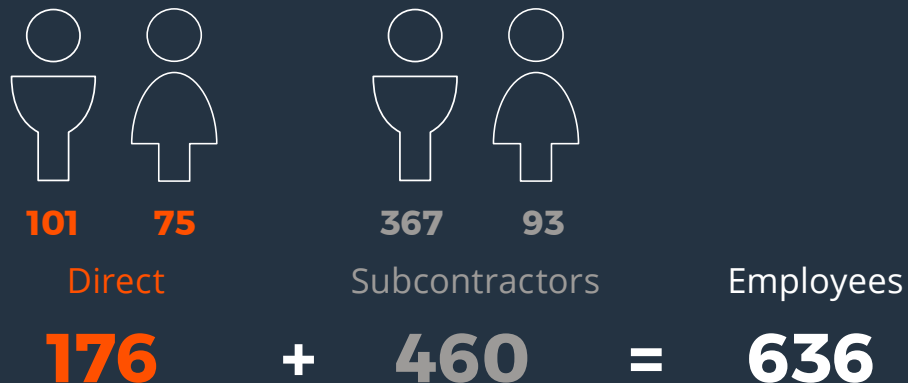
We have worked to implement best practices on organizational development, attraction and retention; in order to minimize employee turnover and become a highly desirable place to work; with the right investment, it requires.



A remarkable practice at FUNO, is that every time we acquire a new property, our Human Resources and operations team, go out of their way to keep as many jobs as possible within economic viability. Therefore, in the face of new acquisitions, our first move is to meet and evaluate people who already work at the property and incorporate them into our operations; making the best of their knowledge and keeping their jobs.



### IN 2016 OUR INVESTMENT ON HUMAN CAPITAL, DERIVED FROM BENEFITS ADDITIONAL TO MEXICAN LAW WAS = \$ 13 MILLION PESOS



Includes: Savings fund, performance bond, grocery vouchers, medical, dental and life insurance as well as health circuits.

Employees by region and gender:

STATE	WOMEN	MEN	TOTAL
Chiapas	1		1
Coahuila		1	1
CDMX	61	92	153
Guanajuato	1		1
Guerrero	1		1
Hidalgo		2	2
Jalisco	2		2
Nuevo León	2	2	4
Quintana Roo	7	1	8
Sonora		1	1
Yucatán		2	2
<b>TOTAL</b>	<b>75</b>	<b>101</b>	<b>176</b>

Subcontracted employees by region and gender:

STATE	WOMEN	MEN	TOTAL
Baja California Sur	2	13	15
Chiapas	2	6	8
Chihuahua	5	16	21
Coahuila	3	9	12
CDMX	30	123	153
Guanajuato	2	7	9
Guerrero	6	17	23
Hidalgo	3	10	13
Jalisco	1	9	10
México	7	36	43
Nuevo León	10	35	45
Puebla	1		1
Querétaro	2	8	10
Quintana Roo	3	27	30
Sinaloa		1	1
Sonora	4	11	15
Tamaulipas	2	9	11
Tlaxcala	1	5	6
Veracruz	4	14	18
Yucatán	5	11	16
<b>TOTAL</b>	<b>93</b>	<b>367</b>	<b>460</b>

For practical reasons, FUNO has decided to hire part of its employees through third parties; however, we do monitor and constantly supervise they are respected in terms of Human Rights and Labor Practices; we also oversee they get the benefits they have earned by law as well as those additional benefits FUNO offers them.

FUNO does not have employees earning minimum salary.

At FUNO we commonly hire people from the communities we work in. For executive positions, we prioritize experience and career path. All our operations are in Mexico and all our directors come from this country.

There are several mechanisms, we have implemented to engage employees and listen to their opinions, points of view and suggestions; some of them are:

- Organizational environment surveys
- “Team audits” evaluating and correlating employee profiles to the team or department they work with, in order to identify breaches and needs
- Performance evaluations
- Individual feedback process
- New comers meeting
- Managers meetings
- Direct and permanent communication with our Human Resources director.
- Email: [somosuno@fibrauno.mx](mailto:somosuno@fibrauno.mx)
- Open door policy with executive team

Amongst the main challenges, we have identified in the Human Resources department are:

- Foster inter-department collaboration
- Process, procedures and norm dissemination.
- Performance evaluation with clear KPIs as well as permanent feedback
- Emphasis on training, development and productivity.
- Stablish and monitor effective communication tools with executives
- Communicate our sustainability strategy

**PHOTO:**

lorem ipsum Sit Amet  
Otam atemolur inum ni



### Employee turnover

1. Direct employees: 17% mainly headquarters
2. Subcontractors: 52% nation wide

FUNO offers several benefits to its employees, in order to help them grow personally as well as professionally; such benefits are paid by FUNOs ordinary resources:

- Life insurance
- Health insurance
- Disability coverage (through health insurance and IMSS)
- Maternity and paternity leave
- Grocery vouchers
- Daily meal vouchers
- Additional holidays to those stated by law

In 2016, six women and one men had maternity and paternity leave respectively. All of them came back to their activities after their parental leave; hence 100%. In fact, five women and one men still work for FUNO at the end of the period.

To date, talent retention during acquisitions has been high. All employees are informed and notified of FUNOs working conditions and benefits with at least 15 days' notice.

## Training and Education

A few years ago, FUNO endeavored to develop, train and help our employees in their career paths. We are well aware of how relevant it is, to have skillful employees and how profitable this is to our organization.

Training at FUNO, is defined based on departments needs and priorities; our organizational environment survey helps identify some of these need, as well as group audits, profile and job description.

Currently we are working on an organizational policy for Human Resources; however, we do have guidelines to lead our HR procedures in the following issues:

- For professional training: we offer training on new practices; for the use of technological software, to increase productivity and improve client oriented services.
- Subsidy for professional studies; we offer to our employees, subsidies to pay for advanced education as well as attending symposiums or conferences.
- All external education related to our business, the organization pays for 100%.
- We offer specialized training and relevant courses on particular issues such as: health and safety, environment, ethics and anti-corruption practices.

Objectives and management for all training activities are constantly monitored through an SMART methodology dashboard. Results are revised and evaluated by each head of department, who helps allocate a specific grade, which is ultimately used for annual salary raises.



	HOURS PER MEN	HOURS PER WOMEN	TOTAL TRAINING EXPENDITURE
TOTAL	676	355	\$208,050.54
STAFF	350	148	\$45,659.32
MANAGERS	67	111	\$43,410.90
DEPUTY DIRECTOR	112	96	\$51,907.33
DIRECTOR	147	0	\$67,072.99

## Financial, human and technology resources:

Financial resources for training and employee development, are annually allocated by the CEO in the organizational budget.

Whenever there are vacancies, if they are new positions, they must be approved by our Vice-president of Administration and IT; or if the position is manager or higher, it must be approved by the CEO.

Technology resources are allocated accordingly with position activities and requirements; such resources are managed and appropriately delivered by our IT department.



100% of direct employees are evaluated on an annual basis, through dashboards and pre-established Key Performance Indicators



FUNO is an organization who has immensely grown in only 6 years, hence our focus in this phase has been on attracting and retaining key human capital. For example, FUNO has gone to great depths in order to accommodate, adapt and retain employees from portfolios we have acquired; in some case, we have even altered our own organizational culture. As a result of our rapid growing process, FUNO has not seen the need to enforce mass layoffs and we have not yet needed to create retirement plans. This is an area where we will work in the near future.

## Labor practices

Our primary goal is that anyone working for FUNO either directly or indirectly, are hired with total observation of Mexico's Labor Laws, with explicit workdays, salary and other conditions; and receiving appropriate training for their activities.

When it comes to labor and social security, FUNO fulfills all its responsibilities in a timely manner. Which is directly intertwined with salary and other benefit payments; preventing simulations, shady hiring practices or lack of documentation endorsing appropriate contractual terms and labor relations with our employees.

- a) All work relations amongst employees, executives, clients and suppliers observe our Code of Ethics, policies, procedures and ethical norms
- b) Practices or processes for outsourcing services: Outsourcing services will only be allowed for asset management staff only; all executive and administrative staff shall be hired directly by FUNO.

- c) Policies to increase economic impact and workforce in communities: creating new employment opportunities shall be related with FUNOs expansion, growth and/or new acquisitions of portfolios and estates.
- d) Policies and practices for temporary employment: all employment: our contracts observe all Mexican regulations such as positions, working hours, workdays, position level, salary, benefits, etc.
- e) Housing and other benefits policy: We have clearly established those benefits allotted to employees hired directly by FUNO, however FUNO supervises subcontractors to comply with all employer responsibilities and respect labor and social rights of subcontracted employees.
- f) Internship program

At FUNO we have a Planning and Norms department; which revises all guidelines and policies, including those regarding Human Resources; these department sends all policies to the Management Committee for their approval.

FUNO is currently undergoing an homologation process; however, we do have a performance assessment by department, where each area establishes its own KPIs.

Some mechanisms we have to assess and evaluate management approach:

- 1.- Goals and indicators dashboards
- 2.-Results from the management approach evaluation, as well as the results from each department evaluation; are waged and ranked according to each department activities.

## Workdays and workweek

Needless to say, we comply with all international standards set by the International Labor Organization. Our employees have a work day with break times, allowing them to upkeep their productivity, in accordance with their activities. Working hours and breaks may vary, however all employees have at least 24 hours breaks for every 6 working days; and at least 60-minute break for every 8 hours of work. Usually breaks extend this allotted time, but we make sure, everyone benefits from at least the above-mentioned schedules.

Before hiring any personnel, all candidates are clearly informed of their benefits, as well as their hiring status, may it be full-time, part-time, fixed-time, etc. These has helped to avoid misunderstandings, keep transparency and minimize labor risks and abuse. We make sure each contract is clearly understood and that all information is stated in a clear a transparent manner; including positions, salary, benefits and payment schemes.

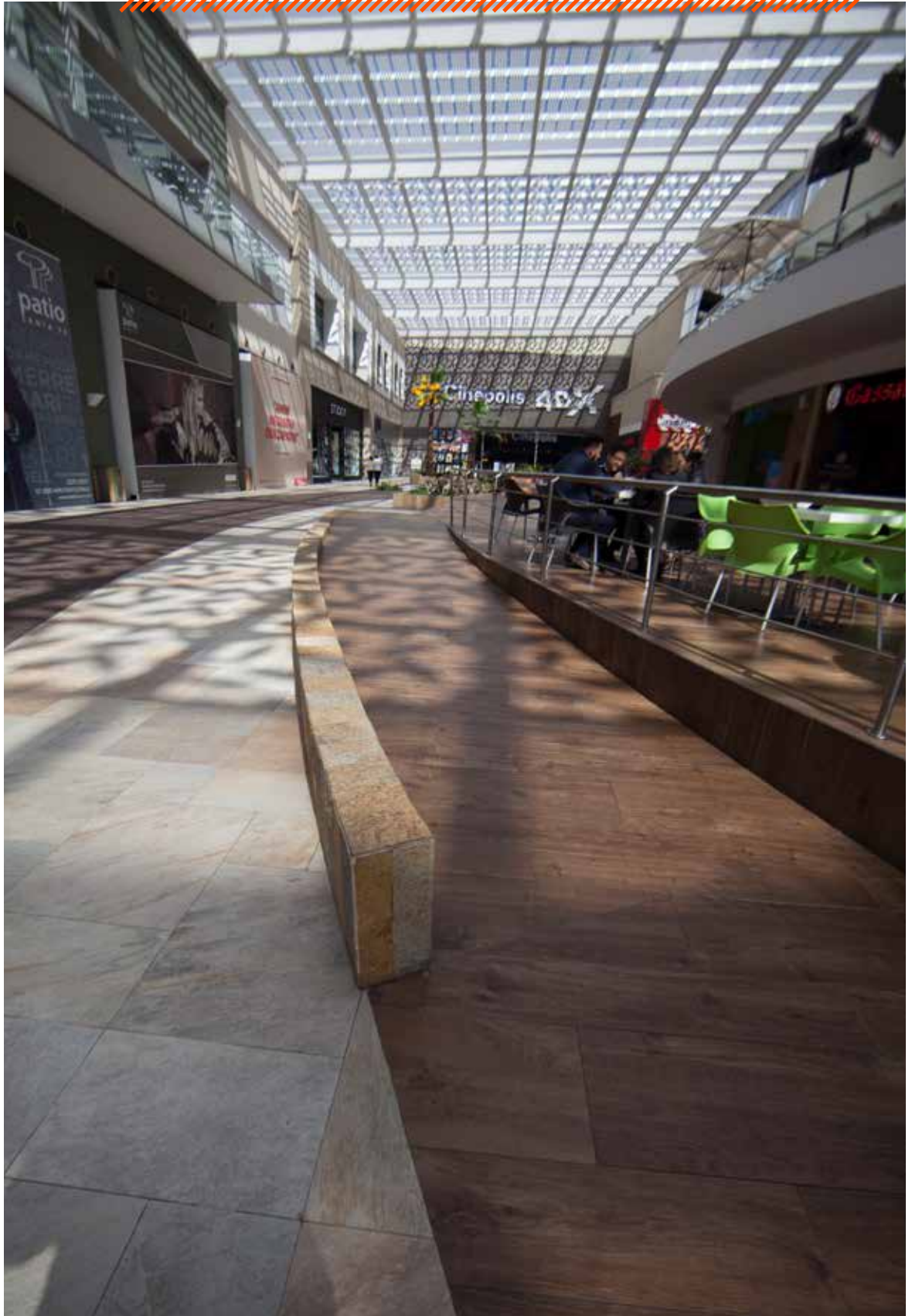
## Remuneration

We have an internal dashboard with salary ranges for each position category, aiming at reducing breaches between elders and young, as well as men and women.

For middle and operative positions, they receive an annual salary increase of at least the countries inflation rate. In addition, each employee may have additional raises based on performance.

All employees hired by FUNO have an additional variable compensation in accordance with the organizations results and individual performance.

PHOTO:  
WHEELCHAIR RAMP  
PATIO SANTA FE



## Forced Labor Prevention

All of our employees may finished their labor relationship with FUNO at any time, we make sure they receive all compensations in accordance with the law without retaining any salaries or benefits as penalty.

We do not keep any licenses, passports, travel documents or other personal documents, which may force an employee to stay with us. Similarly, in case they require and if they fulfill all requirements, FUNO grants recommendation letters or other documents which may help them attain another job.

All employees are free to leave the workspace and grounds during their breaks, free time and after their work day.

We do not charge our candidates any fee during the selection and recruiting process.

## Freedom of Association and Child Labor

We recognize our employees right to exercise their freedom of association and to belong to any labor association of their preference.

We do not hire anyone below 16 years old, under any circumstance and we do not hire anyone below 18 years old for dangerous activities. We have implemented several control mechanisms to avoid child labor such as:

- Require birth-certificates and other official documents.
- To finish secondary and tertiary education.
- Schooling certificates are collated with official documents in Mexican Education Agencies.
- Internships are always through recognized and registered education institutions and do not constitute our primary source of employees.

## Health and Safety

Provide safe places to work and healthy environments is without doubt one of the reasons we work for. FUNO makes great investments on trainings, communication and public awareness, regarding health and safety procedures. The data reported in the following pages, regarding safety, includes 92 internally managed properties.

### With our employees

FUNO provides its employees safe places to work and we take all appropriate precautionary measures, beyond the law, to minimize all risks and avoid dangers inside our properties. We work to upkeep best possible conditions such as automated temperature control, air quality, ventilation, lighting and appropriate sanitary spaces for men and women.

The right to health and health services is a Human Right we highly value at FUNO

Our commitment to take care of those who work for us, goes beyond legal regulations. According to INEGI, only 39% of Mexicans enjoy a public health service; at FUNO 100% of our employees enjoy this benefit. Similarly, 3.3% of Mexicans have a private insurance; FUNO offers this benefit to all its employees.

All our employees are highly qualified to perform their duties; for those on-site they also have an emergency protocol manual; which guides them step by step in case of natural disasters or other safety breaches which commonly occur.

We avoid exposing our employees to toxic substances, chemicals or dangerous procedures which may put their health at risk. For those maintenance or corrective activities which require being near any of the above-mentioned substances, we provide all required equipment.

To date we have not had any fatality at work or with work-related activities.

## Health Campaigns

Since 2015 FUNO performs a health circuit to create awareness amongst our employees on the importance of their health and wellbeing; in such circuits; each employee is informed of their own personal status.

CIRCUIT PARTICIPANTS	MEN	WOMEN
2015	77	61
2016	31	37

ADDITIONAL EXAMS	TOTAL PARTICIPANTS
Breast Cancer	24
Prostatic Cancer	8
Doppler duplex	28
Supplementary optical exam	40



#### Phase I: Communication campaign

This phase attempts to create awareness and expectations amongst employees, to get them engaged and to voluntarily participate in the health circuit. During this period, we send tips, health information, possible causes and health risks derived from the work we do at FUNO.

#### Phase II: Commit! Subscribe to health circuit)

All employees have a subscription period, they must register for the day, although all services are paid by FUNO, they must commit to the activity.

#### Phase III: Check Ups to identify health risks

Checkups include

1. Blood chemistry test
  - Glucose
  - Cholesterol
  - Triglycerides
2. Body examination
  - a. Weight
  - b. Height
  - c. BMI
  - d. Waist-hip ratio
  - e. % body fat

- f. % water
- g. % muscle
- 3. Somatometry
  - a. Heart rate
  - b. Respiratory rate
  - c. Oxygen saturation
  - d. Body temperature
  - e. Blood pressure

**Phase IV: Define your health goals: change and commit**

Trough specific formats and specialized advisory, we worked with each participant to make recommendations, set goals and promote individual well-being and collective health.

**Phase V: Develop skills and change habits**

To promote active participation and understanding of all given information, we performed some dynamics to teach participants how to better handle stress or personal nutrition

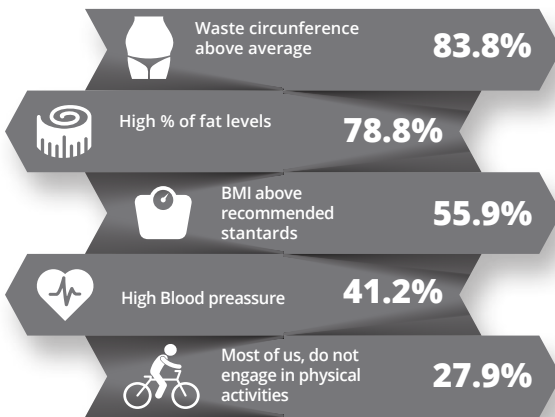
With it we aimed at not only worrying on current health conditions but also preventing future issues.

**Phase VI: Results**

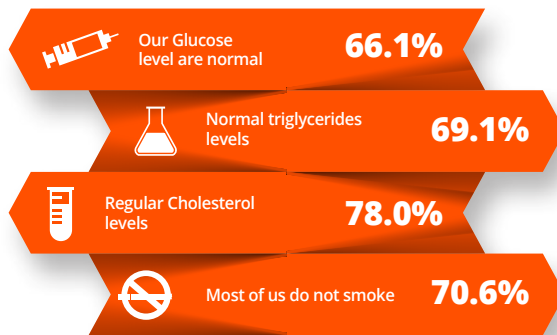
The risk map on health issues is:



**What affects our well-being?**



**Our health strenghts:**



In order to promote physical activity amongst our employees, we have collaboration agreements with gymnasiums located inside our properties; and we annually participate in the Soccer Championship, consisting of 28 matches.

## On our properties

All our estates have safety committees, involving employers and employees at all levels, from executives to managers, accountants, safety personnel, cleaning personnel, and tenants.

- 78 drills for seismic and fire emergencies
- 121 courses on first aid, evacuation, search and rescue, fire, etc.
- +6888 hours of training on health and safety issues
- Mixed safety committees in all our properties.

Training our employees is relevant not only for their own safety but also because it may reduce impact on productivity and hence on our operations; we strive to keep our tenants satisfied with our services. These is also relevant since it is directly linked with our health and insurance quotas.

We manage all work-related injuries through Mexican Health Services (IMSS). Additionally, our employees benefit from a private health insurance for them and direct relatives.

In 2016, we only had 9 work related injuries/diseases which ended up in loss work days;

STATE	# OF REPORTS
Guanajuato	3 Hombres
CDMX	2 Hombres
Sonora	1 Hombre
Hidalgo	1 Hombre
Estado de México	1 Hombre
Nuevo León	1 Mujer

Our absenteeism rate is 1.5% a year, or 97 lost days.



FUNO do not has any fatality to date



From all our activities, we have identified those related to preventive maintenance work, to be the riskiest ones; especially those working inside water pump rooms, AC, fire systems and mechanisms. For other large equipment such as vertical transportation, we usually hire specialized companies to perform such activities. FUNO provides its employees with all personal protection equipment to perform their activities in a safely manner.







## Security Personnel

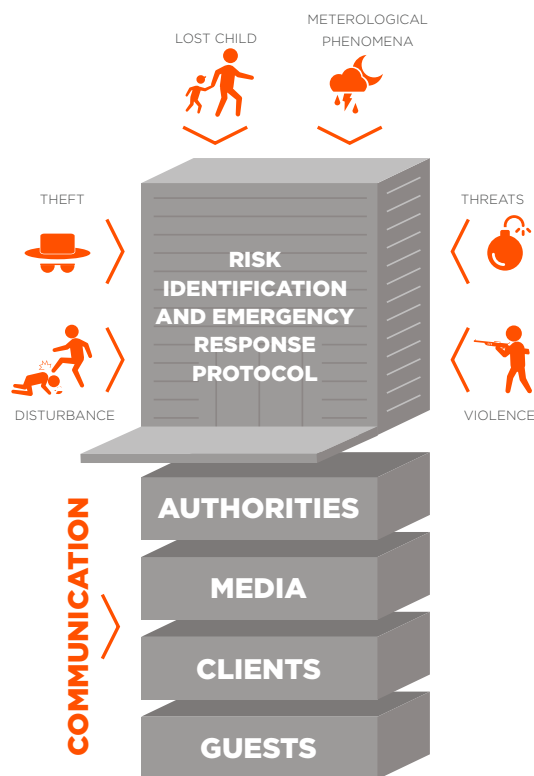
Our activities require subcontracting security personnel. We make sure our subcontractors are specialized and professional business; and at all times we require them to observe Human Rights, avoid the use of force or abuse their power. We always require our subcontractors to train their personnel in such matters.

We allocate the amount of security personnel depending on the needs and existing risks for each estate. Through our contracts, we aim to reduce security personnel turnovers, in order to minimize our risks.

Every property conducts periodic meetings, to assess general issues such as: protocols, emergency drills, guest attention, code and phone updating, etc.

We also have an operational manual particular for health and safety issues; it establishes all required protocols for different emergencies which may arise in our properties.

- Medical emergencies
- Natural disasters
- Meteorological phenomena
- Fire
- Other public issues



Our safety manual responds to our market needs and complies with all applicable regulation. Additionally, we routinely inspect each property; such inspections are performed by FUNOs executives, as well as our operations and maintenance teams; to ensure all equipment is operating properly.

## Diversity and equal opportunities

FUNO is a plural organization where merits, achievements and experience are prioritized, regardless of gender, age, race, ethnicity, etc. Our code of Ethics gives all our employees the tools to know their rights, responsibilities and the mechanisms to enforce them.

We have a young workforce, ranging primarily between 30-50 years old; our executives tends to be older.

2016	DIRECT				INDIRECT			
	#	< 30 YRS.	30 a 50 YRS.	> 50 YRS.	#	< 30 YRS.	30 a 50 YRS.	> 50 YRS.
MEN	101	10	75	16	367	107	215	45
WOMEN	75	27	45	3	93	35	58	0

## Remuneration ratio between women and men

Employees directly hired by FUNO

- Administrative level: women make 87.6% of the average salary a man makes.
- Management level: women make 78% of the average salary a man makes.
- Executive level: women make 85% of the average salary a man makes.

For subcontracted employees

- Operations level: women make 84.6% of the average salary a man makes.
- Administrative level: women make 87.4% of the average salary a man makes.
- Management level: women make 54.2% of the average salary a man makes.

## Human Rights

A major sustainability challenge for any corporation, remains ensuring and verifying Human Rights compliance; particularly in a complex environment where business relations and value chains are inextricably intertwined.

We believe observing Human Rights, promoting diversity and engaging our value chain will bring about great benefits for our organization and for Mexico. Therefore, our first official step forwards were becoming signatories of the United Nations Global Compact and we are committed to annually report on our progress.

- We reject all types of discriminatory practices
- We promote equality and equal opportunities for men and women
- We recognize children's rights and reject all types of child labor
- We recognize the right to social security and health services; and provide it to 100% of our employees.
- We recognize the right for just and favorable working conditions; and we constantly strive to provide it for our employees.
- We reject all slavery, forced labor and human trafficking
- We recognize the right for freedom of association and collective bargaining
- Right to health: we provide our employees with access to pu-

blic health services but also to private insurance.

- We have achieved to avoid communities' relocations in 100% of our operations.
- We strive to upkeep best labor practices
- We are committed to maintain the highest confidentiality standards with the information we gathered, maintain and reveal from our stakeholders
- We go all-out to provide safe working conditions.



PHOTO:  
SAMARA SHOPS

# 6. GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES	PAGES				
<b>Strategy and Analysis</b>					
G4-1	5				
G4-2	17	33	34	65	66
G4-3	8				
G4-4	7				
G4-5	8				
G4-6	8	11			
G4-7	8				
G4-8	11	19	20		
G4-9	6				
G4-10	51	52			
G4-11	58				
G4-12	42				
G4-13	5	41			
G4-14					
G4-15	18				
G4-16					
<b>Identified Material Aspects and Boundaries</b>					
G4-17					
G4-18	8	15	16	17	
G4-19	17	18			
G4-20	17				
G4-21	17				
G4-22					
G4-23					
<b>Stakeholder Engagement</b>					
G4-24	19	20			
G4-25	19	20			
G4-26	19	20			
G4-27	19	20			

<b>Report Profile</b>			
G4-28	8		
G4-29	8		
G4-30	8		
G4-31	9		
G4-32	9		
G4-33	9		
<b>Governance</b>			
G4-34	26		
G4-35	27		
G4-36	18	27	
G4-37	27		
G4-38	28	30	
G4-39	26	28	
G4-40	31		
G4-41	32		
G4-42	27		
G4-43			
G4-44			
G4-45	33		
G4-46	33		
G4-47	33		
G4-48	18	33	36
G4-49	26	27	
G4-50	38		
G4-51	31		
G4-52	31		
G4-53	31		
G4-54			
G4-55			
<b>Ethics and Integrity</b>			
G4-56	12	14	37
G4-57	38		
G4-58	38		

GENERAL STANDARD DISCLOSURES	PAGES					
<b>ECONOMIC</b>						
Economic Performance						
G4-EC1	6	7	40	41	51	55
G4-EC2	34	36				
G4-EC3	54	55				
G4-EC4	40					
Market Presence						
G4-EC5	66					
G4-EC6	52					
Indirect Economic Impact						
G4-EC7	50					
G4-EC8	50					
Procurement Practices						
G4-EC9	42					
<b>ENVIRONMENTAL</b>						
Material						
G4-EN1						
G4-EN2						
Energy						
G4-EN3	46	47				
G4-EN4	46	47				
G4-EN5	47					
G4-EN6						
G4-EN7						
Water						
G4-EN8	44					
G4-EN9	44					
G4-EN10	46					
Biodiversity						
G4-EN11						
G4-EN12	49					
G4-EN13						
G4-EN14						
Biodiversity						
G4-EN15	49					
G4-EN16	49					
G4-EN17	49					
G4-EN18						
G4-EN19						
G4-EN20	49					



G4-EN21	49				
<b>Effluents and Waste</b>					
G4-EN22					
G4-EN23					
G4-EN24					
G4-EN25	NA				
G4-EN26					
<b>Products and Services</b>					
G4-EN27					
G4-EN28	NA				
<b>Compliance</b>					
G4-EN29	40	42			
<b>Transport</b>					
G4-EN30					
<b>Overall</b>					
G4-EN31					
<b>Environmental Grievance Mechanisms</b>					
G4-EN34	38				
<b>LABOR PRACTICES AND DECENT WORK</b>					
<b>Employment</b>					
G4-LA1	54				
G4-LA2	54				
G4-LA3	54				
<b>Labor/ Management Relations</b>					
G4-LA4	54				
<b>Occupational Health and Safety</b>					
G4-LA5	62				
G4-LA6	60	62			
G4-LA7	62				
G4-LA8					
<b>Training and Education</b>					
G4-LA9	55				
G4-LA10	54	55			
G4-LA11	56				
<b>Diversity and Equal Opportunity</b>					
G4-LA12	27	28	30	51	66
<b>Equal Remuneration for Women and Men</b>					
G4-LA13					
<b>Labor Practices Grievance Mechanisms</b>					
G4-LA16	38				

GENERAL STANDARD DISCLOSURES	PAGES		
<b>HUMAN RIGHTS</b>			
Investment			
G4-HR1			
G4-HR2			
Non-discrimination			
G4-HR3	38		
Freedom of Association and Collective bargaining			
G4-HR4			
Child Labor			
G4-HR5			
Forced or Compulsory Labor			
G4-HR6			
Security Practices			
G4-HR7	65		
Indigenous Rights			
G4-HR8	38		
Assessment			
G4-HR9			
Human Rights Grievance Mechanisms			
G4-HR12	38		
<b>SOCIETY</b>			
Local Communities			
G4-SO1	50	58	59
G4-SO2			
Anti-corruption			
G4-SO3	36	37	
G4-SO4	36	37	
G4-SO5	38		
Anti-corruption			
Public Policy	40		
Anti-competitive behavior			
G4-SO7	38		
Compliance			
G4-SO8	40		
Social Impact Grievance Mechanisms			
G4-SO11	38		
<b>PRODUCT RESPONSIBILITY</b>			
Customer Health and Safety			
G4-PR1			
G4-PR2	38		

<b>Product and Service Labeling</b>	
G4-PR3	NA
G4-PR4	NA
G4-PR5	
<b>Marketing Communications</b>	
G4-PR6	NA
G4-PR7	38
<b>Customer Privacy</b>	
G4-PR8	38
<b>Compliance</b>	
G4-PR9	40



# F U N O



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.