



# LIMITLESS

2018 ANNUAL AND SUSTAINABILITY REPORT

FUNO<sup>®</sup>



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# 2018 IN NUMBERS

**536**  
PROPERTIES

**95.3%**  
OCCUPANCY RATE

**559**  
OPERATIONS

REVENUES  
**\$17,205.1**

SOCIAL INVESTMENT OVER  
**\$120** MILLION  
PESOS

**6,076.1**  
TRAINING HOURS

**754**  
EMPLOYEES

**+8.6** sqm  
GLA IN OPERATION

**13** LEED CERTIFIED  
PROPERTIES

**538,761.5** sqm  
OF DEVELOPMENT GLA



F U N O ' S  
LEADERSHIP

32 quarters

CONSECUTIVE OF GROWTH



# MESSAGE FROM OUR CEO

## DEAR INVESTORS AND TEAM:

I am proud to once again, report on our solid Financial and ESG performance for 2018, these results stand out, against the volatility we have seen in markets for the last couple of years.

The financial background and its complexity are no limit for FUNO, given the duality which characterizes FIBRA UNO. On the one hand we work to overcome our biggest challenge: explore, identify and acquire properties with the best locations in the country, while having state of the art design, construction and development, marketing practices, occupancy rate, maintenance and the overall administration of such properties.

On the other hand, we are also in the public markets' world, which means a strong commitment to investors and analysts, as well as towards the press which covers our performance and growth. In order to respond to the debt and equity markets, we have decided to balance our priorities, keeping a prudent debt rate at 33.1%, while offering certainty and financial health. This is how we create Sustainable value, deriving in solid distributions and increased CAPEX on our properties, allowing an organic and healthy growth.

Given the aforementioned duality, at FUNO, we strive to strengthen our vision, with a management focus on delivering developments, taking advantage of market opportunities and upkeeping property value, which goes hand in hand with strengthening corporate governance practices.

While integrating properties to our portfolio in 2018, which acquisition was announced at the end of 2017, we will continue to create value in the upcoming years by delivering the properties we have currently under development. In addition, we are still Mexico's largest and most important FIBRA,

At FUNO we create value  
by: **increasing property value and materializing sustainable long-term financial results.**  
By finding, acquiring and managing, **the best located properties,** as well as **delivering results to CBFi Holder's and partners.**

hence, we are the markets reference for sustainability standards, occupancy rates and rents, being therefore the most competitive option for our tenants, beneficial to our revenues and valuable in our expenses compensation.

GLA: **8.6 million sqm**  
Occupancy rate: **95.3%**

As a result, at the end of 2018, our total income increased by 15.6% vs 2017, with an operating margin close to 87.8% and a GLA of 8.6 million sqm with a consolidated occupancy rate of 95.3%.

Our strong business model, has allowed us to dispose non-essential assets; in 2018 we sold a bundle of assets for an average of 1.3x more their book value, which represented \$52.8 per CBFi, proving once again our property valuation in our accountability is not only reasonable but even conservative. We have put most of the revenues from this asset recycling towards repurchasing CBFis, finalizing 2018 with a repurchase of almost 77 million CBFis.

The intrinsic value of our properties shown in our accountability **has not only been reasonable but even conservative.**

Such amazing results in a FIBRA of our size, requires immense effort from all of us who work at FUNO. Hence, I am profoundly grateful to our employees for their limitless dedication and determination to make FUNO a world class company; and I invite them to strive for bigger goals in the upcoming years.

For the third year, we have confirmed our support to the United Nations Global Compact and we Will continue working to act on the 10 principles as well as to contribute in Mexico's achievement of the 17 sustainable development goals.

We are very proud of our ESG results in which for the second year in a row are members of the DJSI MILA and first-time members of the FTSE4Good. We will continue working to create shared social value for Mexico and particularly for the communities where we operate.

**Members of the DJSI MILA** for the 2 year in a row and **1<sup>st</sup> time members of FTSE4Good.**

Finally, I would like to remark our commitment with Mexico, we believe in this country, its people and the opportunities it has to offer. We are convinced Mexico has been and will continue to be a great place to invest, hence our perspective is intact on long-term value creation; we are certain the upcoming years will be as good as the last ones.

Sincerely, ,  
**André El-Mann**  
Chief Executive Officer



# MESSAGE FROM OUR DEPUTY CEO

## DEAR INVESTORS AND TEAM:

It is my great satisfaction to present the solid results achieved by all of us in 2018. It was a year in which we reached our 32<sup>nd</sup> trimester of consecutive growth, in spite of the complex national and international convolutions.

Torre Cuarzo and Midtown Jalisco. In 2019 we are looking to complete and deliver Mariano Escobedo, La Isla Cancún II y La Viga. Such events, will push us forward in our path towards creating value for our stakeholders, since we will begin to see cash flows from these properties in 2019 and their acceleration towards 2020.

This is our way to strengthen our leadership in the sector, and there are several factors playing together to provide us with stability and proving our solid business model: our focus on long-term value creation; the unique location of our properties, the constant appreciation of our portfolio, the ample experience of our executive team and board members; and of course, our inner conviction and commitment towards sustainability.

It is noteworthy, that our conviction towards sustainability is yet another differentiating factor in which we remain as leaders in the Real Estate sector in Mexico. This has compelled us to create our sustainability policy, which establishes the guidelines and goals on corporate governance, environmental performance, social responsibility and health and safety, while for 2019 we are committed to create a sustainability committee, which will strengthen and implement every sustainability initiative within our operations.

2018 was another remarkable year in our history, we stood up to our commitments laid out since our IPO, while remaining with a consolidated occupancy rate of 95% and an NOI Margin over 87%.

Additionally, we delivered key properties which were on our development portfolio and will began operations, such as

2018 was another remarkable year in our history, we continue to deliver on our commitments laid out since our IPO.

Our conviction towards sustainability is yet another differentiating factor in which **we remain leaders of the Real Estate sector in Mexico.**

We also executed our first ESG risk assessment, looking at defining action plans for 2018-2020; and setting the table for our Sustainability strategy 2025.

We promote development and inclusion everywhere we operate. FUNO's properties have become beating hearts of the communities where we work, since they also play the role of social gathering places, direct and indirect employment and economic welfare. Our properties support local economies and assist neighboring communities with infrastructure and education, making positive impact in their wellbeing and quality of life.

In 2018 we established our **sustainability policy and executed our first ESG Risk assessment** applicable to 100% of our properties.

FUNO's properties have become **beating hearts of the communities where we work.**

At FUNO, we work to Benefit our CBFi holders, tenants, guests and neighbors. Nonetheless we look at benefiting society at large, through our foundation and other social organizations with in-kind donations favoring diverse minority groups; mainly through supporting education and decent work initiatives.

FUNO supported the re-construction of affected neighborhoods in Mexico City, after the September earthquakes. We also supported "Manos al Futuro" an initiative to develop construction workers skills and certified them, while improving their employment opportunities. With a total contribution of 23.5 million pesos, in addition to all the social work we do exclusively in each property, through our CSR initiatives.

This has been possible through the trust invested in us by our CBFi holders, tenants and suppliers; and of course, thanks to the dedicated and constant commitment of our employees.

Sincerely,  
**Gonzalo Robina**  
Deputy Chief Executive Officer



H I G H E R

A N D H I G H E R

1 NO POVERTY



Due to the nature of our business, we are the powerhouse of the local economy in the communities in which we operate; the activity it creates is the beat of progress. We generate an economic spillover of \$693,463,741 through our suppliers and a total investment of \$303,431,587 in human capital.

The pace of development begins inside our REIT and is the outcome of solid results.

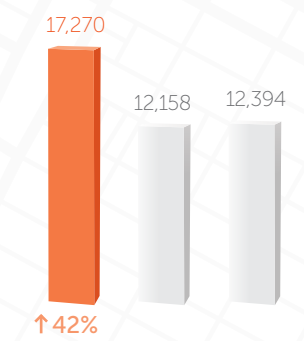
15.1  
2021  
TOTAL REVENUES



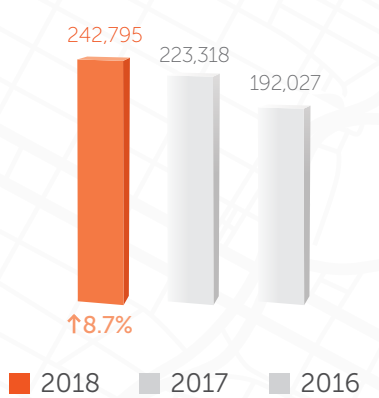
# SOLID RESULTS

Key indicators <sup>(1)</sup>	2018	2017	2016	Δ% 2018 vs 2017
<b>Financial Indicators</b>				
Total revenues	17,205.1	14,621.1	13,252.8	17%
Income from leases <sup>(2)</sup>	15,247.2	12,670.0	11,756.6	20%
Net Operating Income (NOI)	13,646.4	11,741.3	10,667.1	16%
NOI Margin <sup>(3)</sup>	88%	90.8%	89.5%	-3%
Flow from Operations (FFO)	8,505.3	6,670.3	6,411.3	27%
FFO Margin <sup>(4)</sup>	54.8%	51.6%	53.8%	6%
Distribution per CBFi	2.2	2	1.9	10%
Consolidated net income	17,270	12,158	12,394	42%
<b>Assets</b>				
Current assets	10,471.7	12,078.1	11,673.2	-14%
Non-current assets	232,323.3	210,844	180,353.7	10%
Total assets	242,795	223,317.5	192,027	8%
<b>Liabilities and Equity</b>				
Current liabilities	5,711.7	6,602.5	4,124.9	-13%
Non current liabilities	78,977.9	66,838.5	65,258.7	18%
Total liabilities	84,689.7	73,440.9	69,383.6	15%
Total trustors' equity	158,105.3	149,876.5	122,643.3	5%
Historic leverage	33.1%	31.3%	34.3%	5%
<b>Operating Indicators</b>				
CBFIs outstanding (million)	3,890.1	3,956.8	3,249.3	-2%
Gross Leasable Area (sqm)	8,614,725	8,447,785	7,369,935	2%
GLA under development (sqm) <sup>(5)</sup>	538,761.5	697,484.5	792,800	-23%
Total occupancy	95.3%	94.3%	94.4%	1%

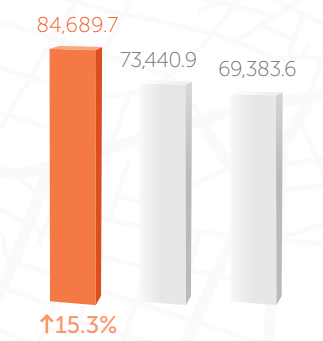
Consolidated net income



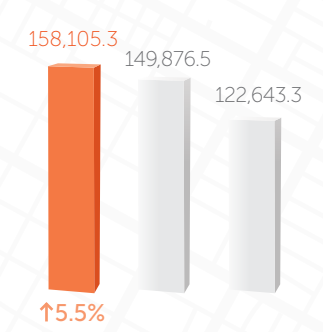
Total Assets



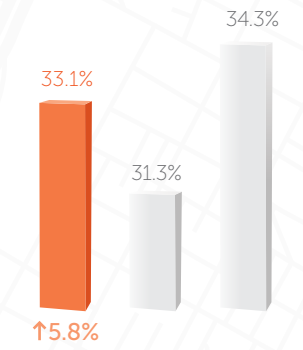
Total liabilities



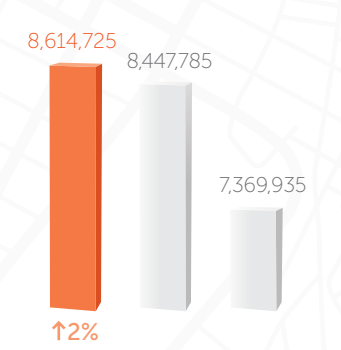
Total trustors' equity



Historic leverage



Gross Leasable Area (sqm) <sup>(5)</sup>



<sup>(1)</sup> Figures in millions of Mexican pesos, except data per CBFi and gross leasable area.  
<sup>(2)</sup> Margin over total revenues.  
<sup>(3)</sup> Margin over rental revenues.  
<sup>(4)</sup> Includes total GLA of Torre Mayor, Torre Latino, Torre Diana and Mitikah.  
<sup>(5)</sup> Includes the Mitikah mixed-use development and developments with joint venture partners; GLA adjusted for SEP occupancy of Centro Bancomer.

We have a number of tools for guaranteeing solid results like capitalization policies, ERP through Oracle, and accounting and financial policies aligned with IFRS; we also have security

mechanisms in place to help us apply best accounting and market practices in audit matters, which is carried out a cross-check basis and is complemented by a financial audit.



# LOOKING FORWARD

## FINANCES AND TREASURY

2018 Commitment	Progress	Description	2019 Commitments
Have bond issue programs ready to launch when necessary, to be used only for acquisitions.	✓	<ul style="list-style-type: none"> <li>We maintained programs and floated to issues to roll over debt to longer terms.</li> <li>We reduced the cost of our debt.</li> </ul>	Execute \$2.05 billion in financing for the Mitikah project.
Refinance the FUNO 15 bond maturing in 2019.	✓	Successfully refinanced FUNO 15 bond.	<p>Fund potential new acquisitions without jeopardizing credit rating.</p> <p>Keep the market informed with clear, transparent reporting, providing an integrated report of financial and sustainability performance. Continue involving reported information to enhance understanding of our business, while remaining aligned with international best practices.</p>
Keep credit lines open under the best possible conditions.	✓	We improved conditions on our credit lines; against of a goal of \$6.0 billion in bilateral short-term lines of credit, we obtained \$6.91 billion.	<ul style="list-style-type: none"> <li>Use our money more efficiently to lower financial expense.</li> <li>Improve treasury reconciliation systems; among other purposes, to make sure the collections department has timely information.</li> </ul>



Punta Santa Fe, Mexico City



# WE BELIEVE IN MEXICO



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We are the first and largest REIT in Mexico, and our skills to create long term value sets us apart from everybody else.

Sustainability is one of our priorities, hence we have adopted best business practices in order to benefit all our stakeholders.

# sustainable

DEVELOPMENT



# SETTING OUR PRIORITIES

We strive to create long term value, while benefitting all our stakeholders. We do so, through our competitive advantages:

- Exceptional Portfolio
- Unique locations
- Our regional and market standing
- Our leasing potential
- The quality of our tenants
- Our potential as a whole
- Long-term relationships with suppliers and contractors
- Property improvements

## SUSTAINABILITY MANAGEMENT

We are sustainability leaders in Mexico our management includes all business areas across our portfolio.

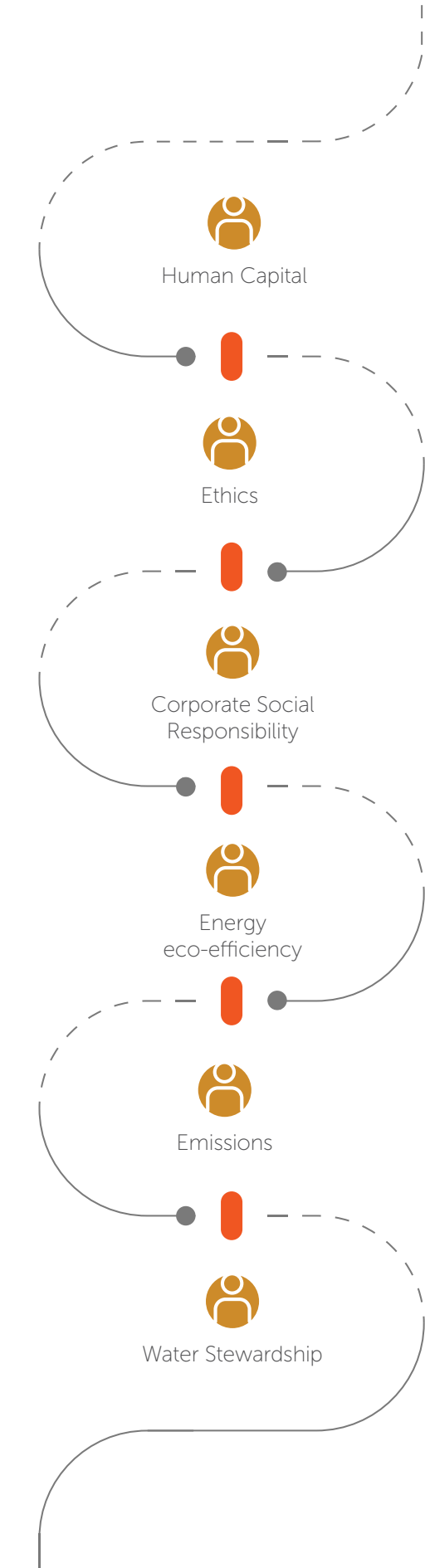
Our guidelines have been established by our executive team, which then permeates them onto the operational levels; while our operating staff also contributes with information, data and feedback in order to support decision making at the executive level.

Our goal is to continue to be leaders in all aspects. In order to do so, we have developed a solid strategy, resulting from our 2016 materiality analysis, but which was updated with our ESG risk assessment in 2018 (page 132).

Our sustainability strategy has 6 action lines to be executed in the period 2016-2020. This action lines represent the material aspects for our business and are the ones which would

In 2018 **we created the Sustainability Committee,** which will be responsible of **all decision-making** starting **January 2019.**

have higher impact in our social and environmental performance. They are also aligned with the Sustainable Development Goals all of which, Mexico committed to, in 2015.



With each strategic line, we aim at:

- Reducing current operational expenses
- Maintaining or increasing property values
- Increase our ESG Investor baseline

In 2018 we created our Sustainability Policy, applicable to all our employees and properties. Its compliance is guaranteed and monitored through our internal system Bizagi.

Our sustainability policy establishes: Corporate governance, social, health, safety and environmental standards including energy eco-efficiency, water stewardship, emissions, Waste and regulatory compliance-. It also specifies, the responsible positions for sustainability management across our organization; the operational guidelines, as well as our monthly report and the description of information flow.

In 2018 **we signed and implemented our Sustainability Policy.**



- UN Global Compact Members
- Creation of the Sustainability Department
- 1<sup>st</sup> materiality assessment
- Established our sustainability strategy 2016-2020



- Members of DJSI MILA Index
- Strengthen our sustainability strategy focusing on material issues
- Published our 1<sup>st</sup> Sustainability Report

- Established our Sustainability Policy
- Mapping of ESG risks
- Members of FTSE4Good Index
- 1<sup>st</sup> company wide carbon footprint measurement



- Implement our internal Sustainability Committee
- Implement the sustainability committee at the Mexican Association of Real Estate Fibras
- Share best practices and lessons learned with other FIBRAS in Mexico

**1,991 training hours in sustainability topics,** aiming at creating awareness within our employees of our impact and responsibility on CSR, environmental conservation and financial performance.



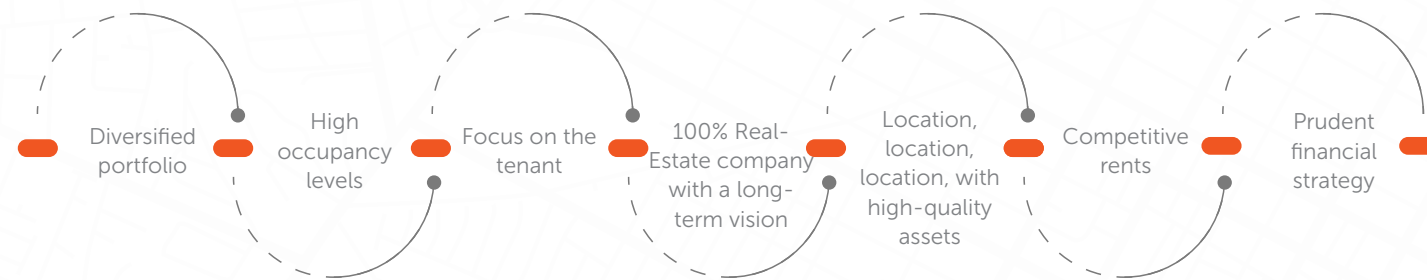
# SUSTAINABLE VALUE CREATION MODEL

We have mapped our value creation model and identified the way each of our stakeholders benefit and the impact we have on each of them.

## WHAT?

### GOAL

To generate the maximum amount of value over time



## HOW?

### SUSTAINABILITY



## WHO BENEFITS?

## HOW DO THEY BENEFIT?

## WHAT IS THE IMPACT?

## COMMUNICATION CHANNELS

- Investor Relations Office
- FUNO Day
- Participation in conferences
- Meetings with analysts, banks, rating agencies, etc.
- Quarterly surveys
- Annual report
- Press releases



- Financial results: sustained returns
- Business stability and continuity
- Transparency

- Confidence
- Reinvestment
- Growth in revenues



- Social commitment = creation of FUNO Foundation
- Shopping centers as spaces for communication and integration
- Support in natural disasters

- Contribution to creating indirect jobs = tourism = development of local economies
- Facilitation of climates that are good for progress
- Support for vulnerable groups

- Social networks
- Website
- Regional manager



- Quality services
- Speedy, efficient applications and processes

- Contribution to generation of indirect jobs = local economic development
- Trust and loyalty by tenants
- Customer (tenant) satisfaction
- Brands strengthened by presence

- Sole Project Representatives (RUP)
- Regional Managers
- Collections Office
- Tenant coordination Office
- Social networks
- One-on-one meetings



- Guaranteed safety
- Best experience in the visit
- Innovative services

- Contribution to comprehensive development of society
- Helping to improve quality of life for Mexican families
- Rise in tourism

- Social networks
- Regional manager
- Suggestion box
- On-site marketing



- Compliance with guidelines and regulations
- Cooperation with authorities
- Prompt submission of information to authorities
- Anti-corruption practices
- On-time tax payments

- Transparency
- Development of social programs
- Investment in infrastructure
- Elimination of corruption

- Senior management
- Legal counsel
- Regional manager



- Sustainable financial results
- Transparency

- Feedback for continuous improvement

- One-on-one meetings
- Investor Relations Office
- Vice Presidents of Treasury and Finance



- Free competition
- Transparent selection processes
- On-time payment
- Engagement of local suppliers

- Supplier loyalty
- Quality inputs and services = greater economic benefits for suppliers
- Operation under ethical standards
- Building long-term, mutually beneficial commercial relationships
- Contribution to development of local economies

- Procurement office
- Area that engages or requests the service
- Contracts
- Suppliers' Portal
- One-on-one meetings



- Job security
- Competitive benefits
- Helping to improve quality of life for employees and their families
- Comprehensive advancement
- Occupational health and safety

- Motivation and challenges
- Being part of the culture and the institution
- Keeping jobs (acquisitions)
- Increased retention index
- Employee satisfaction

- Open-door policy
- Workplace environment surveys
- Integration day
- Human Resources Office
- Meeting of building Managers
- Whistleblowing mechanism
- E-mail

Constant communication with communities is imperative for our operations, we have set guidelines within our Operations Manual, and established the right communication protocols, in which we set out the allowed communication channels, promotions, events and digital marketing strategies, as well as permitted material and forbidden material such as telenovelas, news and shows for adults only; this was established, in order

to avoid sending wrong messages or skew communities in terms of social, political or economic issues.

At FUNO we strive to remain neutral in our marketing and communication strategies and we are committed to avoid all discriminatory advertising; while promoting inclusion and diversifying our communication channels.



# LOOKING FORWARD

## SUSTAINABILITY

2018 Commitments	Progress	Description	2019 Commitments
Continue our transparency on ESG performance and keep trust and reliability from our tenants and CBFH Holders	✓	<ul style="list-style-type: none"> <li>Remained members of DJSI MILA.</li> <li>Included in the FTSE4Good Index.</li> <li>Still committed with the UN Global Compact.</li> <li>Presented our ESG performance on investors day.</li> </ul>	Create the Sustainability Committee
Compare properties with their own performance on trimestral bases, on their water and energy consumption	✓	<ul style="list-style-type: none"> <li>Monitor 111 properties on ESG Performance.</li> <li>Created our carbon footprint calculator, with the support of a third independent party.</li> </ul>	Audit our ESG Performance Compare properties against their own performance in previous years
Increase our participation on ESG Forums	✓	Participants of the Sustainable Cities Forum.	Increase our participation on ESG Forums
Build and strengthen FUNO's reputation inside and outside the organization through initiatives for each audience	✓	<ul style="list-style-type: none"> <li>We have standardized Corporate initiatives such as: Annual reforestation and annual drives for social charity.</li> <li>Improved our communication with outside stakeholders through the marketing department in order to inform on ESG Performance, through our social media accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Design an action map for the resolution of all emerging and relevant risks, identified through our sustainability risk assessment.</li> <li>Execute a companywide risk assessment, including ESG, Financial and reputational risks.</li> </ul>
Increase presence of the FUNO Brand in strategic communication channels	✓	<ul style="list-style-type: none"> <li>In the internal work climate, sustainability was ranked as the second-best performance and with the most growth within the organization.</li> </ul>	Create a social responsibility plan, applicable for 100% of our properties

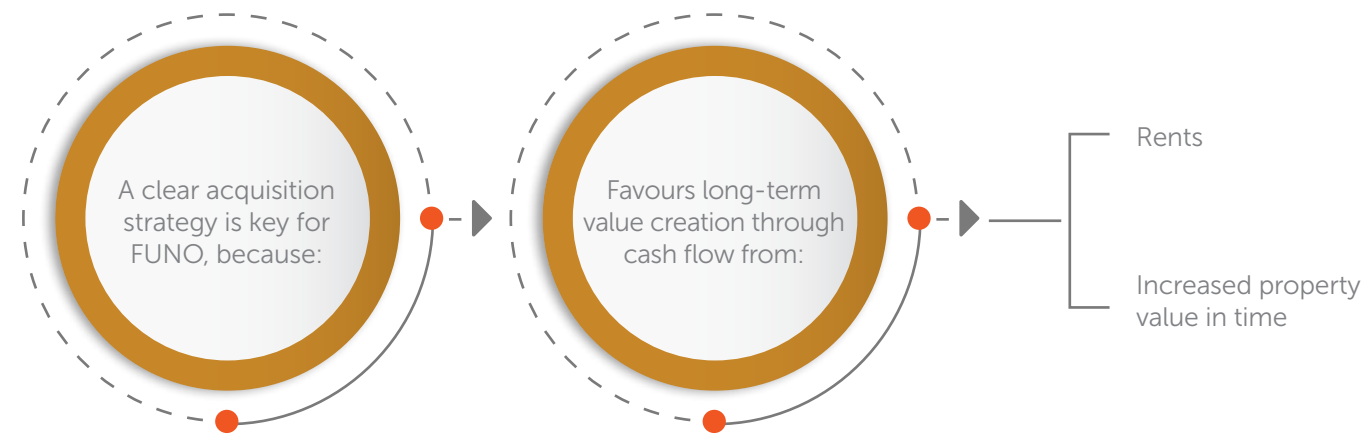




# UNLIMITED BUSINESS GROWTH



Our acquisitions policy defines the formal process in which new acquisitions shall be executed, it also establishes the required number of votes from the Technical Committee and its independent members. All three tools include a due diligence on environmental, structural and financial aspects in order to identify the viability of potential acquisitions.

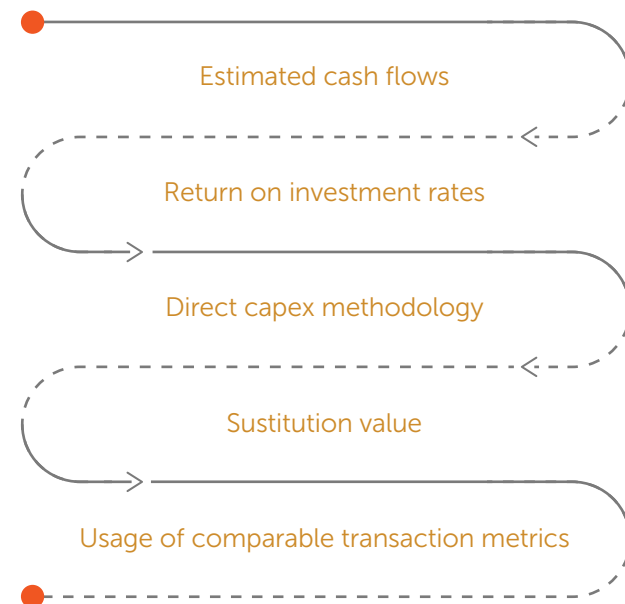


This policy and process allow us to plan in the long term and provide certainty to our CBFI Holders.

For the execution of the acquisition's strategy, we have assembled a specialized team including our Deputy CEO, an acquisition director and a manager.

At FUNO we have established several methodologies and factors to evaluate property acquisitions, including:

This methodology is implemented through different software's, through the design and execution of financial models. Likewise, we provide certainty in such value estimations and we use qualified and well-known financial sources such as Bloomberg and the Economist Intelligence Unit, in addition to specialized data bases and macro-economic public information.



The results and performance on acquisitions are evaluated in two ways:

1. Sustainable FUNOs resources: meaning all resources are allocated to create CBFI Holders value and increasing the value in time (value accretive), through dividends and attractive rates, based on its appreciation in time and within the best locations.
2. The constant value creation through property management in order to validate our acquisition prices. This process is a shared responsibility between our acquisitions and operations team.

When the acquisitions team analyzes any given transaction, it uses management "givens" which may create additional value in the long term – such as our possibility to increase occupancy rates, contract renewals, competitive rents and reduce the accounts receivable and management efficiency, amongst others.

Once the acquisition team finishes the transaction, the operations team takes over the property and begins its efforts to improve the property performance, which in turns validates the purchase Price by increasing its return on investment.

**We successfully accomplished our acquisitions plan in 2018.**

In 2018 we closed and integrated several portfolios announces during 2017: such as Turbo, Apolo II and the acquisition of an additional 21% of Torre Mayor. With these transactions we reaffirm our leadership position as the largest and most important REIT in Mexico.



PORTFOLIO ACQUISITIONS

# TURBO

It included brand new developments in key locations within all three segments. We remain at the forefront in terms of architecture, design and technology while integrating world class tenants to our tenant roster.

# APOLO III

Shows the continuity of our successful acquisition strategy and our management expertise, taking advantage of affluence numbers, while increasing our entertainment, food and beverage services.

# SAQQARA

Office building located in San Pedro Garza García, within the Monterrey, Nuevo León metropolitan area. This municipality is characterized by its financial importance and the great commercial, residential and office activity. The building was leased almost entirely by one of Mexico's financial institutions in a competitive rent price and with a long-term lease contract.

# TORRE MAYOR

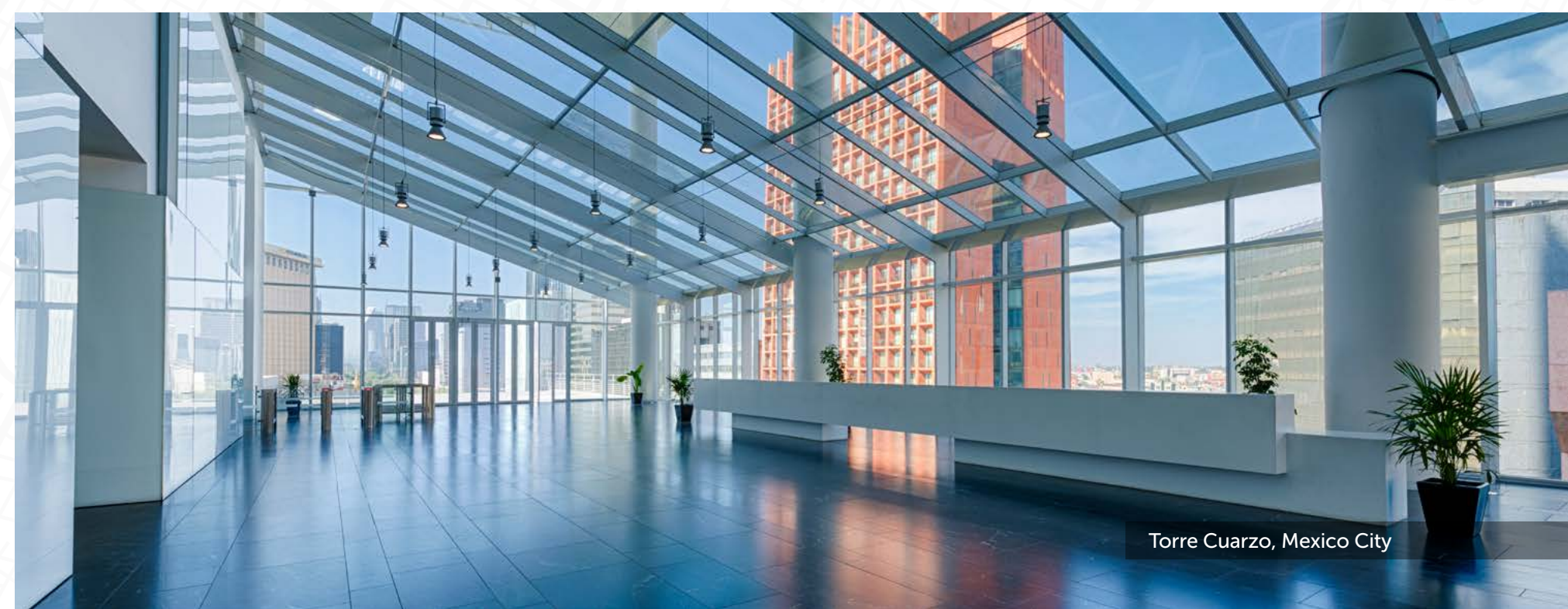
We purchased an additional 21% of Torre Mayor, for a total of 70% in participation and fiduciary duties of the property. With it, we consolidated our position in one of Mexico's most iconic buildings with world-class tenants.

# EDIFICIO DE OFICINAS MONTES URALES

This property is strategically located in one of Mexico's best corridors, on top of being an emblematic building, which will guarantee a competitive rent price.

Likewise, in 2018 we sold a bundle of non-strategic assets with a sell price of 1.3 x their book value; most of the revenues from this sell were used to repurchase FUNO CBFIs. Proving once again our acquisitions and our disposal strategy is focused on value creation for our CBFH Holders.

In 2018, four properties began operations:  
**Torre Cuarzo, Montes Urales 620, Midtown Jalisco and Centrum Park.**



Torre Cuarzo, Mexico City



## LOOKING FORWARD

### UNLIMITED BUSINESS GROWTH

2018 Commitments	Progress	Description	2019 Commitments
Reach 9.8 million sqm of GLA by 2020	➔	In 2018 we closed with a total of 8.6 million sqm of GLA.  Evaluate properties on strategic locations and AAA tenants to grow our portfolio.	Take key investors on at least two property tours  Continue with our original acquisition's strategy
Incorporate and stabilize acquired properties	➔	<ul style="list-style-type: none"> <li>Stabilized and integrated Apolo II.</li> <li>Turbo's stabilization is in progress.</li> <li>Midtown Jalisco stabilization is in progress.</li> <li>Guanajuato is under construction.</li> </ul>	Incorporate and stabilize acquired properties
Reduce and negotiate our receivable accounts	➔	<ul style="list-style-type: none"> <li>Account receivable reconciliation of Corporate tenants with and bad debts drill down (over 91 days).</li> <li>Legal collection strategies.</li> <li>Closing 2018 we achieved a reduction of our accounts receivable of less than 25.1 days.</li> </ul>	Implement a collection management system to follow up 100% of our account receivable balance
Consolidation of condominium property titles	➔		Consolidation of condominium property titles
Analysis, impugment and recollection of our Brand	✓	Obtained favorable results from the legal dispute.	Internalization of portfolios and resolution of 100% of leasing contracts.
Non-strategic asset recycling	➔	Continue our asset-recycling program while using the procedures to create long-term value.	Add value through transactions, that Benefit our CBFH Holders with value appreciation of their capital as well as expected financial returns.



2020 Commitment  
Reach 9.8 million  
sqm of GLA.



# BEYOND OUR PROPERTIES

10 REDUCED INEQUALITIES



Promote equal opportunities in Mexico is one of our mottos. Hence, our supply chain is mainly constituted by Mexican suppliers. In addition to being top employers in Mexico, we also create employment opportunities through our tenants and suppliers.

We have created strategic alliances to strengthen our supply chain, with transparency and meaningful relationships.

Uptown, Merida

CENTRALIZED SUPPLIERS



# SUPPLY CHAIN

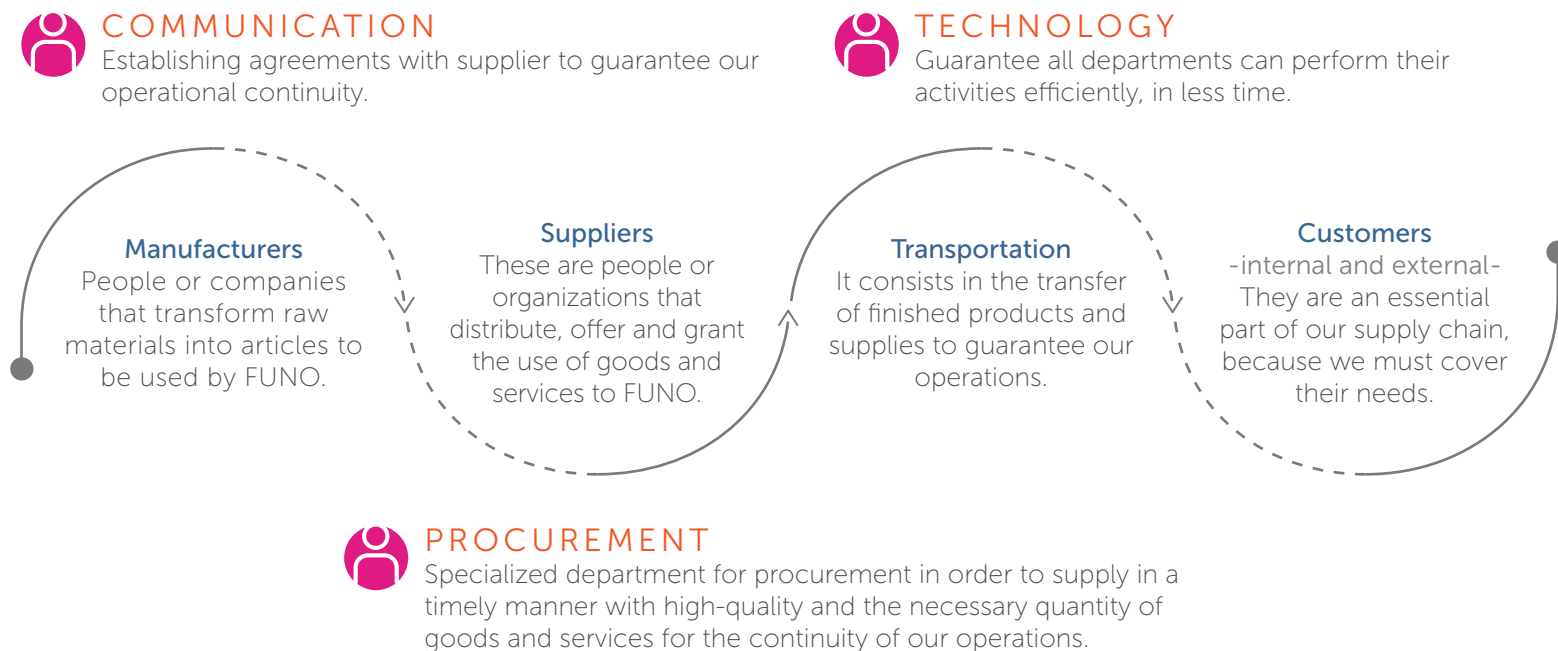
Our supply chain management is a strategic priority at FUNO. It allows us to timely satisfy our properties needs with high-quality products and services, giving continuity to our operations.

In 2018 we centralized our purchase processes and focused on our supply chain management, creating a procurement acquisition policy with will be executed throughout 2019.

Some achievements were:

- 100% of suppliers were segmented throughout 76 categories.
- Suppliers contracts were modified.
- Creation of the acquisitions of procurement team; with specialized personnel.
- Revision of the procurement processes.
- Interaction of all FUNO departments in order to better meet their needs and improve communication within our procurement department and internal clients.
- Strategic plans to improve communication and interaction between the procurement department and other internal clients.

Our supply chain includes:



We have **1,177 centralized suppliers;** 47 of them were included to our roster during 2018, **all of them are local.**

Our suppliers can be defined in three main categories:

- Consumption goods. Provide us with products satisfying direct needs such as: machinery, electric appliances, etc.
- Professional Services. Organizations or people offering technical or special services when we require specific advisory, such as app developments and software, tax payments, content translation, etc.
- External Consultants. Organizations or people with the ability to make recommendations on strategic planning, in order to solve specific situations, such as customs agents, auditors, etc.
- Utilities: providers of water, natural gas, electricity, etc.

Our operations team evaluates our Tier-1 suppliers; some of the evaluated aspects are:

1. All subcontracted employees must be over 18 years old.
2. Supplier has to provide social health security through Instituto Mexicano del Seguro Social (IMSS) and other legal benefits.
3. Provide safe working conditions.

Throughout 2018, we evaluated cleaning and Safety suppliers –key Tier 1 suppliers-, reinforcing Good practices through an external audit; from this audit we identified opportunities to strengthen in our supply chain such as:

- Increase lock systems and tools to ensure all suppliers comply with legal regulations and FUNO standards.
- Guarantee their Access to our Oracle and Bizagi tools; to ease out the invoice and payment process.
- Increase other departments active participation in correctly assigning and choosing suppliers.
- Strengthen our procurement processes, policies and guidelines.

In addition, a commitment we had for 2018, was to strengthen our supply chain through centralizing procurement practices;



this process is currently undergoing and will continue through 2019. This will allow us to standardize process and ensure precise monitoring on the following issues:

- Supplier requisition
- Procurement requisition
- Savings
- Supplier roster
- Corporate contracts as well as on-site suppliers
- Certified supplier monitoring system
- Guarantee Service Level Agreement (SLA) inside FUNO

Amongst our improvement plans are:

- Issue a unitary supplier requisition for all properties with the same needs.
- Establish a unitary contract and maintenance policy for all vertical transportation suppliers.
- Generate corporate agreements for the acquisition of spare parts.
- Integration of marketing and operations processes.

Before the creation of the procurement area our operations team was the one in charge of supplier's evaluations. For 2019 we aim at co-creating and co-executing our "Certified supplier monitoring system".

**\$693.5 million pesos of economic spillover through suppliers;** 100% went to local suppliers.



# LOOKING FORWARD

## PROCUREMENT

2018 Commitments	Progress	Description	2019 Commitments
Respond and close 100% supplier and purchasing requisitions through the procurement area, instead of doing so, individually at the property level	➔	We achieved to respond and close 80%, of purchasing requisitions through the procurement area. This 80% represents 100% off possible requisitions to be done at the corporate level; there are some requisitions that due to their nature or urgency, have to be solved at the property level.  In 2018 we began to establish guidelines for the procurement process and its standardization through a new policy which is currently under revision.	<ul style="list-style-type: none"> <li>Enforcement of our procurement policy</li> <li>100% of purchases are executed based on the procurement policy</li> </ul>
Set up a "friend supplier" roster for each of our 46 categories; focusing on our tier 1 suppliers	➔	Stablished one of Mexico's most complex treasury systems.	Set up a "certified supplier management system"
Respond and close at least 95% of supplier and procurement requisitions within 30 days or less	✓	Implemented a host-to-host system for requisitions, which allows us to give information in a safer way.	
Identify opportunities in our procurement process	✓	We identified steps forward, as well as opportunity areas, thanks to our internal and external audits.	Comply and solve such opportunity areas
Mature our procurement processes	✓	In 2018 we created our procurement department. It grew threefold from 1 to 4 team members, al lot them experts on the matter.  We also settled on a deal with different Tier-1 suppliers for security, cleaning, maintenance and gardening services.	<ul style="list-style-type: none"> <li>Strengthen processes, policies for the procurement department</li> <li>Finish the centralization of recurring purchases</li> </ul>
Centralization of the purchasing process	➔	We began the execution of the centralization process for purchases:  Our strategy was: <ul style="list-style-type: none"> <li>Issue a requisition for a bundle of properties requiring the same service or Good; with the only exception of vertical transportation services.</li> <li>Stablish an individual contract for vertical transportation suppliers, in order to bundle up all property policies.</li> <li>Create corporate agreements for spare parts.</li> <li>Integrate our marketing and operation departments.</li> </ul>	<ul style="list-style-type: none"> <li>Control over purchasing requisitions</li> <li>Generate 5% of savings in purchasing</li> <li>Reduce our supplier roster by 20%</li> <li>Stablish Corporate agreements with at least 90% of suppliers</li> <li>Develop a certified supplier plan</li> <li>Execute in coordination with operations a "Certified Supplier" program</li> <li>Comply with Service Level Agreement (SLA)</li> </ul>



Uptown, Merida



# OUTLINING THE SKYLINE

9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



We are leaders in Sustainable infrastructure. 100% of our office developments have been LEED Certified. We have used state of the art, design, the best materials and whenever possible—like Torre Diana—, we have used certified wood. 973,745 sqm of our portfolio under development are LEED certified.

Torre Diana, Mexico City

8,614,725  
SQM OF GLA



# P O R T F O L I O

FUNO's leadership in Real Estate is due to our unique portfolio, being not only the largest, but also the most diversified, with the best locations in Mexico.

**8,614,725** sqm  
of GLA

**95.3%**  
occupancy rate

**538,761.5** sqm  
of GLA under development

**1.97** m<sup>3</sup>  
per sqm is our water  
intensity for 2018 <sup>(3)</sup>

**5,696,883.13** m<sup>3</sup>  
of water consumption nationwide <sup>(1)</sup>

**\$17,205.1**  
million pesos in revenues

↑17.7% vs 2017

**166,873,163** kWh  
consumed nationwide <sup>(1)</sup>; 62 kWh/sqm

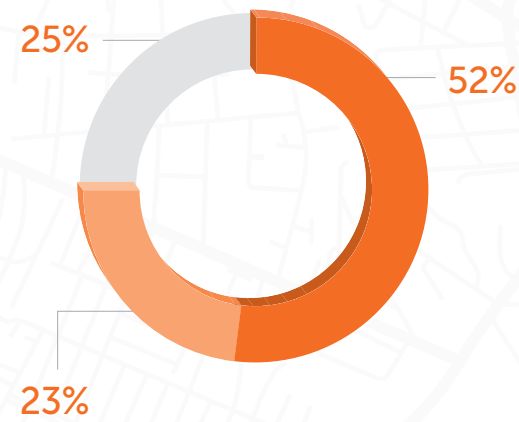
↑3.5% vs 2017

**15,329,223.3** kWh  
from fossil fuels consumed  
nationwide <sup>(1)(2)</sup>

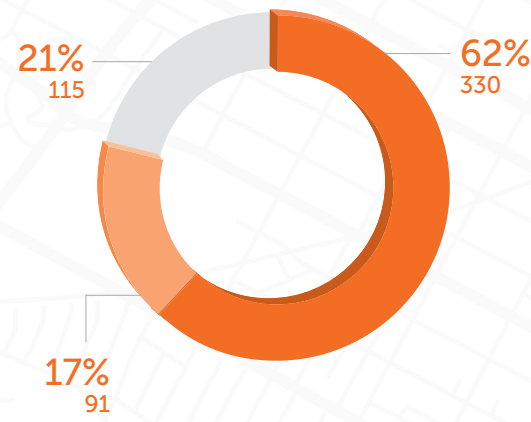
**66.9** kWh  
per occupied sqm is our  
energy intensity for 2018



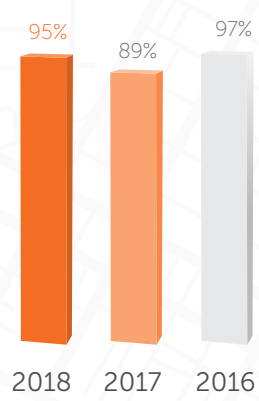
Income by segment



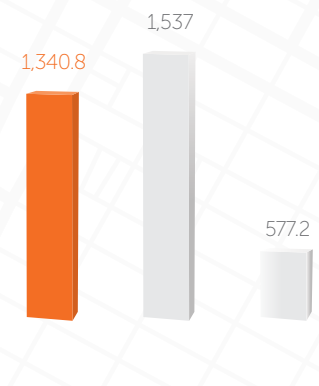
Properties by segment



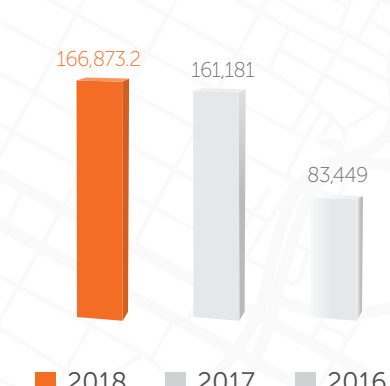
Total occupancy by segment



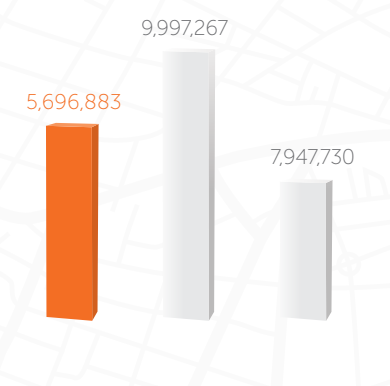
Energy consumption nationwide from fossil fuels (MWh)



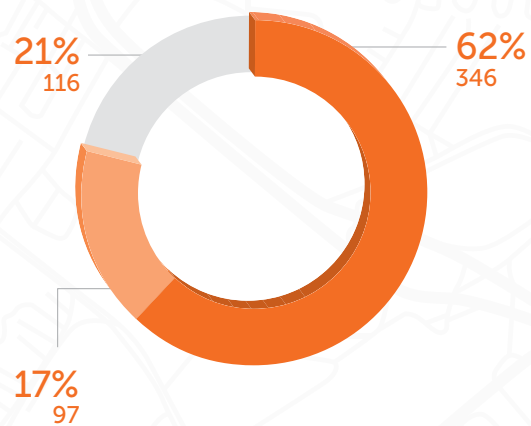
Electricity consumption nationwide (MWh)



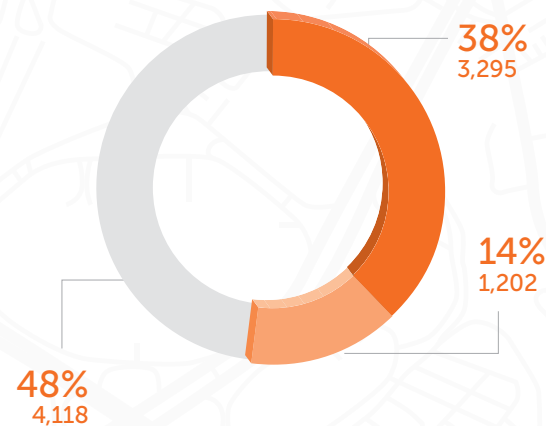
Water consumption nationwide (m³) (4)



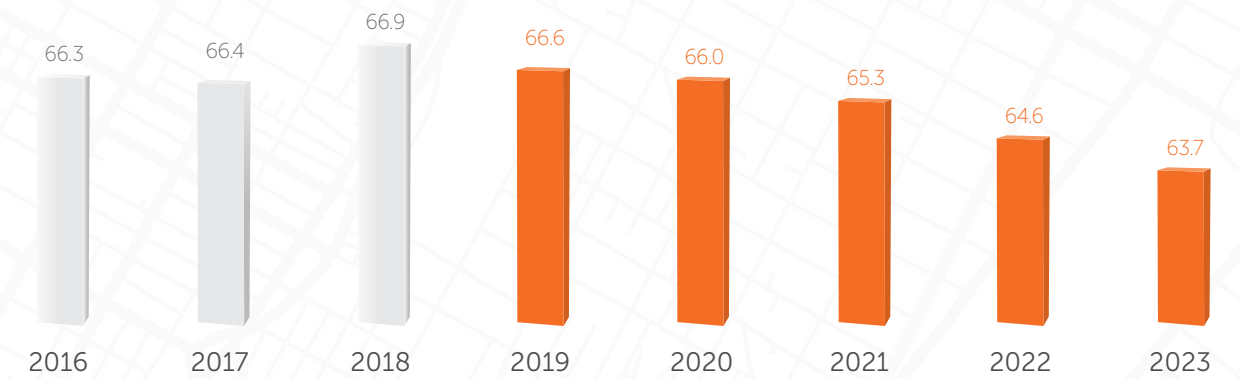
Number of operations



Gross Leasable Area ('000 sqm)



Electricity intensity of managed assets (kWh per occupied sqm)



	2016	2017	2018 (Baseline)	2019	2020	2021	2022	2023
Electricity intensity of managed assets (kWh per occupied sqm)	66.3	66.4	66.9	66.6	66.0	65.3	64.6	63.7
Decrease since 2018				-0.5%	-1.4%	-2.4%	-3.5%	-4.8%
Annual evolution		+0.2%	+0.7%	-0.5%	-0.9%	-1.0%	-1.1%	-1.3%
Average annual evolution		+0.4%		-0.9%				

<sup>41</sup> Consumption of 110 "managed assets" please see our definition in page 137.

<sup>42</sup> The consumption of fossil fuels included in this calculation is as follows: 22,272 liters of diesel; 614 liters of gasoline; and 102,421 m³ of natural gas.

<sup>43</sup> The consumption considered for water intensity does not include Corporativo Constitución, because in 2018 it changed to the triple-net-rent model, nor Maine San Luis, industrial park in which we only paid the water service during the months that the property was available. For the consumption and the gross leasable area, we only consider the properties that we operate the full 12 months of the year 2018 and that they presented consumptions throughout the year.

<sup>44</sup> The breakdown of water consumption by source during the 2016-2018 period is as follows:

- 2016: 7,727,589 m³ from the municipal water supply and 220,141 m³ in tanker trucks.
- 2017: 8,124,398 m³ from the municipal water supply; 445,941 m³ in tanker trucks; 2,453,530 m³ from underground wells; and 13,398 m³ in wastewater from another organization which we treat and reuse. This calculation included the operation of 89 properties in which F1401 and the designated administrators are responsible, meaning they do not include consumption for which the tenants are responsible.
- 2018: 2,079,953 m³ from the municipal water supply; 596,774 m³ in tanker trucks; 3,007,763 m³ from underground wells; y 12,823 m³ in wastewater from another organization which we treat and reuse.





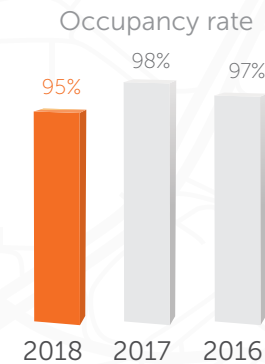
# SAMARA

DESIGN AND INNOVATION:  
FUNO'S CORE



Located within Santa Fe corridor, this complex is a mix-use property including 4 office buildings, one shopping center and a world-class hotel.

Uses **natural lighting and in-door flora and fauna** for ambiance.



**10 million people** visit SAMARA each year.

**36 direct generated** employment opportunities.

Year	Energy consumption (MWh)	Water consumption (m <sup>3</sup> )	Waste generated (t)
2016	83,449	7,947,730	
2017	161,182	8,570,339	
2018	166,873	5,696,883	1,323.99

SAMARA implemented a cardboard and cellulose recycling program, which includes tenants and suppliers.

On health and safety, we also implemented a crime prevention campaign, for auto theft and have an on-site emergency ambulance to service our more than 5000 fixed population.

**5,135 indirect** employment opportunities.

Goal for 2017	Progress in 2018
Maximize our property value through high occupancy rates	30%
Reduce our rent collection time	It was reduced to 37 days
Reduce our response time for whenever we have requests by tenants and guests	60%
Environmental processes and management system	45%
Becoming a sustainable building	45%
Increase the use of treated water within our property	55%
Reduce our electricity consumption	In process of implementation

7  
 6  
 5  
 4  
 3  
 2  
 1  
 SQM





# TORRE REFORMA-LATINO



It's a skyscraper located within the "Reforma Corridor" –Latin America's most important financial corridor-. Its exclusive location offers exceptional accessibility to different transportation hubs, as well as services such as banks, shopping malls and entertainment halls.

Torre Reforma Latino is a **LEED Gold certified building**. In 2018 it was recognized as **Mexico's city most sustainable building**.

# CHARACTERISTICS

- Height 185 m
- 47 floors
- 4 parking floors
- 88,513 sqm of construction
- +45,000 sqm of GLA
- 2,500 sqm of green areas, including vertical gardens to improve air quality and indoor temperature

# BUILDING

- Sustainable Modern infrastructure = LEED Gold Certified
- Heliport
- 20 elevators
- TV CCV
- Main crystal facade with a reflecting metallic coverup, which controls thermic indicators inside, as well as allowance of maximum natural light
- Building management system for electricity, water, lighting and ventilation automatization
- Airconditioning and mechanic ventilation
- Alternate rain water storage
- Portable water network
- Recycled water network
- Energy saving monitors
- Firefighting controls and system
- State of the art smoke extraction
- Stairs pressurizing system
- Evacuation and emergency exit plan, beyond legal regulations
- Bicycle stations
- Lockers and showers
- Dining hall

88,513 sqm OF CONSTRUCTION



# HIGH-PERFORMING HUMAN RESOURCES

102-8



At FUNO we work daily to be a responsible employer. We create jobs not only directly through our operations, but also, by opening spaces for other employers and creating economic growth.

Samara, Mexico City

EMPLOYEES





# HIGH PERFORMING HUMAN RESOURCES

At FUNO, we're not only interested in growing our portfolio; we're also committed to the most important asset of all: our human capital. With this in mind, we worked comprehensively to build the best team, as established in our Policy on Recruitment, Selection and Hiring of personnel.

The Policy covers all aspects of the process, from opening up new channels to recruit talent and seeking out a diversity of people with different profiles, to the specific process of interviewing and feedback, based on the principles of meritocracy and legality. The process of recruiting and selecting talent includes filters to guarantee that employees are of age to work, and to protect personal data.

To guarantee that our team incorporates the best talent, in 2018 we expanded our digital sources for talent recruitment to include:

- LinkedIn
- OCC
- University Job Banks
  - » Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM)
  - » Universidad Anáhuac
  - » Universidad Panamericana (UP)
  - » Universidad Iberoamericana (Ibero)
  - » Universidad La Salle

We also have the Open HR Management System, which generates a process flow to map out the internal portfolio and facilitate hiring procedures, while encouraging shared responsibility among our employees and strengthening commitment among new hires.

In 2018 we began by providing training to all new directors or area heads that join our staff about the process of continuously attracting new talent, making sure they are aware of the shared responsibilities and duties, and encouraging teamwork.

Among our 2018 achievements in this regard are:

- Expanding recruitment sources with LinkedIn, positioning FUNO as a job-making brand, and having the right job descriptions for strategic positions.
- We filled 93% of vacancies with the right people when needed.
- We signed more corporate agreements in health and education, closing out 2018 with 20 programs up and running.

In 2018 we joined an initiative called **“Éntrale”**, an initiative for the inclusion of people with disabilities into the workforce,

in which we participated in information-sharing meetings with private companies, promoting new job opportunities.



GRI 401, 405: 103-1, 103-2, 103-3; GRI 404: 103-3

In 2018 we began the process  
**and made our first  
inclusive hire.**

- Full systematization of the talent recruitment process through Open Humanet, generating a flow of work with both internal and external candidates.
- Training of internal clients in order to start the hiring process in accordance with the forms and requirements established in our current Policy on Recruitment, Selection and Hiring talent.



Torre Mexicana, Mexico City



# TEAM



At FUNO, we have an inclusive approach, and we encourage diversity and equal opportunities, as well as respect, fairness and the comprehensive advancement of all employees. This is why we work to build a positive workplace environment that strengthens pride and a sense of belonging.

The tools that support inclusiveness at FUNO are:

- **Policy on attracting internal talent.** We keep all channels open for any employee who wants to apply for a new position at FUNO. We examine their job qualifications, and if they are suited for the position, we provide prompt follow-up and feedback.
- **Whistleblowing mechanism managed by an external firm.** This instrument gives all our employees the freedom to confidentially share any acts they witness that might infringe on FUNO's values.
- **Agreements with outside vendors, available to all personnel and for a variety of interests.** These are inclusive opportunities to enjoy discounts on a number of types of products and services.
- **Training.** We offer opportunities for development at all levels and positions, and every employee is a candidate for training, provided they justify the purpose and the commitment of both company and employee.

**46 hours** of human rights training.

Our workforce is made up of 754 employees, 238 of which have a direct contract and occupy key positions in our operations; we also have 516 outsourced employees.

In 2018 we closed the year with a workforce of **754 employees, 3% growth** over 2017.

Our workforce is made up of **29% of women and 71% of men.**

Our workforce is continually expanding, because at FUNO we are always adding new properties to our portfolio, and when this happens, we try to incorporate the employees who had been working with those properties.

Breakdown of workforce by type of contract and gender.

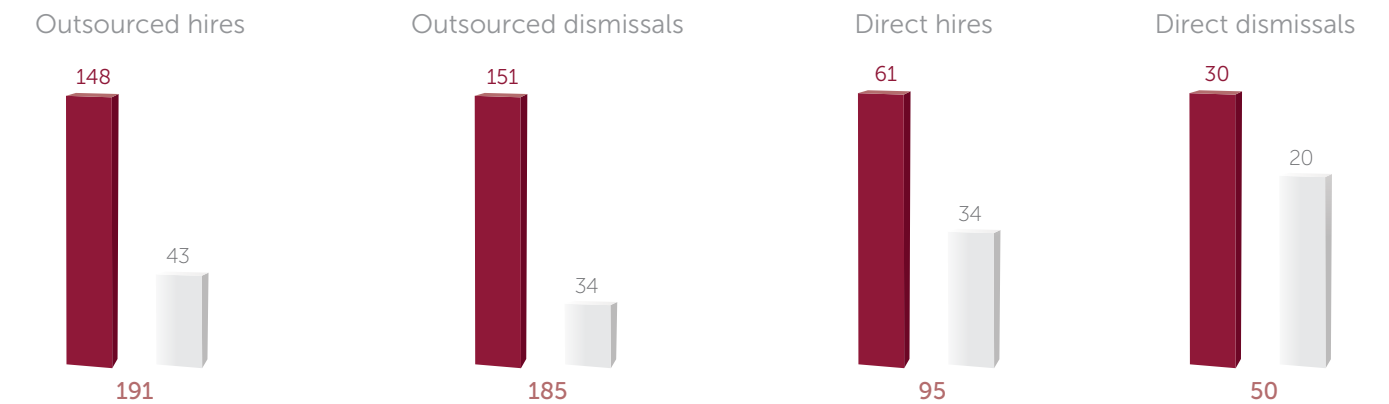
Direct Employees		Outsourced		Total	
Women	Men	Women	Men	Women	Men
95	143	124	392	219	535
	238		516		754

\*Note. All employees work full time, except for interns and scholarship recipients.

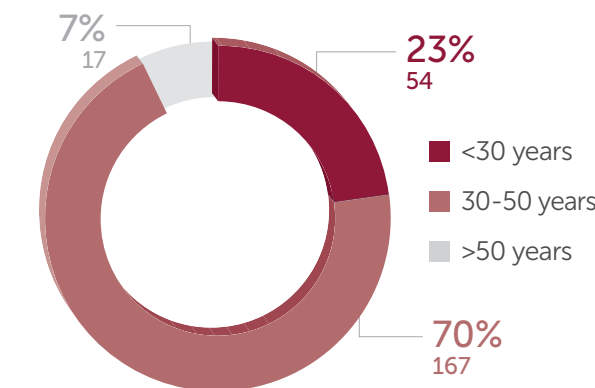
## BREAKDOWN OF WORKFORCE BY POSITION (DIRECT EMPLOYEES)



## RATIO OF EMPLOYEE HIRES/DISMISSALS BY GENDER AND TYPE OF CONTRACT



## BREAKDOWN OF WORKFORCE BY AGE GROUP (DIRECT EMPLOYEES)



In 2018, we worked on defining and fine-tuning indicators on employee turnover within our corporate offices and at the different properties. We found that the employee turnover rate was 21.01% for direct employees and 33.04% for outsourced employees.

- Opinions received: through service surveys.
- Recognitions: an academic excellence event was held to recognize children of employees in primary school, awarding a prize to both parents and children when the student has attained a grade point over of 9 or more (out of 10).
- Operations area recognitions of best managers of the year. Every year we have an operations meeting attended by managers from across the country, and we recognize those who have generated the best results.
- Performance bonuses.

In 2018 there were no acquisition or sales that significantly affected our workforce, and no such event involved the layoff of more than 100 employees or more than 10% of our workforce.



# TALENT DEVELOPMENT



Through training and the correct assignment of duties, we make sure our employees develop potential skills and strengthen existing ones. We create comprehensive plans consistent with performance task-boards and qualifications, as well as job descriptions for each position, encouraging continuous improvement toward achievement of individual goals and guaranteeing that business goals are reached as well.

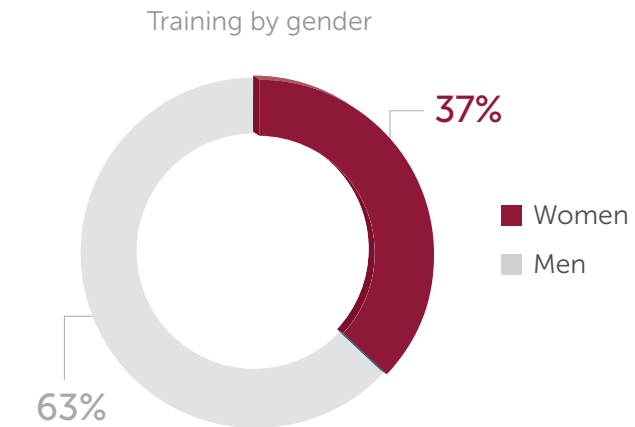
We have made a commitment to reduce employee turnover and to do this we have implemented comprehensive strategies in terms of organizational development and training. These include:

- Training and development policy, establishing the criteria for employee development, such as seniority and the commitment, rights and responsibilities of employees who receive training, as well as the criteria to request a Training Needs Diagnosis (TND), through its authorization, completion and registry.
- Onboarding of new hires to provide them with orientation when first joining FUNO.
- Performance indicators consistent with the job description of required qualifications of the position.

In 2018, we provided **training to 531 employees**, 6% of them direct employees and 40% outsourced.

- ERP Open HR, a system in which we input a digital file for each employee, a certificate of training received, and the training module track record to have a formal record of indicators such as courses taken, duration, work-hours, job hierarchy, gender and cost.
- Receiving inspections from the Ministry of Labor and Social Planning in the area of Training and Preparation, General Work Conditions, Safety and Health, and Civil Defense system checks. The purpose of this procedure is to comply with laws requiring us to have a mixed labor-management committee on training, a training plan, annual preparation and productivity, and keeping the file up to date and complete.

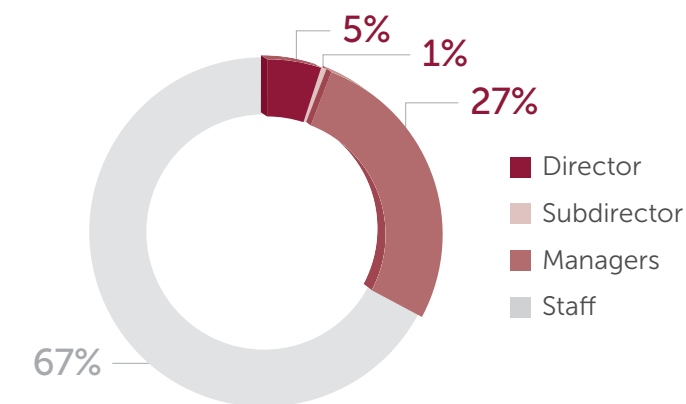
Onboarding and training on processes  
**245 people hired;**  
75 direct employees and 170 outsourced.  
75 women and 170 men.



**6,076 total hours of training given in 2018.**  
198 women and 333 men trained.

In 2018, we gave an average of 11.4 hours of training per employee.

Breakdown of training by employment level



**4,177 hours** of technical training.



Tlanepark, State of Mexico



Furthermore, in order to evaluate the performance of all our employees, we have created various indicators and task-boards based on the SMART methodology:



This is an annual evaluation that gives us the information we need to determine what percentage that will be awarded as a performance bonus.

We also conducted team-based skill reviews based on the DISC methodology and carried out interviews or surveys to obtain feedback on the performance and service offered by our employees, to determine whether their activities and/or goals needed adjustment.

### "THE FUNO WAY"

In 2018 we launched a Management Skills Specialization Course called "The FUNO Way," given by the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM).

#### GOAL

To have Building Managers trained in financial, operating, sustainability and customer management areas, to continuously improve property operations across the country.

Through this program, we help our managers develop and strengthen skills, expanding their know-how, capacity and

skills, empowering them in their current jobs and opening future opportunities as responsible for the company's management and results.

"The FUNO Way" aims to give participants qualifications that represent a competitive advantage in this industry.

At the end of 2018, **60% of FUNO employees has a control-panel system** based on the **SMART** methodology, while the remainders have qualitative performance reviews.

#### Topics covered in "The FUNO Way" course

- Management tools
  - Accounting and Finance
  - Negotiation, agreements and interaction
  - Operation of The FUNO Way model

Experience Selling

Strategic thinking on real estate

Generating value in projects

Strategic marketing of the business

Leadership and employee management

Management skills

Risk analysis and management

The three dimensions of Sustainability

**\$1,099,108** invested.

Program duration: **112 hours.**

**20 employees** participated; 7 women and 13 men.

**1,600** HOURS of training given in "The FUNO Way" **560** **1,040**



# WELLBEING

Having talent who are proud of what they do, with a profound sense of belonging and motivation to do their jobs, is a key factor in FUNO's success. For this reason, we have various strategies to improve our employees' quality of life, and therefore the development of this organization.

## EFFECTIVE COMMUNICATION

Communication between FUNO and its employees is key to having a positive workplace environment and encouraging a sense of belonging. This effective communication begins from the interviewing and hiring process and continues with FUNO's onboarding course.

Among the tools that enable us to communicate correctly with our team and hear their points of view are:

- Annual task-boards, through which we provide annual feedback to employees regarding the scope and skills required for the job they do. This instrument enables us to map out talent for internal promotions and manage annual bonuses.
- Personalized feedback from leaders or direct superiors, to help employees see themselves objectively, provide feedback and give them an idea of the status of each team based on the DISC behavioral methodology\*. In 2018, through the work of the Team Audit Area, we delivered a skill evaluation report to the leader of each area, encouraging continuous improvement through high-performance teams.
- Online surveys to hear employees' opinions on various issues. The issues addressed in 2018 were the end-of-year event, reception and IT services, and organizational climate.
- Performance adjustment interviews, part of the onboarding process, applied in the first quarter after a new employee is hired, in order to hear how they're feeling about FUNO and working conditions.
- Interviews or focus groups to keep employees informed and support them in situations like area restructuring, new

## “Emotional Intelligence and teamwork” workshop: 33 employees attended;

16 women and 17 men.

\*Note: the DISC methodology is used to analyze employee conduct in various settings. The initials DISC stand for Dominance, Influence, Steadiness and Compliance.

positions at FUNO or job difficulties. In 2018 the Revenue Assurance Area gave a workshop on “Emotional Intelligence and teamwork.” We also provide consulting to leaders.

We continue to work on better meeting our employees' expectations regarding opportunities for professional growth, and are in the process of compiling a complete record of all existing and newly created positions. By the end of 2018 we had descriptions on 90% of the jobs in the organization.



GRI 201, 402: 103-1, 103-2, 103-3 102-35, 102-36, 102-37, 401-2, 401-3, 405-2

## SALARIES AND BENEFITS

At FUNO, we are committed to improving our employees' quality of life, so every employee is paid a salary above the minimum wage and we offer equal pay for equal work. We also submit to an external audit in order to evaluate salary conditions as well as our recruitment, hiring and training of our personnel.

Furthermore, 100% of our employees have a variable component of their base salaries, which we use as incentive to maintain high performance on the job.

We offer additional benefits, including retirement plans, through FUNO's ordinary resources. With this, we guarantee that our employees have funds to cover their retirement, in keeping with applicable social security laws.

Using long-term incentives (LTI) we encourage the creation of medium and long-term equity in middle-management and senior positions, and also ensure retention of key talent for FUNO.

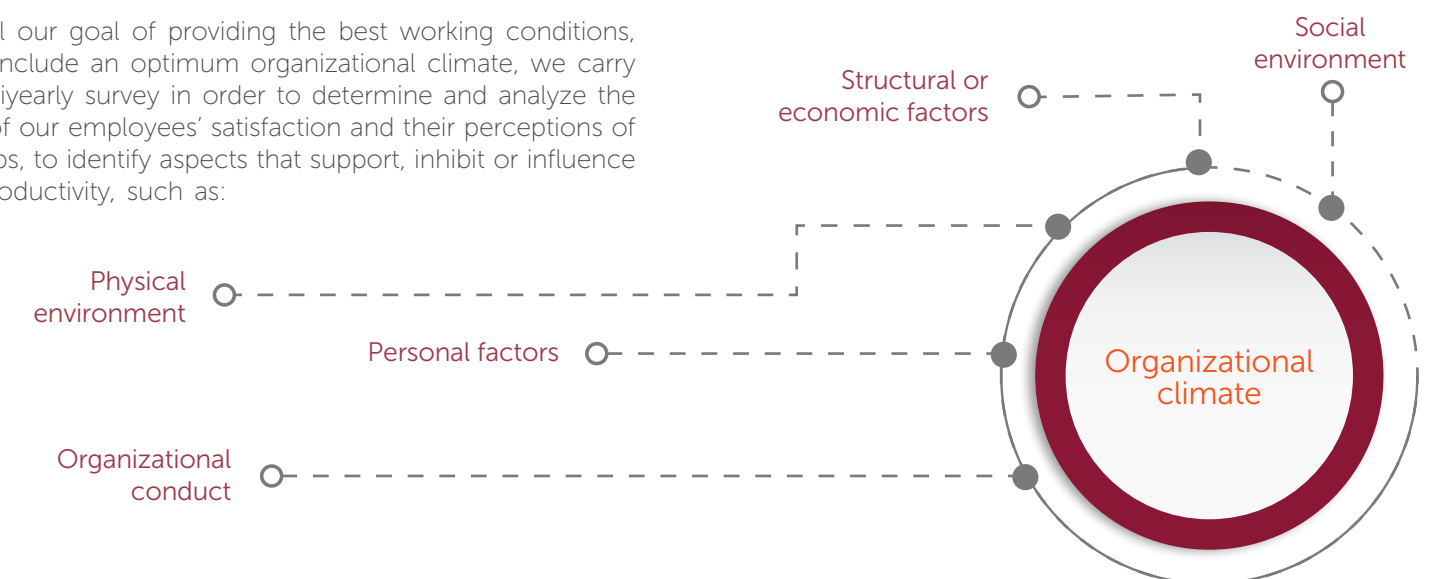
We offer major medical insurance for all employees, covering up to 36 months of their salary.

In 2018, 11 women and three men took advantage of access to parental leave, and 100% of them rejoined the workforce at the end of this period.

Responding to our employees' expectations on benefits, promotions and health, in 2018 we maintained existing agreements with Sport City, OCESA, Sam's Club and corporate sales, and also expanded the number of agreements in the area of hospitality, education, health, vision and beauty.

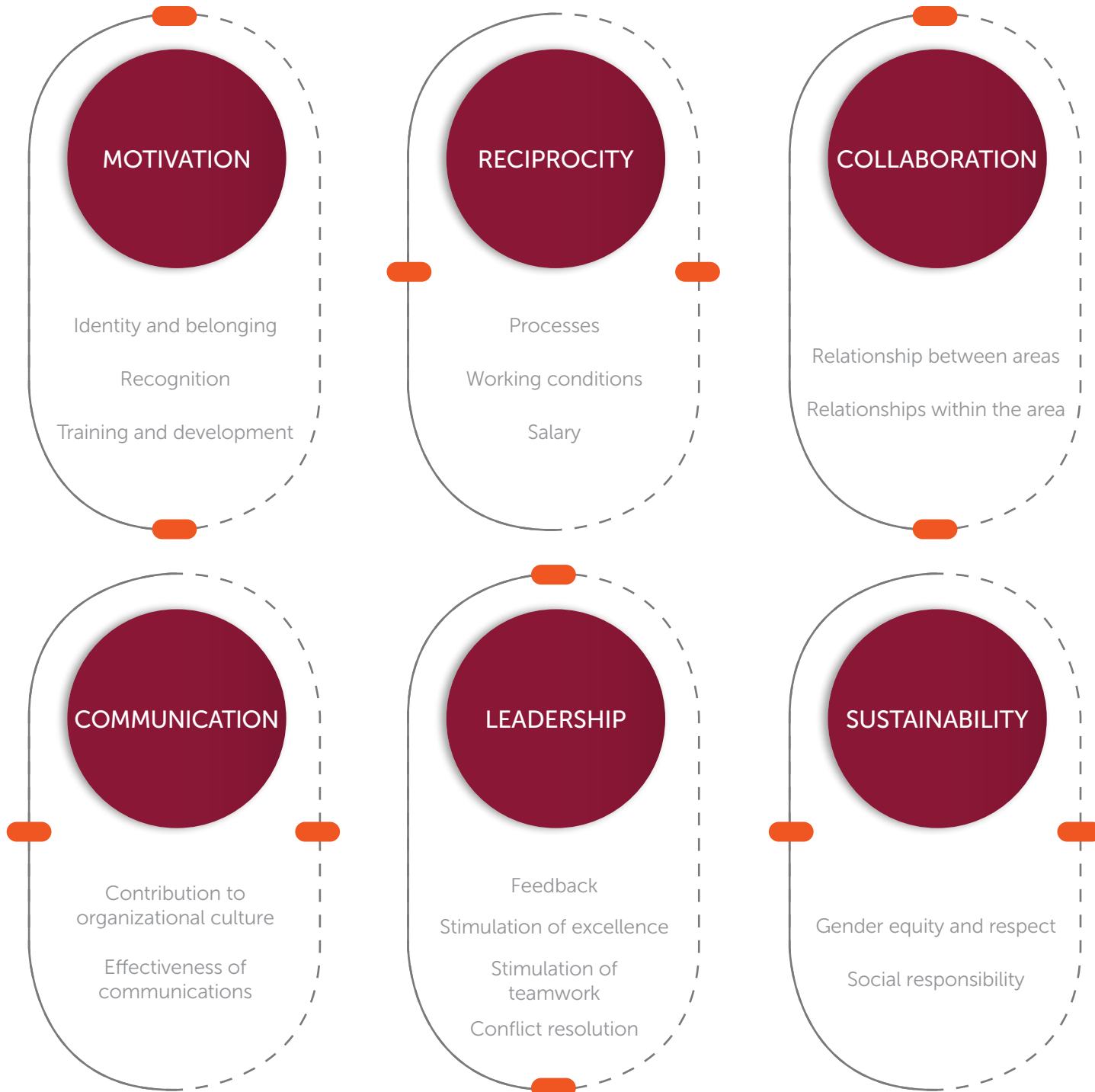
## JOB SATISFACTION

To fulfill our goal of providing the best working conditions, which include an optimum organizational climate, we carry out a biyearly survey in order to determine and analyze the status of our employees' satisfaction and their perceptions of their jobs, to identify aspects that support, inhibit or influence their productivity, such as:

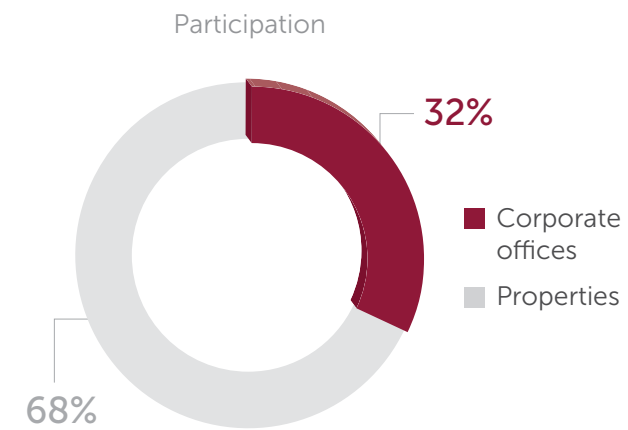




In this survey we evaluated six key factors, which were in turn made up of several variables each:



Portal San Ángel, Mexico City



**263 employees** participated in the organizational climate survey, a 265% increase over the previous edition. We extended the organizational climate survey to our properties.



Some of our findings in 2018 were:

## AT CORPORATE OFFICES

### POSITIVE PERCEPTION

- Motivation: 89%, a 4% decline from 2016.
- Reciprocity: 83%, 6% higher than in 2016.
- Collaboration: 92%, a 2% increase over 2016.

- Communication: 87%, a 6% increase over 2016.
- Leadership: 84%, unchanged from 2016
- Sustainability: 92%, an 8% improvement compared to 2016.



## PROPERTIES





# OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are crucial issues in obtaining the best performance from our employees, to protect their physical wellbeing, and to build an optimum working environment at FUNO. We guarantee safe workplaces through a number of mechanisms, among them:

- Complying with applicable laws and regulations on safety in all of our buildings.
- Support of an external expert in emergency management who trains employees in every building, beginning with onboarding courses.
- Operational manuals in all buildings with codes for attending to every type of incident, which are being continually updated.
- Management system.
- Emergency brigades formed and maintained as established in the Civil Defense program.
- Training to reinforce knowledge on emergency procedures.
- Regular drills for both employees and building tenant.
- Health Inventory, specifying the general health of each employee, contact data for emergencies, and sensitive information managed by the Human Resources Area –only if required, and in keeping with information privacy policies.

In 2018, we focused our actions on strengthening a culture of prevention at FUNO. We met the goal we had set the previous year regarding specialized training in each of the four employee safety brigades. The courses given were:

- First Aid
- Communication
- Evacuation and rescue
- Fire prevention and firefighting

In addition to training, we carried out tabletop drills approximately every four months, as well as one full-scale drill on September 19. In these, employees were trained in following instructions of internal brigades as well as at the Samara building.

In 2018, we strengthened communication between brigades and building management in order to improve coordination in any emergency situation –evacuation, more orderly and quicker evacuation, and identification of safe zones.

In addition to keeping employees informed of occupational health and safety issues by e-mail, we held in-depth in-person training courses for new hires, in addition to strengthening visual communication for brigade members.

We have a management system in which our support services companies –cleaning, security, firefighting systems, fumigation, air conditioning and others– are brought together under a general services area to ensure our employees have a clean and safe place to work. The companies that provide these services are audited internally and reviewed by the Human Resources area through work logs.

Additionally, in order to build employee awareness about prevention, we gave a series of in-person talks on:

- Dental insurance within our medical insurance plan, as a benefit
- Breast cancer prevention
- Eye exams with an optometrist.

## Occupational health and safety –emergency management:

88 employees trained; 46 women and 42 men  
372 hours of training; 136 for women and 236 for men.





## LOOKING FORWARD

### HUMAN CAPITAL

#### MORADO PORTFOLIO

Labor practices				
Initiative	Objective	Strategy	Metric	2018
Balanced workdays and attendance	Guarantee project fluidity and ensure tasks are completed.	Enforcement of working and non-working hours according to law. Work only scheduled shifts; vacations taken.	Maintain 100% attendance and 0% overtime.	
Contractual conditions	Guarantee Social Security and mandatory benefits.	IMSS Coverage. Provide training for employees to do their jobs.	100% Compliance.	
Job safety	Personnel trained in issues relating to activities performance, and preventing risks on the job.	Risk mitigation.	100% Training Program.	
		Zero accidents.	100% Training Program.	
		Hazardous substance handling.	100% Training Program.	
		Final destination of office supplies and hazardous waste.	Assignment of temporary space.	
		Policies and procedures.	Biyearly training on policies and procedures.	

#### GENERAL PORTFOLIO

2018 Commitment	Progress	Description	Strategy	2019 Commitment
Create a strategic Human Resource Plan for the next three years.	➔	Held inter-area workshop on business vision analysis.	Goal of workshop was to translate vision analysis into specific strategies.	Have a talent map in which we ensure than 90% of high-performance and high-potential employees are identified; according to FUNO culture.
Identify critical positions for the business and draft a succession plan.	➔ 20%	We identified 20% of positions and introduced the 9 box method. With this, we identified key operating posts by yield and potential.	100% Compliance.	

2018 Commitment	Progress	Description	Strategy	2019 Commitment
Take inventory of current and potential talent.	➔ 50%	We have 80% of the job descriptions complete and 90% of skill audits complete in our Corporate offices.		Take inventory of current and potential talent.
Establish a catalog of standard positions for 100% of jobs.	➔ 80%		Establish a catalog of standard positions for 100% of jobs.	
Apply HAY methodology for fair remuneration practices.	➔			Apply HAY methodology for fair remuneration practices.
Introduce work attendance standardization program in 100% of properties, as a result of the productivity study.	➔ 30%	We mapped out the attendance record survey of all internally operated properties, in which we identified the type of control that each property manages.		Introduce work attendance standardization program in 100% of properties, as a result of the productivity study.
Finalize team training on the use of Open HR.	✓	We have administered and controlled the number of users who operate Payroll for property personnel, personnel incidents, and manage the vacation module.		
Provide orientation on e-learning to 100% of newly hired managers.	✓	Since July 2018, 100% of the personnel in our local offices receive a link with the institutional video and a building orientation course.		Introduce work attendance standardization program in 100% of properties, as a result of the productivity study.
"FUNO WAY" specialization course for building managers; to develop or empower managers' skills in the way we operate at FUNO.	✓	The first generation began in August 2018 with 20 managers from across the country.	Together with ITESM, we provided this specialization course for building managers, which are key positions in ensuring the success of our property operations.	<ul style="list-style-type: none"> <li>• First generation of course graduates made up of 20 Managers.</li> <li>• Second generation made up of 20 managers</li> <li>• Follow-up on projects triggered in the first generation.</li> </ul>
Train 100% of building managers in management skills.	➔ 20%	The Specialization Course included a 16-hour module on management skills.		Train 100% of building managers in management skills by 2025.



2018 Commitment	Progress	Description	Strategy	2019 Commitment
Extend Organizational Climate survey to properties.	✓	179 people participated (179 men and 91 women) in more than 94 properties.	Surveys were conducted by phone.	<ul style="list-style-type: none"> <li>Apply second survey at the property level and third at the Corporate level in the fourth quarter of 2019.</li> <li>Applied survey to all FUNO employees.</li> <li>Published results and disseminated them among participants.</li> </ul>
Develop content using the androgogic approach (educational materials developed with adults in mind).	➔	We restructured onboarding and training materials.		
Identify areas of opportunity for individual and team feedback sessions, to transform vice presidencies into high-yield teams.	➔ 20%	We began with the Revenue Assurance Department.	<ul style="list-style-type: none"> <li>Gave a course on emotional intelligence.</li> <li>Provided personalized consultancy to team leaders on effective leadership.</li> <li>Addressed feedback issues.</li> </ul>	Identify areas of opportunity for individual and team feedback sessions, to transform vice presidencies into high-yield teams.
Train 100% of area heads in DISC methodology (evaluation and skills).	➔ 80%	When a new person is hired for any leadership position, we enter it into the area's job catalog.	<ul style="list-style-type: none"> <li>Detailed description of qualifications and analysis of each position reporting to them.</li> <li>Inclusion of DISC profile in order to detail ideal skills for the position.</li> </ul>	Provide training on the way to give feedback to middle management and directors in order to create the foundations of a culture that will allow for 360° implementation.
Apply 360° questionnaire in corporate offices.	➔	We replaced this project with 9 Box talent mapping.		Design and establish succession plans and replacement tables for 50% of key or critical positions at FUNO.

2018 Commitment	Progress	2019 Commitment
Create organizational development matrix.	➔	<ul style="list-style-type: none"> <li>Have an analysis of our compensation model as a decisive element to assist in retaining key talent and compensating employees on the basis of meritocracy, which will be developed as part of FUNO's culture.</li> <li>Conduct a study of the relationship between workplace climate, performance, job-person correlation and turnover in selected properties.</li> </ul>



Ambar Fashion Mall, Tuxtla



## OCCUPATIONAL HEALTH AND SAFETY

### MORADO PORTFOLIO

Initiative	Objective	Health and Safety		2018
		Strategy	Metric	
Emergency management	Train personnel in preventing risks on the job.	Fires, natural disasters.	Training program 100%.	
		First aid.	Training program 100%.	
		Safety Protocols.	Training program 100%.	
		Compliance with Safety Protocols by building tenants.	Training program 100%.	
		Hazardous waste management.	Training program 100%.	

### GENERAL PORTFOLIO

2018 Commitment	Progress	Description	Strategy	2019 Commitment
Keep spaces safe, healthy and clean for our employees.	✓	We are constantly working to improve working conditions to ensure our work places are safe and promote the comprehensive well-being of our team.  During 2018 we had zero fatalities.	<ul style="list-style-type: none"> <li>Compliance with applicable laws.</li> <li>Training reinforcement.</li> <li>Stronger communication between brigades and property management for dealing effectively with emergencies.</li> </ul>	<p>Keep spaces safe, healthy and clean for our employees.</p> <p>Zero fatalities in our properties.</p>
Specialized training for emergency management Brigades.	✓	We held a specialized course for each emergency management brigade.		Keep Brigades up to date on information.
Hold at least two drills a year in order to build employee awareness on risk prevention and optimum emergency response.	✓	We conducted three tabletop drills, one very four months, in addition to one full-scale drill for all buildings on September 19.		Prepare a timeline for tabletop drills.

2018 Commitment	Progress	Description	Strategy	2019 Commitment
Effective communication on emergency management through visual and electronic media.	✓	We distribute information on occupational health and safety to all new hires and brigade members, through audiovisual material on screens in corporate offices, intranet, and during onboarding courses.	<ul style="list-style-type: none"> <li>Personalized dissemination during onboarding courses.</li> <li>Strengthening of visual communication for brigade members.</li> </ul>	
Replace fire-fighting systems in seven buildings in order to comply fully with existing safety standards.	✓	We completely overhauled our firefighting system at a total cost of \$11 million, with more than 1,600 smoke detectors.		
Continue the annual program of health rounds, helping our employees to keep track of indicators like glucose, triglycerides and cholesterol.	➔			<ul style="list-style-type: none"> <li>Seek out nutrition consultants.</li> <li>Expand physical health options.</li> <li>Conduct sports activities like the Spartan Race.</li> <li>Distribute more information and encourage employees to use the dental plan we offer within our medical expense plan.</li> <li>Raise employee awareness about health issues like diabetes and sexually transmitted diseases.</li> </ul>
Begin modifying recruitment policies for hiring handicapped people.	✓	We joined an initiative called "Éntrale," an initiative for the inclusion of people with disabilities into the workforce, and hired our first employee with visual disability.	Participation in information-sharing meetings with private companies.	Continue promoting employment opportunities for people with disability by supporting the "Éntrale" initiative.
Provide at least 1,000 hours of training on health and safety	➔	372 hours of training in Occupational Health and Safety (emergency management).		Provide at least 1,000 hours of training on health and safety



# LIMITLESS CONTRIBUTION

13 CLIMATE ACTION



Our commitment with Mexico and our stakeholders goes beyond contractual conditions, we are currently working to create a resilient portfolio with sustainable properties, aiming at reducing our emissions and waste while mitigating environmental impacts and protecting biodiversity within our scope of operation. Similarly, we have invested in new technologies to improve the eco-efficiency of our properties and optimize resources.

LEED  
74  
73,  
7  
9

SQM OF CONSTRUCTION HAS BEEN LEED CERTIFIED



# ECO-EFFICIENCY

We have focused our environmental efforts mainly in reducing water and energy consumption. Processes and results are directly supervised by our operations team and delegated through RUPs, and our operations director and managers. On site, they are implemented through property managers and our maintenance implant.

This approach has facilitated our improvement on energy and water consumption, as well as on our monitoring of emissions and waste:

Aspect	Importance
Measuring energy consumption	This is the largest component of our operating costs; reducing energy use can significantly benefit both the environment and our finances.
Measuring water consumption	This is another of our main inputs; we make a commitment to the communities in which we operate and where we develop properties, mitigating impacts and responsibly using this vital resource.
Measuring emissions	We help reduce emissions in Mexico by controlling and monitoring consumption of refrigerants, business travel by land and air, and the emissions generated by our WTP.
Initiatives to save energy and water, and to reduce emission and waste	Reflects our deep commitment to being a responsible organization, because our initiatives also seek cultural change in Mexico. The direct benefit is a reduction in operating costs.

Conscious of our impact, we progressively invest on our properties to reduce them.

**\$10 million pesos** towards waste management, while **\$100** on health and wellbeing.

**\$255 million pesos** invested on energy issues.

**\$105 million pesos** on water issues.

**\$37 million pesos** invested on vertical transportation efficiency.

**\$16 million pesos** towards air conditioning systems efficiencies.

**16 maintenance and vertical transportation suppliers, 81 specialized maintenance suppliers.**

At the end of 2018, we had **65 water suppliers, 48 waste management suppliers and 48 cleaning services suppliers.**

During 2018, **we did not have any complaints** through the whistleblowing mechanism on environmental issues; nor did we have any **relevant fine or legal action.**

**\$13 million pesos** invested on initiatives aiming at reducing our consumption of refrigerants, hence reducing emissions.

Executed a lighting substitution initiative in **16 properties**, to replace older energy related technologies with newer and more efficient ones.



GRI 302, 303, 305, 306: 103-1, 103-2, 103-3  
102-29, 307-1



# COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

We strengthen our commitment to the communities where we operate. We are aware of our responsibility to comply with local environmental legislation, which means not only adopting best environmental practices but also promoting education and building awareness.

Our operations continue to comply with the following standards:

## WATER CONSUMPTION AND REUSE: EMISSIONS:

- NOM-001-SEMARNAT-1996  
Establishes permissible limits on contaminants in wastewater discharged into national bodies of water and land.
- NOM-002-SEMARNAT-1996  
Establishes maximum permissible limits on contaminants in wastewater discharged to urban or municipal sewage systems.
- NOM-003-SEMARNAT-1997  
Establishes maximum permissible limits on contaminants in treated wastewater re-used in public utilities.
- NOM-041-SEMARNAT-2015  
Establishes maximum permissible limits on emission of contaminating gases from exhaust by gasoline-fueled automotive vehicles on the road.
- General Law on Climate Change  
Regulates emissions of greenhouse gases and compounds to stabilize atmospheric concentrations and prevent man-made hazards mentioned in article two of the United Nations Framework Convention on Climate Change and other provisions stemming from it; it also regulates climate change mitigation and adaptation actions.

## ELECTRICAL ENERGY MEASUREMENT:

- NOM-EM-007-CRE-2017  
Systems for measuring electrical energy use. Specifications and testing methods for multi-function meters and instrument transformers.
  - CFE Network Code  
Establishes provisions and specifications primarily for power and harmonic factors.
- To guarantee compliance with all this legislation, we have established three general action lines:
- Ongoing inspection and audit
  - Personnel training in environmental compliance
  - Comprehensive audits of environmental aspects when acquiring new properties

## USE OF ELECTRICAL ENERGY:

- NOM-001-SEDE-1999  
Contains technical provisions and specifications that must be met by facilities used to generate electrical energy, in order to create appropriate safety conditions for people and properties.

**180 hours** of environmental training



SAQQARA, San Pedro Garza García



2017 Achievements	2018 Commitment	Progress	Description	2019 Commitment
<b>Energy</b>				
Savings of 3% in kWh consumed nationwide.	Optimize functioning of air conditioning equipment, along with redesign and upgrades totaling \$11 million, so that they consume less electricity.	✔	We have installed the Building Management System (BMS) for monitoring, measuring and controlling of lighting/air conditioning in our key properties in energy consumption, such as Patio Santa Fe, SAMARA, Punta Langosta and Patio Universidad.	<ul style="list-style-type: none"> <li>General portfolio: for 2020, implement Building Management System (BMS).</li> <li>2025 Commitment:</li> <li>Increase the quantity of properties with BMS in 10%.</li> <li>Installation of LED lighting with an average ROI of 1.5 years, generating total estimated savings of \$12 million.</li> </ul>
Reduce of electricity consumption by 1,575 kWh through recycling actions.				

<b>Water</b>				
Annual water savings of 7% in buildings in which we optimize WTPs	Adapt 11 WTPs to meet NOM-003 standard for reuse of water in watering, irrigation and toilets.			Implementation of rainwater capture system for watering green areas, cleaning floors, water for toilets (five buildings in the Kansas Portfolio)
Reduction of water use by 81 m <sup>3</sup> through recycling actions.	Save 5% on water consumption through reuse of water treated at the WTPs.			

<b>Waste</b>				
Recycled 100 % of the paper used in our Corporate offices.	Generation of Waste Management Plan	✔	Introduced Waste Management Plan applicable to all FUNO properties.	

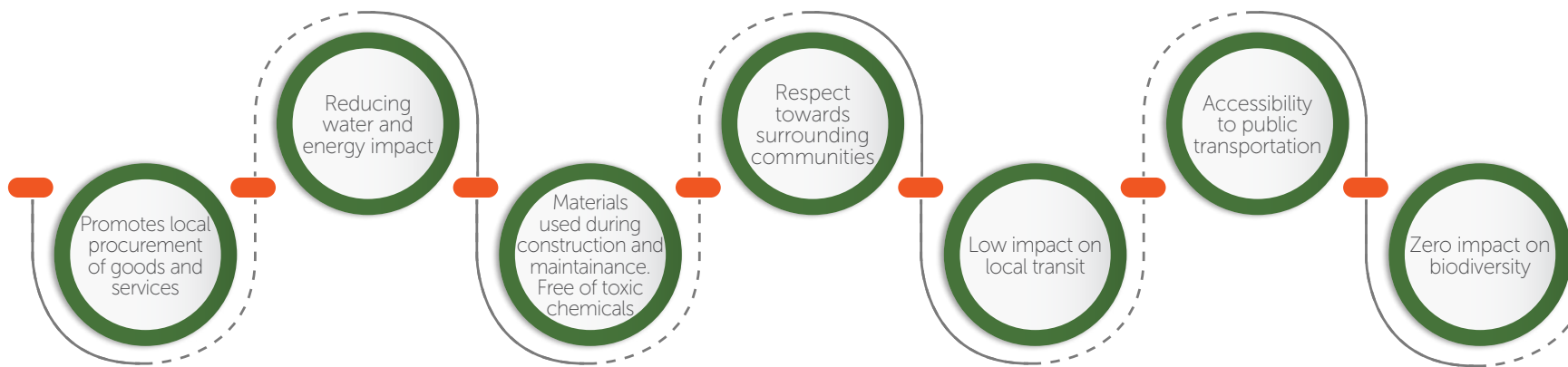
2017 Achievements	2018 Commitment	Progress	2019 Commitment
<b>Emissions</b>			
Waterproofed 49 buildings.	Waterproof another 33 buildings.	✔	<ul style="list-style-type: none"> <li>General portfolio: waterproof 10 more buildings, minimizing the risk of leaks and reducing energy (A/C).</li> <li>Change from LP to natural gas at Samara, resulting in a 20% reduction in emission of contaminating gases (CO<sub>2</sub>), in coordination with Sport City, Hilton, Chedraui and Sanborns.</li> </ul>
			Mitigation of 75 mt of CO <sub>2</sub> due to reforestation work
			Mitigation of 9 mt of CO <sub>2</sub> through recycling efforts





# LEED PORTFOLIO: AN ONGOING COMMITMENT

Leadership in Energy & Environmental Design (LEED) is a certification system for buildings complying with the highest sustainability standards. It was developed by the US Green Building Council (USGBC). Its goal is to use mitigation strategies within construction and design of properties as follows:



This year we strengthened our commitment to best practices on sustainability in our properties, so we have renewed and certified for the first time some of our properties.

Property	Certification	Year	GLA	Construction
Torre Mayor	LEED Gold	2018	83,971	157,000
Torre Diana	LEED Gold	2018	64,000	138,634
Torre Reforma Latino	LEED Gold	2017	45,816	88,513
San Luis Potosí (Maine) Multitenant Hines I Industrial Park	LEED Silver	2009	24,075	24,075
Matamoros Oriente V (Vermont) Industrial Park	LEED Silver	2013	11,745	11,745
Mitikah Torre Churubusco	Pre certified LEED Silver	2016	67,178	67,178
Midtown Jalisco	LEED Gold	2016	105,000	279,600
Saqqara	LEED Silver	2019	11,236	27,000



Paque Industrial San Luis Potosi, San Luis Potosi

Property	Certification	Year	GLA	Construction
Centrum Park Edificio A	LEED Silver	2018	30,242	
Centrum Park Edificio B	LEED Silver	2018	30,242	
Centrum Park Edificio C	LEED Silver	2018	7,579	180,000
Centrum Park Edificio D	LEED Silver	2018	16,781	
Centrum Park Edificio E	LEED Gold	2018	12,887	

**973,745 sqm** of construction  
has been **LEED Certified.**



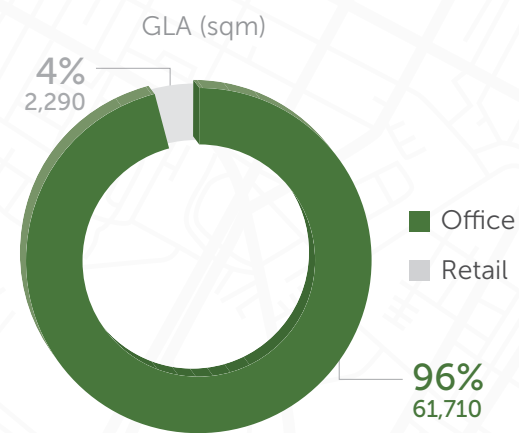


# TORRE DIANA

DESIGN AND INNOVATION:  
FUNO'S CORE.



A 33-floor office building located within the Reforma corridor in Mexico City's financial district.



**377,829 kWh**, average energy consumption 2018.

**10,343,752 trips** on vertical transportation.

**2,906 m<sup>3</sup> potable water consumed** in average each year.

## CERTIFICATIONS:

- LEED GOLD 2018
- ESR® 2018
- ALAS Award for safety in Latin America and the Caribbean 2017
- NOM-008-ENER-2001, 2018
- Excellency EXPO Security México, Best private Project in Mexico, 2018

**11,077 visitors** in 2018.

64,000 sqm of GLA and  
**138,634 sqm** of construction.

**36,874 treated water** a year.

64,000 sqm TOTAL GLA

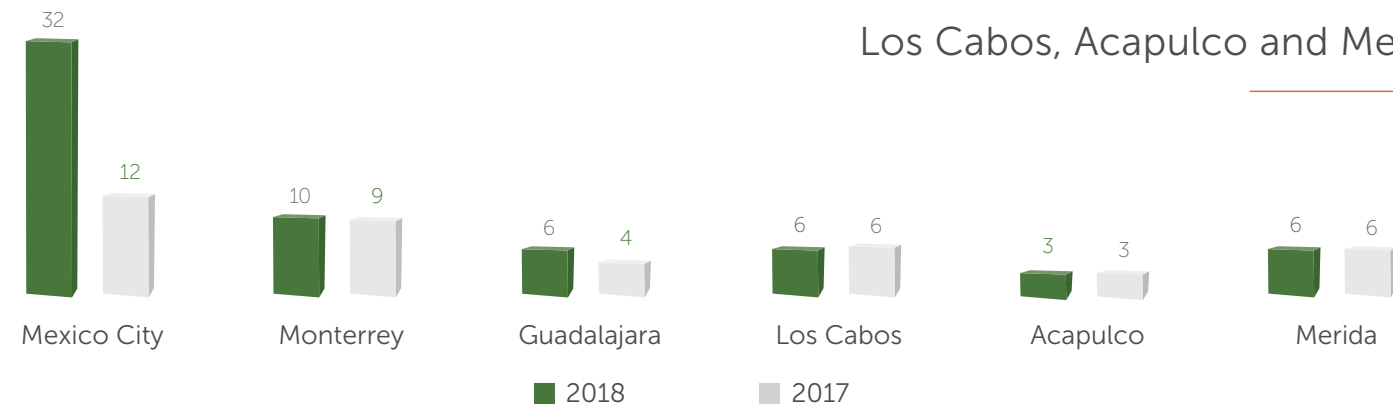


# EMISSIONS

In Mexico, CO<sub>2</sub> emissions account for 66% of total greenhouse gas (GHG), and in the past 20 years they have grown 24%. Transportation accounts for 31% of this amount, and 95% of greenhouse gases are generated by automotive vehicles.

FUNO is committed to helping reduce greenhouse gas (GHG) emissions. Before we can migrate to an electric vehicle fleet, we need to build a network of charging stations, so in 2018 we strengthened alliances with Tesla, BMW and Nissan and were able to increase the number of charging stations for electric vehicles at our shopping centers.

In 2018 we had **63 charging stations** in Mexico City, Monterrey, Guadalajara, Los Cabos, Acapulco and Merida.



Indicator	2016	2017	2018
Shopping centers	6	15	17
Charging stations	25	53	63

We also hired an independent firm to study our carbon footprint in 2018. We developed a special calculator for measuring our emissions. Our carbon footprint is the calculation of the GHG emissions generated directly or indirectly by a person or organization depending on their activities.

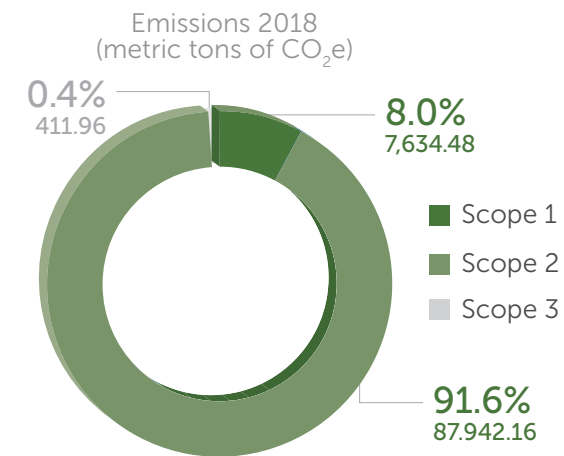
In calculating emissions by FUNO, we took into account our energy consumption, wastewater discharge and refrigerants used in each building, as well as automotive and air travel paid by the organization for FUNO employees. The methodology is based on national benchmarks established by the Ministry

of the Environment and Natural Resources (SEMARNAT) using the warming factors of electrical energy produced and the formulas that should be applied, as well as the emission factors developed by the U.S. Environmental Protection Agency (EPA).

Emissions are divided into three scopes. Scope 1 emissions consists of direct emissions, Scope 2 are indirect emissions, and Scope 3 are also indirect but emitted by other parties. To better understand FUNO's impact, we have made the corresponding conversion to metric tons of CO<sub>2</sub> equivalent, using EPA emission factors.



vGRI 305: 103-1, 103-2, 103-3  
303-2, 305-1, 305-2, 305-3



**95,988.6 metric tons of CO<sub>2</sub>e** (Scope 1, 2 and 3) emitted.

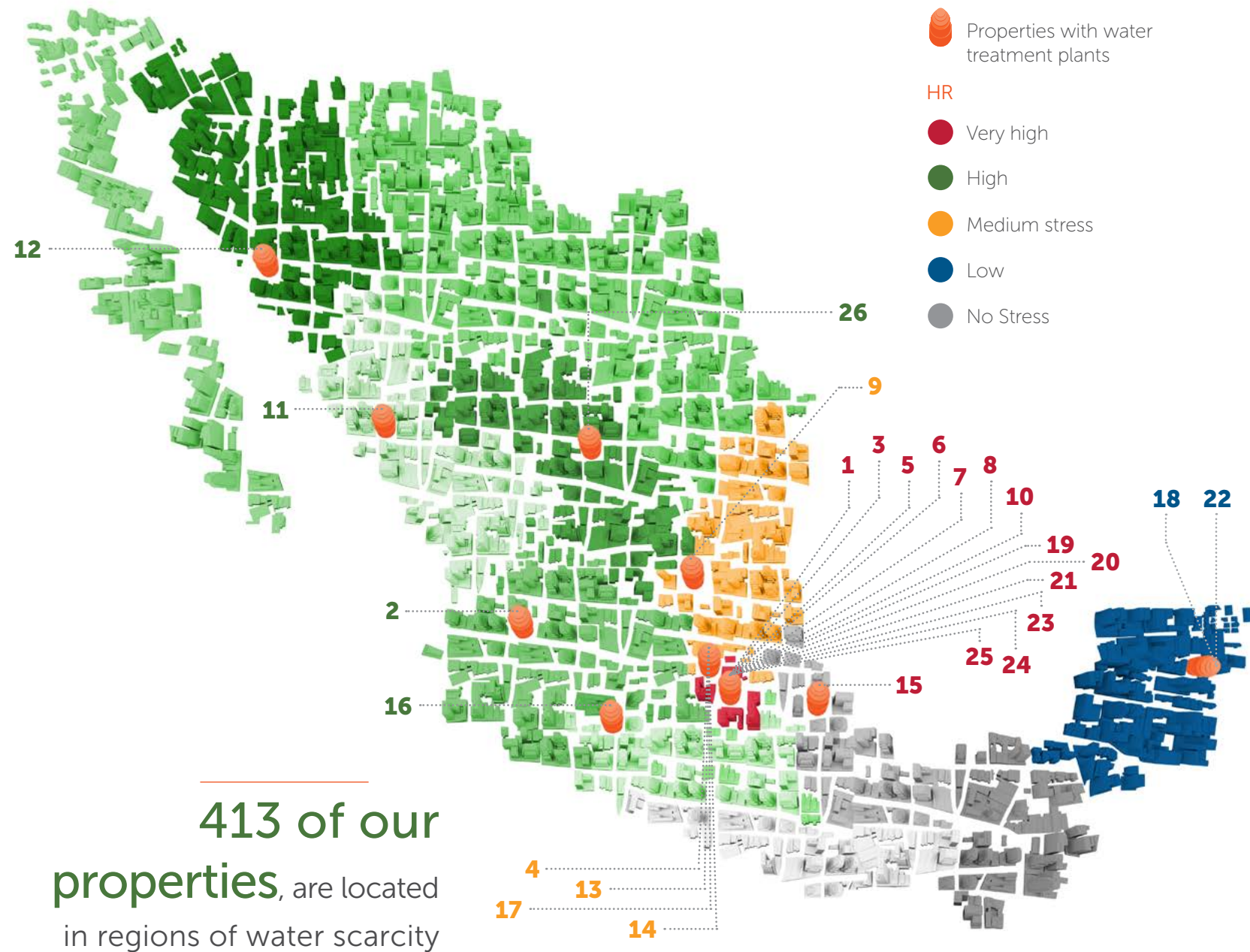
## WATER

2020 Commitment  
**Optimize operation of 100% Wastewater Treatment Plants (PTAR)**  
to reuse water and reduce the impact of wastewater discharge.

Through our 27 Water Treatment Plants, throughout Mexico, **we treat over 32,605,674 m<sup>3</sup> of water;** in 2018 we stabilized 15 of them which represented an investment of \$5,728,536.



# OPERATIONS NEAR REGIONS WITH WATER STRESS



# DEGREE OF WATER STRESS \*

HYDROLOGICAL REGIONS (HR)	DEGREE OF PRESSURE (%)	NUMBER OF PROPERTIES PER HR
XIII	141.4	177
I	81.3	20
II	84.7	18
III	40.4	10
IV	50.2	14
VI	75.4	107
VII	47.7	11
VIII	45.2	56
XII	16.2	22
IX	21.1	48
V	2.2	13
X	6.4	20
XI	1.7	9
<b>Total</b>		<b>413</b>

\* Source: CONAGUA, 2015.

# PROPERTIES WITH WATER TREATMENT PLANTS

- |                      |                             |                        |
|----------------------|-----------------------------|------------------------|
| 1 TERRAZA PEDREGAL   | 10 PARQUES POLANCO          | 19 SAMARA              |
| 2 OUTLET GUADALAJARA | 11 CULIACAN C DE A          | 20 CHALCO              |
| 3 TORRE MAYOR        | 12 GUAYMAS                  | 21 ECATEPEC            |
| 4 FORUM LAGO         | 13 TEXCOCO                  | 22 F1 ECATEPEC         |
| 5 CLAVERIA           | 14 HUEHUETOCA               | 23 F1 MERIDA           |
| 6 REVOLUCION         | 15 POZA RICA                | 24 TORRE DIANA         |
| 7 TLALPAN            | 16 ACAPULCO DIANA           | 25 BARRANCA DEL MUERTO |
| 8 UNIVERSIDAD        | 17 IXTAPALUCA               | 26 TLAHUAC             |
| 9 PACHUCA            | 18 CITY CENTER MAINE MERIDA | 27 MAINE SLP           |



# BIODIVERSITY

FUNO is well aware of the environmental responsibility involved in acquiring, developing, management and operating our properties. Although 300 of our properties are located close to regions of considerable biodiversity, 100% of our developments involve the rebuilding or renovation of existing urban properties, so there is no change in land use restrictions or habitat modification whatsoever.

One such case is the La Isla Cancun II shopping center, developed by Parks, with construction completed in 2018 and operations begun in 2019. The land is located in the Cancun urban area, on an artificial landfill created decades ago, with its own canal, and located next to the Bojórquez Lagoon –part of the Nichupté lagoon system. Because of these natural surroundings, we analyzed vegetable coverage in the zone, investigating special conditions of the land and the presence of native and exotic species, and were able to avoid disturbing the environment of the site as it existed before its construction.

We eliminated invasive exotic plants and rescued and relocated native species to reforestation area. To design the new canal we took into account a variety of mangrove species existing along the banks of the lagoon and made sure we built in areas where no such plant communities were located, to avoid affecting them.

In terms of wildlife, we also carried out a program of rescue and relocation toward zones of native vegetation and others near the property, biodiversity conservation areas and sites recommended by the authorities.

In addition to our impact mitigation work, the land has a natural area that will be preserved with no alterations or impact at



We evaluated  
**1,734,653 sqm** for  
biodiversity issues.

To learn about our developments located close to or Natural Protected Areas (NPA), see our 2017 Sustainable Annual Report at: [http://en.funomx.com/panel/archivos\\_subidos/data-jJugvYcsl6.pdf](http://en.funomx.com/panel/archivos_subidos/data-jJugvYcsl6.pdf)

all. This will be creating a natural barrier between the commercial activity of the property and the adjacent housing complex.

The property has a rainwater capture and filtration system, which will direct water toward the canals and the Bojórquez Lagoon. At the same time, 50.59% of the total surface area of the property will remain as permeable land, which is above the regulatory minimum of 40%.

In our Punta Langosta Property, located in Cozumel, we have helped with the protection and liberation of the Marine Turtle, alongside civil society and NGO's. This, in addition with our efforts to relocating iguana individuals at our La Isla Cancun II, are clear examples of our commitment towards protecting biodiversity within our scope.

**12 spiny-tailed iguanas**  
(*Ctenosaura similis*) were **rescued and relocated** into areas of native vegetation.



**1,730 sqm** of  
landscaped areas

**20,000 sqm** reforested

We were involved in reforestation efforts on a national level, and in 2018 we took part in a reforestation effort for the second year in a row with the National Forestry Commission (CONAFOR), planting trees over 1.5 hectares at Parque Taran-go, and along 120 avenue medians in Acapulco, with more than 300 volunteers participating.

We participate every year in the  
**reforestation campaign**  
by the National Forestry Commission.

**La Isla Cancun II will contribute to the local economy, creating 650 direct jobs and 500 indirect jobs.**

To learn about our developments located close to or Natural Protected Areas (NPA), see our 2017 Sustainable Annual Report at: [http://en.funomx.com/panel/archivos\\_subidos/data-jJugvYcsl6.pdf](http://en.funomx.com/panel/archivos_subidos/data-jJugvYcsl6.pdf)



LOOKING FORWARD

ENVIRONMENTAL MANAGEMENT

2018 Commitment	Progress	Description	2019 Commitment
Start internal auditing project in the Sustainability Area.		<ul style="list-style-type: none"> <li>Introduce internal audits by independent firms</li> <li>With the support of an independent consultant, develop a carbon footprint calculator applicable to the entire organization.</li> </ul>	Audit material indicators of our 2018 Sustainable Annual Report

MORADO PORTFOLIO

Initiative	Goal	Strategy	Metric	2019
<b>Innovation</b>				
BMS	Supervision and automation hardware	Introduce BMS in air conditioning, vertical transport, and lighting.	5% reduction in electricity consumption	30,433,969 kW~~\$75 million
Parking app	Parking fees paid by mobile phone or code	Install app for collecting parking fees.		1,521,698 kW~~\$3 million
Occupancy sensors	Automated parking	Guided occupancy sensor system.		
<b>Waste management</b>				
Copper/minerals	360° Awareness Campaign	Train suppliers, employees and visitors.	Generation of ~ 2018	6 t ~ \$1 million
Cans/aluminum		Launch waste reduction campaigns with tenants.	30% of 2018 Revenues	
Paper/cardboard/similar	Equipment	Containers, bags, etc.		2t ~ \$347K
PET / plastic	On-site classification	Appropriate separation and handling.		
Glass	Reporting integrity	Correct information with Bizagi.		
	Monetization	Introduce waste selling in all properties.		
		Revenue control.		
		Keep record of certified suppliers; mapping to final destination.		

Initiative	Goal	Strategy	Metric	2019
	Alignment with environmental standards	Tenant compliance with Safety Standards.		
Spare parts waste	Correctly dispose of electronic devices	Send to collection points appropriate for this type of waste.		
Ticket waste	Cardboard recycling	Separate tickets stored for more than seven years. Then separate on a monthly basis.		
<b>Electrical energy reduction</b>				
Capacitor bank	Correction of PF and harmonic factors in the electrical system, improving equipment performance	Install capacitor bank in buildings, reducing reactive power.	2% reduction in electricity consumption	609,000 kW~~\$1million
Self-generation	Reduce electrical consumption from the CFE using solar energy technology	Use of electricity generated from solar energy.	Reduction of 500 kW monthly using a meter installed in the building	7,000 kW~~\$35K
Parking area lighting	Switch to LED	Review current lighting type and needs		2t ~ \$347K
	Timed on/off	Review current hours and needs		
	Install solar panels	Evaluate roof areas over equipment or shaded parking spots		
<b>Water use optimization</b>				
Rainwater capture	Rainwater capture	Take advantage of rainwater for use in our buildings	Recovery of 5% of water consumed	563,286 m <sup>3</sup> ~~ \$12 million 28,164 m <sup>3</sup> ~~ \$620K
Reuse of treated wastewater	Reuse of treated wastewater	Reuse of water obtained from WTP	20% water consumption	563,286 m <sup>3</sup> ~~ 412 million 112,657 m <sup>3</sup> ~~ \$2 million
Zero waste in car washing	Appropriate amount of water used in car washing			
<b>Consumption of refrigerants</b>				
Reduce consumption of refrigerants	Take preventive action (electronic detector, routine daily checks, standardized check list)	Reduce consumption of refrigerants.	5% reduction in refrigerant consumption vs. 2018	15,272 kg~~ \$4 million 764 kg~~\$208K



## GENERAL PORTFOLIO

2018 Commitments	Progress	Description	2019 Commitment
<p>Operations</p> <p>Investment of \$145 million in eco-efficiency projects</p>	→		<ul style="list-style-type: none"> <li>Save 10% of light consumption for 2019. The bonuses of our division heads and directors of operations is linked to the weighted score resulting from the operating scorecard.</li> <li>Modernize vertical transportation in 8 buildings (31 pieces of equipment).</li> </ul>
<p><b>Energy</b></p> <ul style="list-style-type: none"> <li>Replicate pilot testing at Patio Pachuca in other buildings.</li> <li>Replace incandescent lighting for LED in more shopping centers.</li> <li>Optimize air conditioning technology in four cities.</li> <li>Replace two transformers and optimize backup power plant technology, to improve efficiency in reducing diesel emissions and consumption by at least 40%.</li> <li>Save 5% on consumption of electrical energy through efficient technologies.</li> </ul>	✓	<ul style="list-style-type: none"> <li>Stabilization of WTP = 15 were stabilized.</li> <li>Change to LED lighting = this change was made in 16 buildings,</li> <li>Waterproofing: 35 buildings were waterproofed.</li> <li>Air conditioning system optimization in 5 buildings and complete overhaul of air conditioning systems.</li> <li>Replacement of a transformer and optimization of 4 emergency generators.</li> <li>Increase in the efficiency of vertical transportation systems in 4 buildings.</li> <li>\$68 million pesos of total investment.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct pilot testing at SAMARA involving switching from LP to Natural Gas. With this we expect a 40% savings for our tenants.</li> <li>90% reduction in consumption of hydrocarbons and resulting reduction in emissions of:                             <ul style="list-style-type: none"> <li>» 95% in CO</li> <li>» 20% in CO<sub>2</sub></li> <li>» 30% in NO<sub>x</sub></li> </ul> </li> <li>Avoid risk of contamination in soil and water tables.</li> <li>Continue change to more efficient eco-technologies in electrical energy consumption. To be implemented in at least 5 buildings.</li> <li>Analyze various options to incorporate renewable energy into our buildings.</li> </ul>
<p><b>Emissions</b></p> <p>Waterproof another 33 buildings.</p>	→		<p>Waterproofing of 35 buildings.</p>
<p><b>Water</b></p> <p>Adapt 11 WTP to meet NOM-003 standard for reuse of water in watering, irrigation and toilets</p> <p>Save 5% on water consumption through reuse of water treated at the WTP.</p>	→		<ul style="list-style-type: none"> <li>Repair of 3 WTP.</li> <li>Replacement of bathroom fixtures with more eco-efficient types, like dry urinals in 7 buildings.</li> </ul>



2020 Commitment:  
**Increase our LEED Certified portfolio** by 20% vs 2017.

2019 Commitment:  
 Continue our operations with **zero biodiversity loss** in our **remodels and development** projects.

Torre Reforma Latino, Mexico City



# BUILDING SUSTAINABLE COMMUNITIES

17 PARTNERSHIPS  
FOR THE GOALS



FUNO's operations promote economic growth and social progress.

We work towards strengthening community relationships, generating alliances in order to favor economic, social and environmental development in Mexico.

Galerías Valle Oriente, Monterrey

0  
2  
5  
\$

MILLION PESOS INVESTED IN SOCIAL PROGRAMS



# BUILDING SUSTAINABLE COMMUNITIES

Our properties also play the role for social cohesion; they create employment through our tenants and provide communities with Access to products and services, all of which improve quality of life not only for our visitors but also tenants and surrounding communities.

We classify our retail properties in the following categories: –stand alone, neighborhood center, regional center y fashion mall–, with the goal to maximizing our visitors’ experience. We have also established specific marketing guidelines for each category.

In addition, social media has become our key communication channel. In 2018 we kept 6 properties within the national top 10 ranking of shopping centers in social media.

We are looking at providing more services and facilities to our tenants and guests; In 2018 we identified the need for potable water within our shopping centers, in addition of it, being a human right, as a result we installed drinking fountains and since 2018 any person may come into our properties and drink potable water.

**123 properties** have drinking fountains **with free access** to any community member

Looking at guaranteeing safe and healthy places to any tenant and visitor, during 2018 we implemented initiatives such as:

- Zumba and yoga classes.
- Support governmental organization in vaccination campaigns and blood drives on our properties.
- Free of charge spaces to Cruz Roja.
- We monitor air quality in several properties in order to comply with the highest health standards.

**40 properties are located in touristic areas.** Such properties produce an average spillover of **+\$1,777 million de pesos**

In addition, all our properties have security and safety protocols. Nonetheless, during 2018, 145 safety incidents occurred on 28 properties, costing around \$990,646 pesos.

Safety conditions in Mexico are complex. At FUNO we closely collaborate with government initiatives to reduce security threats, not only in our properties, but also around them.

Our strategies include, close communication and information sharing with authorities, surveillance systems, as well as security personnel on all our properties. We have developed specific reaction protocols for each contingency, as well as protocols for human rights observations during emergency reaction.

**\$154 million pesos** invested on **safety and crime prevention** initiatives

**39** Safety sub-contractors

**\$120 million pesos** invested in community support programs

We have never displaced or relocated communities for our developments or operations. On the contrary, we have a strong commitment towards communities surrounding our properties. Hence, we have supported our neighbors on social regeneration initiatives through infrastructure investment, such as sidewalks, safety bumps, swage systems and desilting. Currently community engagement is implemented through property managers.



GRI 413: 103-1, 103-2, 103-3  
102-12, 102-29

In 2018, we invested over \$55,823,000 on social initiatives through our Mitikah Project, including the reconstruction of houses, construction material donation and improvement of community infrastructure.

On top of benefiting our tenants and neighbors, we also widely contribute to improving quality of life in society at large. As a result, in 2018 we supported the following NGO’s with in-kind donations:

- Casa Alianza
- CEVI Foundation
- OMA Foundation
- Mosaico Down Foundation
- Quinta Carmelita Foundation
- Foundation for the Social Development of Tlaxcala
- Providencia Contigo Foundation

We provided with furniture and construction materials.

Additionally, in emergency situations or natural disasters, our properties become collection centers for help: such was the case of Galerías Guadalajara for victims of hurricane Odile and Monterrey for red Cross.







Torre Santa Fe, Mexico City

# "MANOS AL FUTURO"



Through the combined efforts our workers, business, authorities and the community, we can achieve the social change Mexico requires to achieve full, fair and equitable development. This is our reason for supporting the "Manos al Futuro" (Hands to the Future) initiative, a nonprofit organization whose mission is to improve people's quality of life and promote prosperity in urban communities through the economic development spurred by investment project.



**802 workers benefited** from the FUNO alliance **"Manos al Futuro"**.

## TRADE TRAINING AND CERTIFICATION

Encourages workers to strengthen technical skills and know-how through the "Manos al Futuro" trade school, a job skill certification institute that operates nationwide. It does this through a comprehensive training model of education and certification of workers who do jobs relating to building construction, operation and management, and extends the project's community of influence by creating job opportunities and strengthening fundamental goals relating to sustainability in area and the city as a whole. The model is complemented by wtraining in Human Development, Civics and Community-Building abilities and strategies.

## PROMOTION OF URBAN ARCHITECTURAL PROJECTS WITH A COMMUNITY FOCUS.

The "Manos al Futuro" team of experts works in coordination to identify and develop proposals for the improvement of public spaces and urban amenities, taking advantage of resources supplied by investors and developers, based on the concept of mitigation and urban integration measures, applying these to the investment project's area of influence.

"Manos al Futuro" created the "Quality of Life and Urban Prosperity" distinction in order to identify, recognize, disseminate and promote the benefits of these interventions in communities and the city, so they can be replicated in other projects.

## SUPPORT FOR FAMILY WORKSHOPS, COMMUNITY COOPERATIVES AND MICRO-INDUSTRY.

A program coordinated by a group of specialists in economics and in creation of social projects. Its main goal is to identify economic opportunities resulting from investment projects, to encourage communities to organize to provide services, make products, or supply materials that investment projects require both in their construction phase and during final operations.

Additionally, "Manos al Futuro" provides training on creating and training community civil defense brigades, raising workers' awareness about preventing risks and accidents on the job, at home and in the community. The main achievements of "Manos al Futuro" in 2018 were:

This initiative was accredited at the national level as a Job Skill Evaluation and Certification agency, so it can train and officially certify job skills in all trades.

It also obtained authorization from the Ministry of Finance and Public Credit to receive tax-deductible donations.

It created a nationwide strategic alliance with the National Institute for Adult Education (INEA), by which it can accredit elementary and middle school education for constructions workers at projects where, through our synergies, we implement the comprehensive training model of the Trade School.

**\$3,500,000**  
INVESTED BY FUNO IN THE "MANOS AL FUTURO" PROGRAM





414 UNETE members

Beneficiaries

9,212 schools

2,699,302 students

110,905 teachers

Torre Cuarzo, Mexico City

# "EDUCATION TRANSFORMS LIVES"

In 2018 we formed an alliance with UNETE, a nonprofit organization whose mission is to improve quality and equality in Mexican education.

## UNETE works to improve educational quality and equality in Mexico

Developing digital skills for teachers and students	Providing technological equipment for media classrooms	Helping students develop critical thinking skills	Access to digital educational content, pedagogical advice and technical support
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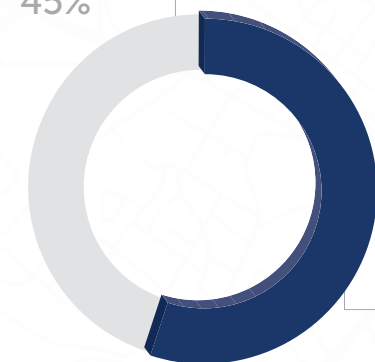
UNETE empowers teachers to bring technology into their classrooms, through the support of a trainer who is available on school premises throughout the school year.

The campaign we worked on together was "Education Transforms Lives." It lasted for four months and was brought to Mexico City along with states of Jalisco, Nuevo León, Querétaro, Yucatán and Morelos.

"Education transforms lives" involved training UNETE partners in shopping centers, taking advantage of the heavy flow of visitors. The results were as follows:

### DONNORS

45%



■ Women  
■ Men

55%

\$256 average donation

414 donors

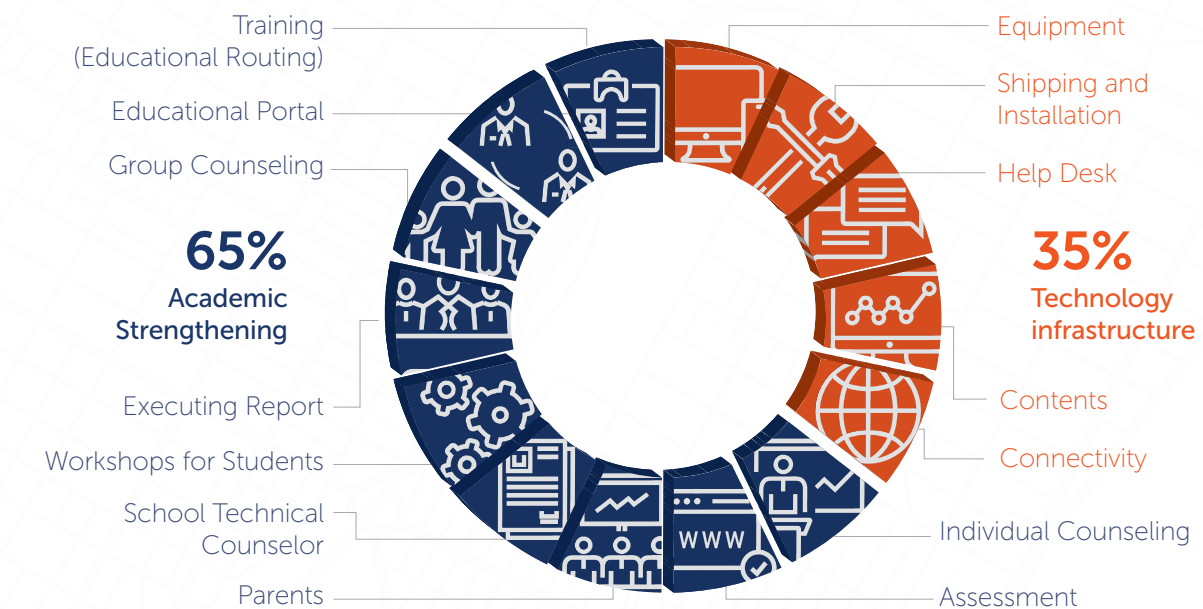
We believe in the next 12 months, the already 414 UNETE members will generate an approximate of \$1,490,400 pesos supporting Mexican youth in their education, through:

- Media Access rooms in local schools
- Bringing education and interactive contents to improve their learning and internet Access, al-

lowing them to reach better learning platforms. Training teachers, in order to use better technologies in their classrooms.

Donations were distributed throughout two programs: technological infrastructure and school reinforcement.

95.5 cents for each peso donated to UNETE reaches the beneficiaries, the rest is used for administrative purposes.



FUNO's direct contribution to UNETE sums up, over \$1.5 million pesos.

The Social ROI for each \$1 donated to UNETE, is estimated at \$25.63 over a period of 5 years.

102,000 PEOPLE APPROACHED





Torre Caballito, Mexico City

# U N H C R



In 2018, we formed an alliance with the Office of the United Nations High Commissioner for Refugees (UNHCR), whose mission is to save lives, protect rights and build a better future for millions of people who have been forced to travel from their homes.

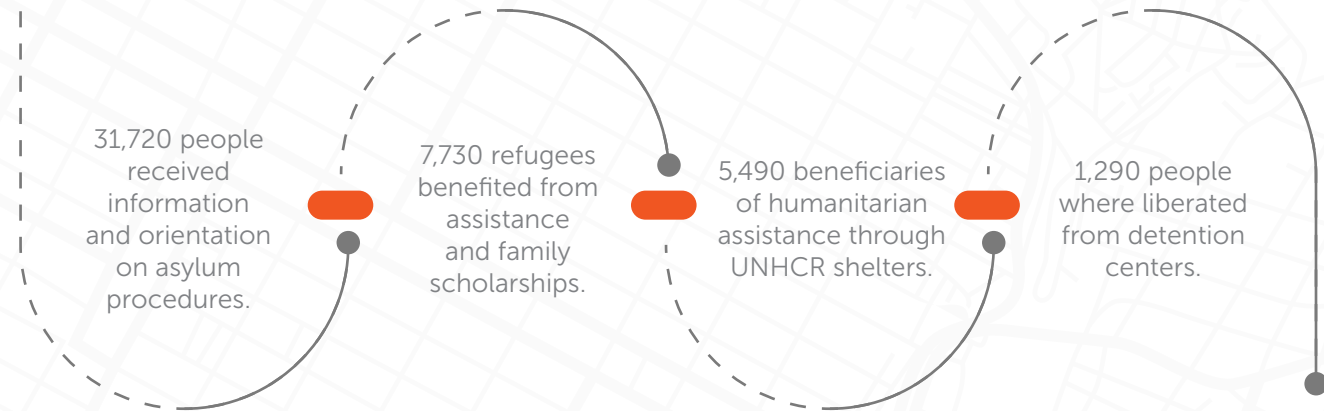
The UNHCR provides legal and material assistance to refugees through the organization Sin Fronteras, I.A.P., and supports the socio-economic integration of refugees and asylum-seekers through the Programa Casa Refugiados, A.C., both in Mexico City. It also detects and provides temporary assistance to applicants for refugee status and beneficiaries of complementary protection and stateless persons, through the Casa del Migrante Scalabrini, A.C., a shelter located in Tapachula, Chiapas.

The alliance collects donations from visitors to three shopping centers, helping UNHCR finance its activities in Mexico.

**Donated to UNHCR spaces for face-to-face approach** in 7 shopping malls over a period of 34 days.

UNHCR received **45 donors** and a total of **\$11,310 pesos** in donations\*.

## IN 2018 ...



102-12

### UNHCR achievements...

**Identify and relocate 833 refugees** from Tapachula and Tenosique to Saltillo, in Coahuila. Our on-site team **helps adults find Jobs and provides psych-social help** during one year.

86% of relocated refugees stayed in Saltillo. 9% left the Project to be relocated to another City. 5% left the Project to move into the US.

Improve incoming conditions, providing special facilities for children, families and the LGBTI community.

\*This amounts multiply monthly, depending on how long donors stay during the program. Our goal is to add the donor roster for UNHCR, promoting awareness on refugees and their situation in Mexico.

**11,310 PESOS IN DONATIONS**





Torre Mexicana, Mexico City

# FUNO FOUNDATION

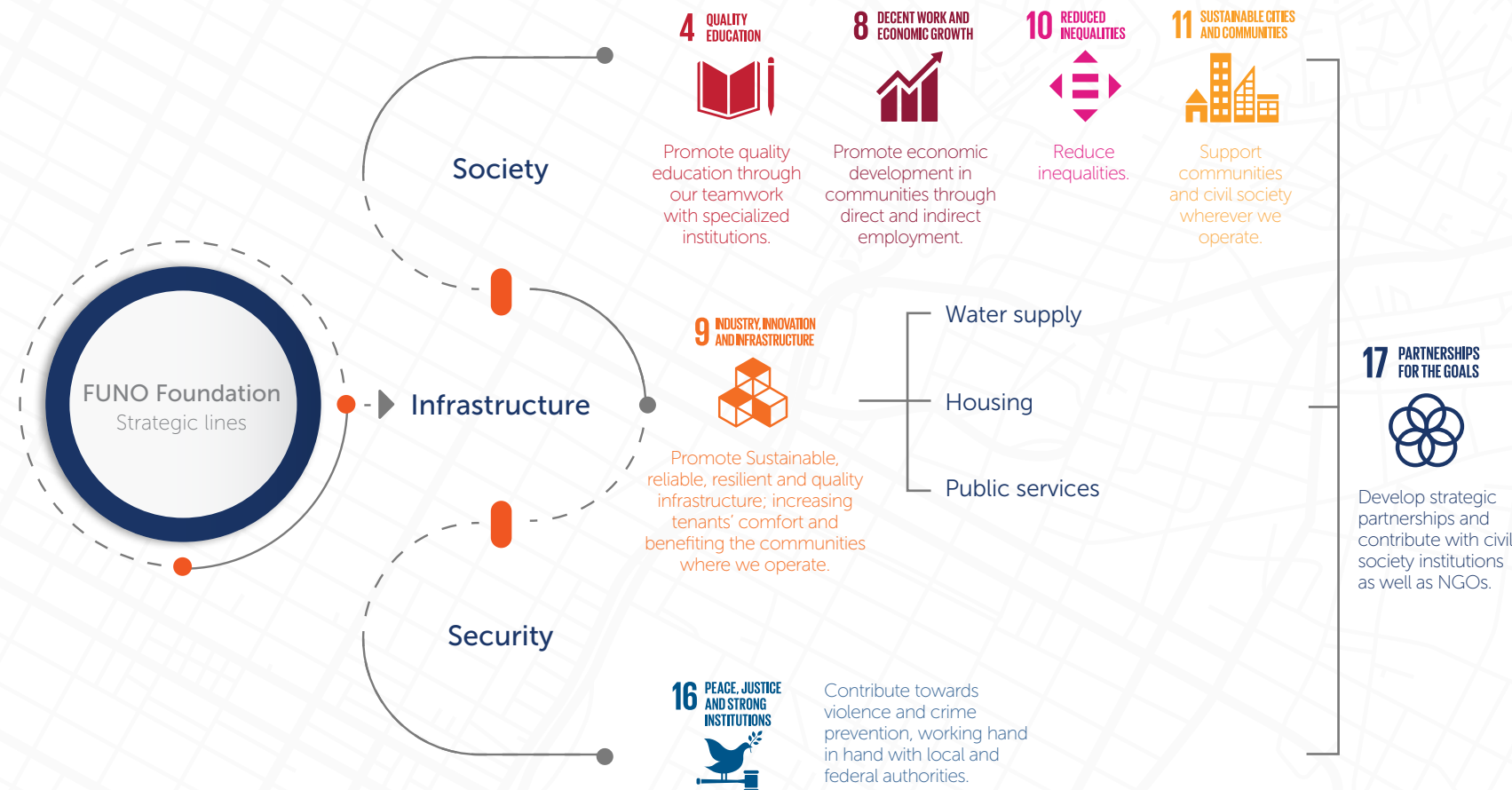
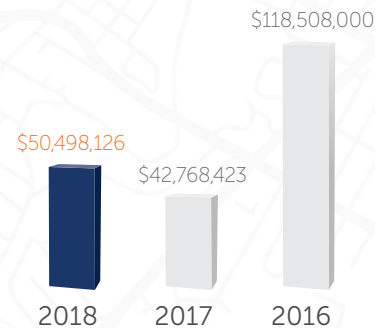
2018 was our 2<sup>nd</sup> year of operations, we aim at creating positive social impact in the communities where FUNO operates, demonstrating our commitment to create value throughout Mexico.

**FUNO Foundation** is yet another mechanism through which FUNO, promotes social development and equality across the country.

This year we consolidated FUNO strategy and aligned its objectives with the organizations business model. We focused our efforts on initiatives with the highest Social ROI and social Benefit.

The Foundation strategic action lines were modified this year, in order to comply with the business model and our stakeholders' interests, while contributing towards the achievement of SDGs.

FUNO FOUNDATION TOTAL INCOME



# MEXICAN ASSOCIATION OF WOMEN IN YUCATAN

This Alliance, we provided commercial space for 16 indigenous women, with local produce with retail, industrial, agriculture, artisanal, cultural and social services.

Through this partnership, they were able to approach clients and sell honey and textiles in our Merida Shopping center. With one of the highest affluence rates in the state.



# LOOKING FORWARD

## MARKETING

2018 Commitments	Progress	Description	2019 Commitments
Increase flow of shoppers by 5%	✓	We achieved the targeted increase.	Increase flow of shoppers by 5%
Generate promotions that boost our tenants' sales	✓	We created special promotions for each shopping center for specific seasons.	Generate promotions that boost our tenants' sales.
Reach 4.5 million "followers" on social media	➔	We received 4.3 million "followers" on social media	Maintain followers and achieve 4.5 million "followers" on social media
Build and reinforce FUNO's image and reputation both internally and externally, through initiatives aimed at different audiences	➔ Ongoing	<ul style="list-style-type: none"> <li>We achieved:                             <ul style="list-style-type: none"> <li>» 2.2K followers on Twitter</li> <li>» 12.2 K followers on Facebook</li> <li>» 14.8 K followers on LinkedIn</li> </ul> </li> <li>Our publications in print media reach more than 5 million readers; audiovisual media within the organization keep more than 200 employees up to date.</li> <li>External communication                             <ul style="list-style-type: none"> <li>» Media (print media campaigns in 4 of Mexico's top 5 publications</li> <li>» Social media: construction of a 5-pillar communication strategy: investment, properties, workplace environment, sustainability, and FIBRA model benefits</li> <li>» We reinforced our position in the mass media, particularly radio</li> <li>» We launched 3 media tours</li> </ul> </li> <li>Internal communications: use of audiovisual media to transmit corporate messages, financial results, ESG results, workplace environment and social responsibility.</li> </ul>	Increase the base of followers by 5% in all of our three social media accounts.
Boost FUNO's brand presence in strategic media for our target audiences	➔ Ongoing		
Re-launch/strengthen communication campaign and extend it to visitors and tenants, reaching 100% of our stakeholders	➔		Develop and implement a campaign for tenants and visitors on optimization of energy, water and waste in our offices and shopping centers.

## FUNO FOUNDATION AND SOCIAL RESPONSIBILITY

2018 Commitments	Progress	Description	Strategy	2019 Commitment
Support initiatives that promote Mexico's competitiveness and infrastructure	✓	<ul style="list-style-type: none"> <li>We completed reconstruction of homes damaged or destroyed in the September 2019 earthquake in Delegación Iztapalapa, Mexico City.</li> <li>We undertook 124 social and environmental engagement activities within our properties.</li> </ul>	We began the program "Manos al Futuro", through which we help workers at the Mitikah project to develop skills and improve employability.	<ul style="list-style-type: none"> <li>Continue supporting initiatives that promote the development of sustainable infrastructure in Mexico.</li> <li>Support more than 100 construction workers as they complete their primary and middle-school education and obtain trade certification.</li> </ul>
Increase our social investment in supporting infrastructure by at least \$20 million over fiscal year 2017	✓	Goal met; \$20 million donated to rebuilding homes in Iztapalapa, and \$3.5 million to the "Manos al Futuro" program.		Continue donating at least \$20 million a year to communities where we operate.
Strengthen FUNO Foundation's endowment board	✓	FUNO's endowment board is made up of representatives of majority donors.		
Support infrastructure improvements in at least two communities where we operate	✓	We supported infrastructure improvements in Iztapalapa and Pueblo de Xoco, Mexico City.		Make our social media mechanisms more efficient to communicate more directly with neighbors and be able to respond more quickly to their concerns.

2020 Commitment  
**Increase our social impact**  
 through at least **200 in-site initiatives.**



# S O L I D G R O U N D



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FUNO's competitive advantage relies on our solid and experienced Technical Committee. It represents an exceptional solid ground, with enough tenacity, experience and transparency to lead our organization into success.

experience



# SOLID GROUND

Our Corporate governance is structured as follows:



102-5, 102-18, 102-19, 102-20, 102-22, 102-26, 102-29, 102-31

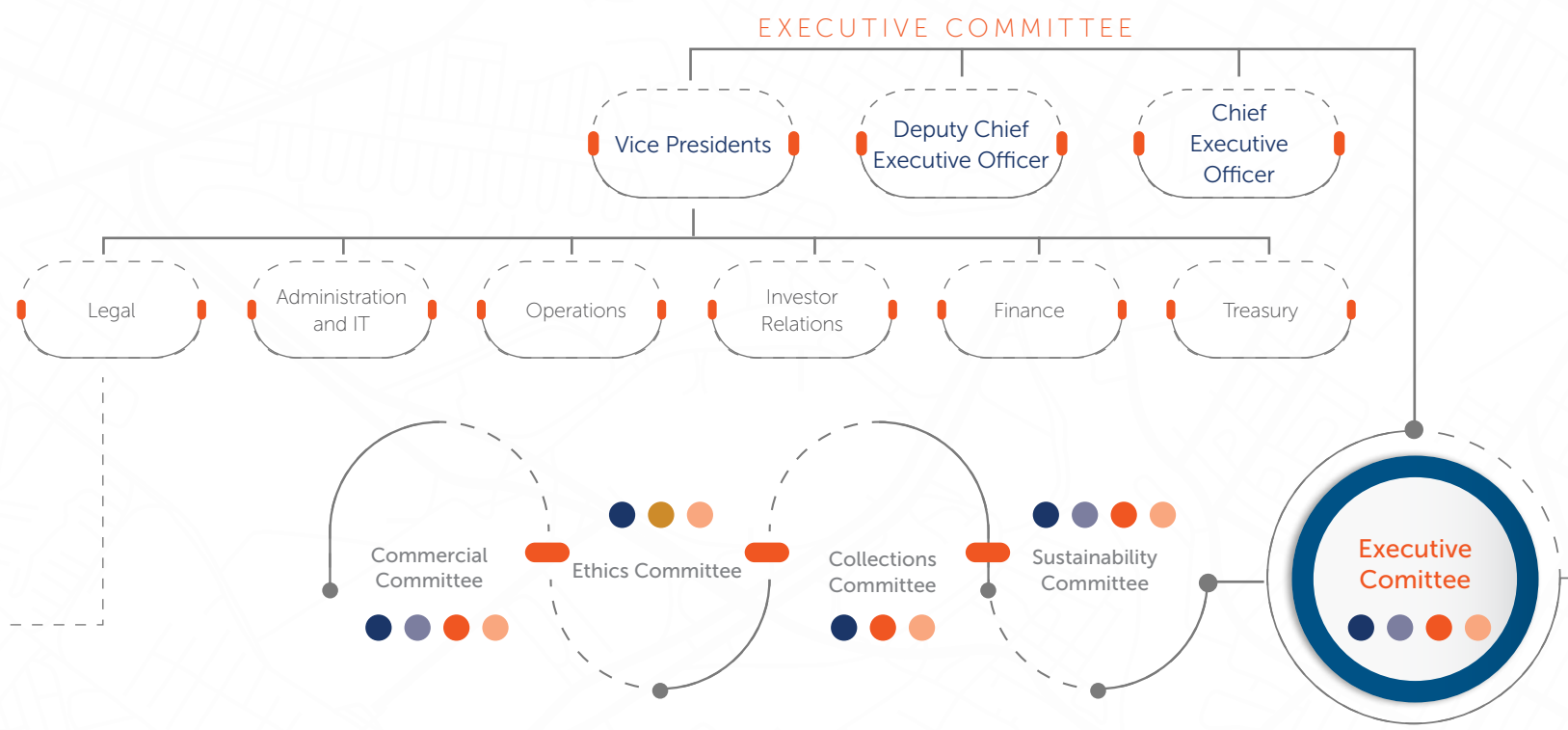
## 1 PLURAL

Made up of all parties who have acquired CBFIs on the open market or by another means.

## 2 INDEPENDENT

The greater investing public owns the majority of CBFIs, and are represented by a single independent trust institution that serves as Common Representative. This independence is guaranteed by the legal provisions themselves and by our Trust Indenture.

The responsibilities of administration and management are assigned to:



- Made up of 12 members, five of them independent and seven of them proprietary members.
- Four of the independent members sit on another three committees -Audit, Corporate Practices, and Nominations and Compensation.
- The Secretary is a non-member.
- The Chairman of the Technical Committee is not a FUNO executive.
- The Chairman's duties are separate from those of the Chief Executive Officer.
- Members have extensive experience in economic, social, environmental, political and cultural matters relating to FUNO's social purpose.
- Receives the guidelines issued by the CBFHolders' Assembly.
- Responsible for establishing and approving the organization's purpose, values, mission, strategy, policies and goals.
- Includes some members of key families in the Trust, who hold approximately 30% of the outstanding CBFIs.

- Involved in economic, environmental and social matters according to their responsibilities, experience and activities.
- Accountable to the CEO and Deputy CEO.
- During meetings of the Management Committee, they present and analyze identified challenges, opportunities and impacts; when appropriate, the Technical Committee communicates these concerns to the CBFHolders' Meeting, during which the CEO and/or Vice Presidents involved present the economic, environmental and social cases whose relevance merits discussion in the Meeting.

FUNO's bylaws describe the process of delegation of responsibilities from the CBFHolders' Assembly through the Advisory Body to the executives.



HELIOS

Portfolio of properties

- Makes risk prevention and mitigation decisions.
- Makes decisions on Corporate Governance, Ethics and Anti-Corruption.
- Makes environmental decisions.
- Makes economic decisions.
- Makes decisions on social matters, community relations and health and safety.



Transparency and accountability are our technical committee's main goal; in order to provide all required information for our Holders Assembly to make the right decisions in leading our organization.

Our CBFH Holders, have Access to all required information on our operation, risks, as well as terms and conditions. In order to improve their decision-making process, all Holders have the faculty and possibility to open consultation process as often as needed in order to decide, vote in favor or against any issue related to economic, environmental and social issues. Similarly, they can request at any time assessments on specific topics from the Technical Committee.

The Technical Committee relies on its subordinate committees, they escalate critical concerns, including -social and environmental- which are of high relevance to the organization and that come up from our relationship with other stakeholders. In this sense, the Technical Committee, has all required faculties to solve and review such issues, except for those who's relevance requires the holder's approval; in which case, the assembly is the one in charge of solving them based on FUNO's statutes and all applicable regulation.

Proposal of new Technical Committee members is the responsibility of our Compensation and Nomination Committee, which has 60% of its members as independent; however only the Holders Assembly can ratify new members. On all compensation decisions, only independent members have a right to vote.

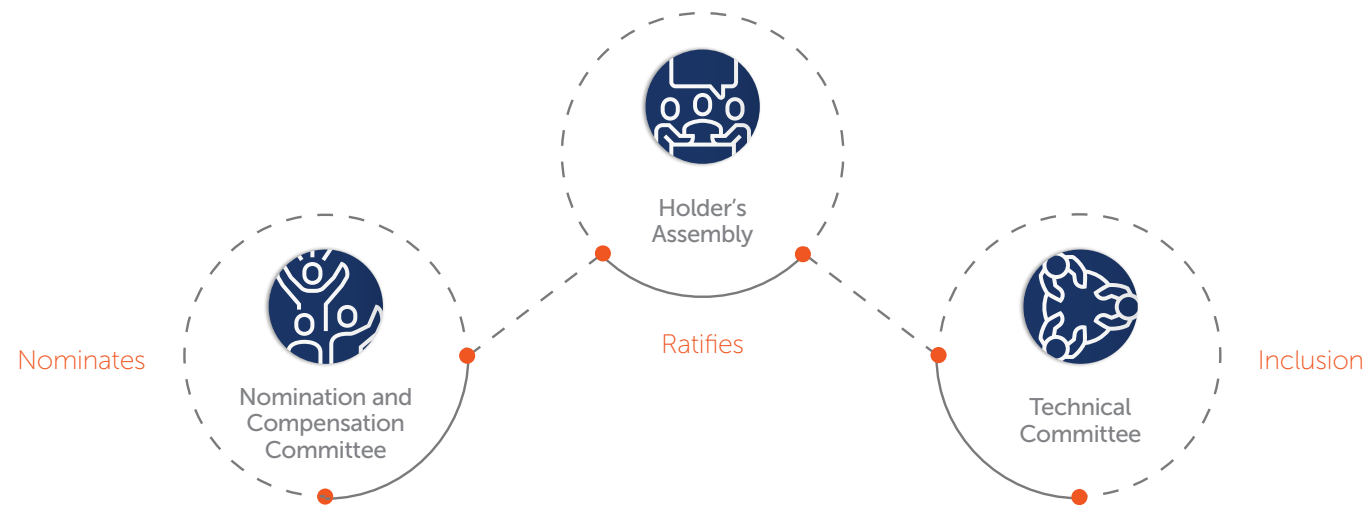
This mechanism aims at guaranteeing that potential members interests are aligned with our core business goals.

Even when there is no gender or nationally restriction; our Technical Committee is currently constituted by 100% men, while the Holder's assembly has both men and women, nonetheless this information is confidential.

FUNO is a young organization, as such the average tenure of our committee members is of 6 years.

Name	Age	Member Since
André El-Mann Arazi	54 years	2011
Max El-Mann Arazi	59 years	2011
Moises El-Mann Arazi	65 years	2011
Jaime Kababie Sacal	69 years	2011
Abude Attié Dayán	76 years	2011
Isidoro Attié Laniado	50 years	2011
Elías Sacal Micha	69 years	2011
Rubén Goldberg Javkin*	70 years	2011
Herminio Alonso Blanco Mendoza*	68 years	2011
Ignacio Trigueros Legarreta*	68 years	2011
Antonio Franck Cabrera*	55 years	2016
Alberto Felipe Mulás Alonso*	58 years	2017

\* Independent Members.





## MANAGEMENT TEAM

### ANDRÉ EL-MANN

CHIEF EXECUTIVE  
OFFICER

Member of the Technical Committee. He has more than 30 years of experience in the real estate sector. He is co-founder of E-Group, one of the largest and most important real estate groups in Mexico. He 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. He is currently member of the board of each of the companies that integrate E-Group. Mr. El-Mann 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.

### ISIDORO ATTIE

EXECUTIVE  
VICE PRESIDENT,  
STRATEGY AND  
FINANCE

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. Mr. Attie was 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 Mr. Attie joined E-Group, he has been actively involved in the development and acquisition of real estate projects in Mexico. Since then, Mr. Attie 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.

### GONZALO ROBINA

DEPUTY CHIEF  
EXECUTIVE OFFICER

He has more than 30 years of experience in real estate. Currently serves as the first Chairman of the AMEFI (Mexican Real Estate FIBRAs Association). Formerly, he was President of Fenix Capital Group, a Deutsche Bank subsidiary with more than 7,000 properties and 14,000 real assets under management. He was Chief Commercial Officer of GICSA and founder of MexFund, a real estate fund created in 2007, where he served as Chairman and CEO, and that was later acquired by FUNO in 2011. In the social arena, Gonzalo was founder of the Missionary Family movement and was its director for 15 years. Gonzalo has a Bachelors' Degree in Business Administration by Universidad Iberoamericana and earned his Masters' Degree in Finance from Instituto Tecnológico Autonomo de Mexico (ITAM).

### IGNACIO TORTORIELLO

VICE PRESIDENT OF  
ADMINISTRATION & IT

He has more than 30 years of experience and has held key roles in structuring strategies and controls, and in creating efficient and committed teams, and has been consultant focused in business processes and information technologies. He has successfully implemented complex processes and administrative platforms in several corporations and has advised many others in corporate planning and administrative issues. He held key positions in companies such as CEMEX and Comex, and has advised others such as Chocolates Turin, Honeywell Automotive Mexico, Almex and SuKarne. Has been member of the board of Chocolates Turin, Opcion Proa, and Cables y Plásticos. Ignacio holds a Bachelors' Degree in Economics by Instituto Tecnológico Autonomo de Mexico (ITAM), and earned his MBA from Instituto Panamericano de Alta Direccion de Empresas (IPADE), and has several training courses in supply chain, logistics and planning at IPADE and GeorgiaTech, among others.

### JAVIER ELIZALDE

VICE PRESIDENT  
OF TREASURY

He has more than 13 years of experience in corporate banking. Formerly he was Director of Corporate Banking of BBVA Bancomer since 2002, and held several key positions within Bancomer's corporate division, where he actively participated in the funding structures of more than 100 real estate projects. Javier is in charge of FUNO's treasury since inception and was also FUNO's Chief Financial Officer until 2014. Javier holds a BA in Business Administration from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) in Mexico City.

### JORGE PIGEON

VICE PRESIDENT OF  
CAPITAL MARKETS &  
INVESTOR RELATIONS

He has more than 23 years of experience in investment banking and capital markets. He has worked for James Capel, Violy, Byorum & Partners, and BBVA Securities in New York. He was also director of equity capital markets with BBVA Bancomer. Previous to joining FUNO he was Executive Director, Head of Equity Capital Markets with Santander, where he was in charge of FUNO's initial public offering and two of its follow-on offerings. Jorge has participated in several equity, debt and M&A deals in the United States, Mexico, Latin America and Europe, totaling more than 25 billion U.S. Dollars of aggregated transactions value. Jorge holds a BS in Civil Engineering from Universidad Iberoamericana and has several courses focused on corporate finance, valuation and investment banking.



## ALFONSO ARCEO

VICE PRESIDENT  
OF OPERATIONS

He has more than 20 years of experience in operations management and business development, and has held several top management positions. Prior to joining FUNO, Alfonso was VP of Operations with Mexico Retail Properties, where he developed and implemented a series of manuals and processes to achieve institutional management in more than 50 shopping centers. Formerly he was Director of New Businesses with Blockbuster Mexico, where he developed the first "Blockbuster Cinema" concept in the world. He was also CEO of Multimax, the fourth largest chain of movie theaters at that moment. Alfonso initiated his professional career in corporate banking with BBVA Bancomer. Alfonso holds a BA of Business Administration from Universidad Anahuac in Mexico City and earned his MBA from Instituto de Empresa in Madrid.

## ALEJANDRO CHICO

VICE PRESIDENT  
OF LEGAL

He has more than 20 years of experience and with a solid legal practice in domestic and international law firms as lawyer specialized on financial, banking and capital markets law. His practice has been focused on both equity and debt transactions in local and foreign markets. He has also advised clients on restructures, highly-complex real estate operations, and mergers and acquisitions. Alejandro was actively involved in the structuring and implementation of FUNO's initial public offering. Prior to joining FUNO, Alejandro was Partner of the law firm Jones Day in Mexico City. He has international experience in law firms such as Cleary, Gottlieb, Steen & Hamilton and Lathan & Walkins. He holds a law degree from Universidad Anahuac and earned his Master of Laws degree from University of Miami.

## FERNANDO ALVAREZ TOCA

CFO

Former CEO and CFO of Banco Compartamos, he was also CFO and General Services Director at Genera. He has wide experience of over 12 years in capital markets, and was responsible for the IPO of Banco Compartamos, as well as the first CBF1 issuance. He also led the massification Project of Mis Ahorros accounts, achieving over 1 million accounts in 18 months. His expertise in Mergers and Acquisitions played a relevant role on Genera's international expansion. Before joining FUNO, he was Director of Finance at Mira Companies.

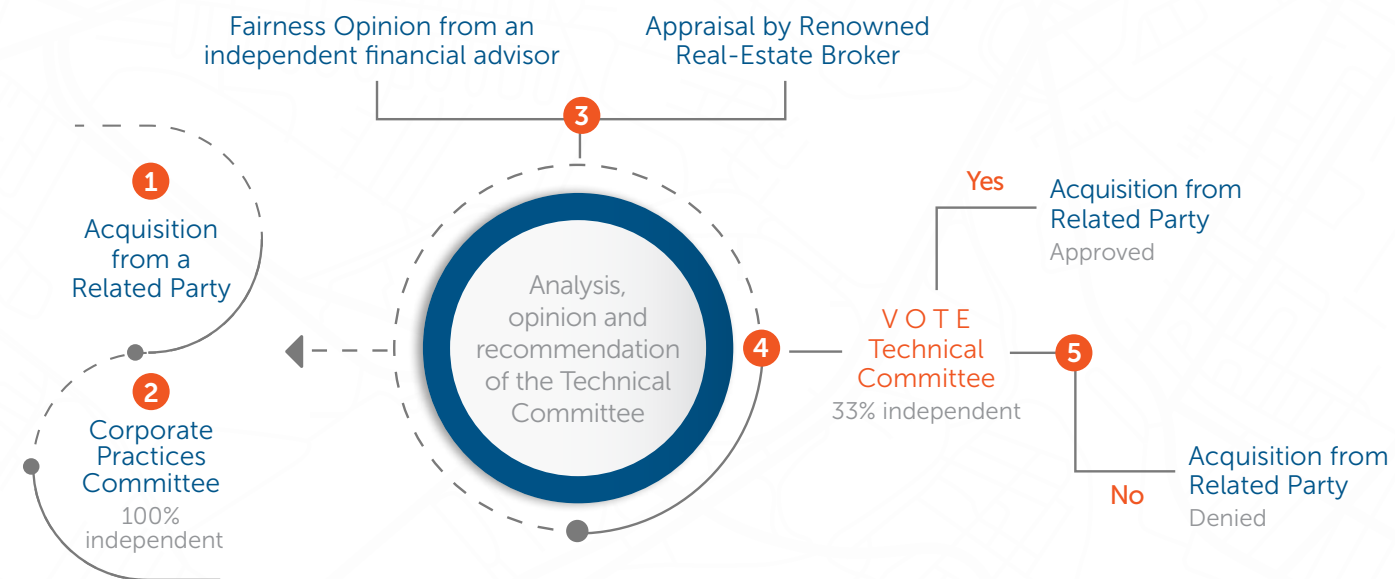




# CONFLICT OF INTEREST RESOLUTION MECHANISM

Our Corporate governance structure has been designed to Benefit our CBFH Holders and mitigate potential conflict of interests. Nonetheless, we have established a policy and mechanism to manage transactions between related parties in case they arise; the policy has been approved by our Technical Committee and considers:

- For decision making and before formalizing any transaction, operation or relation with a related party, a majority of independent members should vote on favor, in addition with a majority of committee members, while the related parties should abstain from voting.
- It prohibits relevant families or related parties to vote on a series of faculties within the Holder's Assembly, in line with our Trust agreement.
- The mechanism is publicly available at: (<http://funo.mx/inversionistas/esg-sostenibilidad/gobierno-corporativo/administracion-de-riesgos>).



1. The related party transaction should be presented to the practices Committee, which is 100% independent.
2. Our Practices Committee analyzed the transaction.
3. It requires a Reasonable Value Opinion from a well-known real estate broker, in order to be accepted by the committee.
4. The Practices Committee, based on its analysis, issues and opinion and a recommendation to the Technical Committee.

5. In order for the transaction to be completed, it requires:
  - a. Approval of a majority of Technical Committee Members.
  - b. Approval of a majority of Technical Committee Independent Members.

If any of these requirements is fulfilled, the transaction is rejected.

Commitment and Agreements with related parties.



We prevent all conflict of interests within the Holder's Assembly and our Technical Committee in line with Securities Law and the Circular Única de Emisoras as well as the Trust agreement.

<sup>1</sup> Excludes residential real estate assets, or those not for lease.

## COMPLIANCE

We are committed to comply with all applicable regulations in our operations, while constantly monitoring legal updates and upcoming regulatory changes; this puts us at the forefront and helps us prevent any change which may eventually impact our operations.

In line with all applicable regulations and our own guidelines, we have an external independent auditor, which revises financial information and issues an annual statement with recommendations for internal control.

**Constant monitoring** on current and prospective regulatory changes, allowed us to operate during 2018 **without any compliance sue, fine or similar disagreement.**



# BUILT ON SOLID FOUNDATIONS

11 SUSTAINABLE GOALS  
AND COMMITMENTS



We are the first and largest REIT in Mexico.

We operate and develop a wide spectrum of properties, mainly within the industrial, retail and office segments. Becoming a natural propulsor of progress wherever we operate, and delivering growth opportunities for our employees, tenants, guests and neighbors.

# ES

# RE

# IT

PROPERTIES



# BUILT ON SOLID FOUNDATIONS

Our business model is based on sustainable value creation through:

**559** operations

**+8.6 million sqm** of GLA

We are present **throughout Mexico**



FUNO is founding member of the **Mexican Association of Real Estate Fibras (AMEFIBRA)**, during 2018 our deputy CEO was president of such organization.

# OUR CORE

We are a world class trust, committed with Mexico and sustainable value creation. Hence, our founding principles require us to behave in alignment with best Corporate Governance practices and within Corporate Social responsibility principles. Promoting respect and compliance with key elements such as the code of conduct, ethics and corporate principles.



- Be the first option to satisfy the real estate needs of our tenants.
- Remain the leading landlord, manager and developer of assets in Mexico.
- Preserve our geographic diversification of properties, and segments in markets which offer a high growth potential.
- Positively contribute to Mexico's development and transform the communities we work in.
- Upkeep our social and environmental commitment towards society.
- Increase our portfolio through acquisitions and profitable developments, oriented towards creating sustainable value for our CBFH Holders.
- Always approaching our endeavors with a sustainability focus.



Creating sustainable value in our properties through the leasing, operation, acquisition and development of real estate properties, in key locations with high economic dynamism and growth perspectives in Mexico. Striving to always synchronize our business model with our tenants growing expectations, mainly in the industrial, retail and office segments.



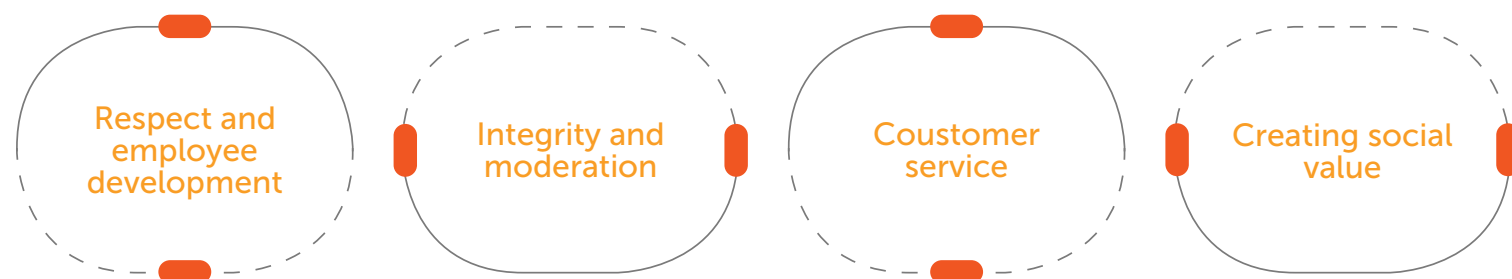
## CODE OF ETHICS

Establishes the guidelines and conducts everyone at FUNO should observe, including Technical Committee members, or employees of FUNO's subsidiaries and affiliates.

It aims at strengthening and respecting FUNO's core values, objectives and norms; it guarantees a competitive and

high-quality service; as well as our commitment towards creating long term value for tenants, CBFI Holders, suppliers, authorities, employees; while respecting our environment and competitors.

The principles embedded in our Code of Ethics are:



In addition to these guidelines which ordain our relationships with tenants, supplies, service providers and contractors, competitors, authorities and employees, our Code of Ethics considers essential norms such as:

- Recognizing people's dignity and respecting their individuality
- Promoting diversity and non-discrimination
- Preventing Money laundering-practices

- Protecting people's privacy and confidential information
- Avoiding conflict of interests
- Preventing corruption and cohesion
- Creating responsible marketing and advertising
- Guaranteeing environmental conservation
- Rejecting unfair competitive practices

**1,392.6 training hours** on ethical issues in 2018.

**100% of our employees,** suppliers and Technical

Committee members signed and are **aware of our policies and anti-corruption practices.**

In 2019 we are committed to evaluate 100% of our Full Time Employees on the **organizations Code of Ethics.**

In 2018 we continue with **zero corruption cases** which have transcended legally or financially. Result of our **commitment** to comply with all applicable regulations and strengthen **FUNO's philosophy.**

Even when in 2018, there were no cases of anti-corruption which transcended legally or financially; in line with our commitments, we suspended 23 indirect employees and 2 direct employees for transgressions to our Code of Ethics.

In FUNO we do not make political contributions, nor do we support any political organization. However, we respect individuals right to support or participate in Mexico's political life.

## MONEY LAUNDERING PREVENTION MECHANISMS

Stablishing money laundering prevention mechanisms has been key to guarantee compliance with the Federal Law for Prevention and identification of operations and resources from illicit actions.

In order to adequately manage this, we have created a Synergy within our legal and tax departments, which are in constant communication on matters of tenant data protection, as well as money collections. Additionally, we have guidelines and policies establishing the exact procedures for money collections from tenants, in order to issue reports to the money laundering portal. In this way, we have several practices for the effective prevention of money laundering, such as:

- File compilation of our tenants who's rent is equal or over 1,605x minimum salary established for Mexico City.
- Providing a report for all operations equal or above 3,210x minimum salary, for the Financial intelligence Unit, through SAT, as well as the report of the inexistence of such operations.
- Follow up and bundling of all acts and operations of 1,605x minimum salary and which in a period of six months add up to at least 3,210x of minimum salary.
- Protection and safety of data, supporting vulnerable activity, as well as identifying tenants, for a period of 5 years counting, from the date of the operations, with the goal of avoiding its destruction or hiding.
- Providing all necessary facilities to the Mexican authorities for their audits and visits.

In 2018 we achieved our commitment to have **updated and completed all corresponding files and information** on our trusts and the FUNO Foundation.



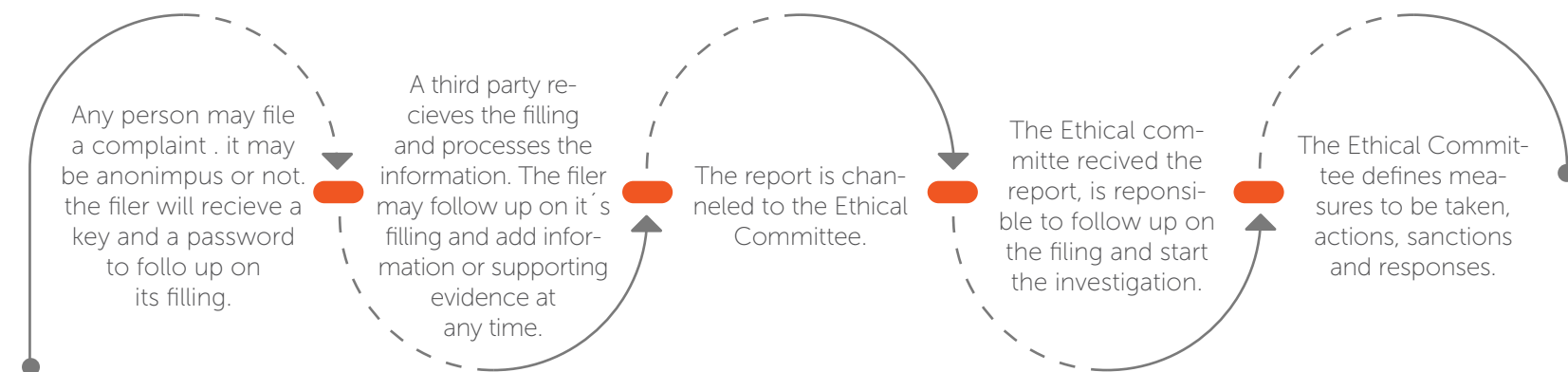
## WHISTLEBLOWING MECHANISM

Through our whistleblowing mechanism our stakeholders can send their suggestions or complaints on any behavior which may be against FUNO's principles.

This mechanism strengthens ethical conducts, based on integrity not only within FUNO, but also in our interactions with other stakeholders as follows:

Our whistleblowing mechanism is managed by an independent third party. It's available for our tenants, suppliers, employees and anybody interested in, all days of the year, 24 hours per day, through the following channels:

Website: [www.tipsanonimos.com/funo](http://www.tipsanonimos.com/funo)  
 Email: [funo@tipsanonimos.com](mailto:funo@tipsanonimos.com)  
 Phone: 01 800 91 0031  
 Fax: (55) 5255 1322  
 Address: Galaz Yamazaqui Ruiz Urquiza S.C., A.P CON-080, Mexico City, CP 06401



In its first year, the whistleblowing mechanism was only opened for employees, in 2018 we opened it for suppliers. And it is our commitment for 2019 to have it published in order for it to be available also for tenants and communities.

In its 2<sup>nd</sup> year of operations, we received 9 filings and one report with additional information, all of them filed by FUNO employees. 50% of them were anonymous.

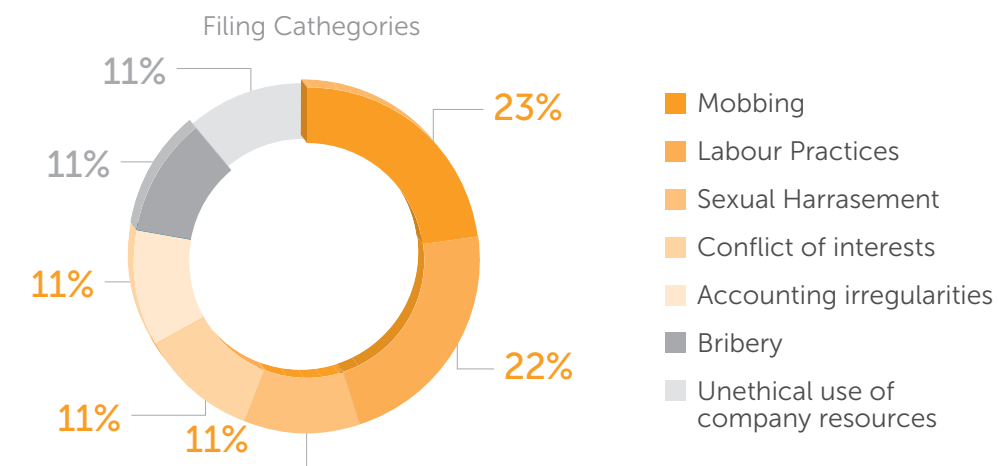
**80% of filings were filed through the contact center** while the other 20% were filed through the web site.



GRI 205, 103-2, 103-3  
102-17, 102-25

City Center, State of Mexico

### THE FILINGS WERE ON THE FOLLOWING TOPICS:



At the end of 2017, 9 of the filed reports –50% of the total amount– were under investigation. During 2018 all of these cases were attended and closed.

**100% of all filings received** in 2018 where attended, monitored and closed.

**\$98,512 pesos invested** in 2018 the proper management of our whistleblowing mechanism.



# LOOKING FORWARD

## LEGAL

2018 Commitments	Progress	Description	2019 Commitments
<p>Prepare and coordinate:</p> <ul style="list-style-type: none"> <li>All leasing contracts with our tenants.</li> <li>All renovations of leasing contracts in order to maintain our commercial relationship with them.</li> <li>All documents stating the resolution of conflict or controversies with tenants.</li> </ul>	<p>✓</p>	<p>The signing of over 930 new contracts was coordinated.</p> <p>Annually, the renovations were reduced from 1,400 to 800.</p>	<p>Maintain continuous interaction with key departments and governance bodies in order to comply efficiently all requirements regarding:</p> <ul style="list-style-type: none"> <li>Leasing contracts, renovations and the resolution of controversies with tenants.</li> <li>Commercial agreements and other financial mechanisms.</li> <li>keep and follow up on CBFI emissions.</li> <li>Property recovery and other administrative issues such as licenses or permits.</li> </ul>
<p>Coordinate and document our CBFI Holder's assemblies, as well as all committee sessions in order to comply with FUNOs objectives and all applicable regulation.</p>	<p>✓</p>	<p>An annual assembly was held, as well as the Committee's meetings.</p> <p>The Technical Committee had 8 ordinary sessions during 2018 and one out of session; with an attendance rate of 98%. While our Audit Committee had 6 ordinary sessions.</p>	<p>Coordinate and document our CBFI Holder's assemblies, as well as all committee sessions in order to comply with FUNOs objectives and all applicable regulation.</p>
<p>Execute all necessary actions to comply with the assemblies or committees' resolutions.</p>	<p>✓</p>	<p>100% of the resolutions have been followed up.</p>	<p>Execute all necessary actions to comply with the assemblies or committees' resolutions.</p>
<p>Coordinate and follow up on premises recovery which are subject to legal actions, as well as other administrative issues such as licenses or permits.</p>	<p>→ 20%</p>	<p>We began a revision and classification on the issues restraining us from having full possession of titles of rented spaces. Began a legal and extrajudicial of over 75% of titles.</p>	<p>Coordinate and follow up on premises recovery which are subject to legal actions, as well as other administrative issues such as licenses or permits.</p>

## ETHICS AND INTEGRITY

2018 Commitments	Progress	Description	2019 Commitments
<p>Strengthen employee, committee members and supplier's knowledge on our philosophy, the code of ethics and other anti-corruption practices.</p>	<p>✓</p>	<p>100% of employees, 100% of board members and suppliers know and have signed our philosophy, Code of Ethics and anti-corruption practices.</p>	<p>Evaluate 100% of our employees on their awareness of the Code of Ethics and whistleblowing mechanism.</p>
<p>Open the whistleblowing mechanism to suppliers.</p>	<p>✓</p>	<p>The whistleblowing mechanism is now available to suppliers and they get informed when they sign our suppliers' guidelines.</p>	<p>Open our whistleblowing mechanism to tenants and communities.</p>





# RISK MANAGEMENT

We have successfully executed all mitigation measures defined during 2017 to mitigate risks.

## ECONOMIC

Risk identified in 2017 towards 2018	Mitigation measures implemented in 2018	Results 2018
Interest rates increase (CETES, TIEE, etc.) vs debt cost	Incorporate leaders with wide understanding of macroeconomic factors and neutralize them through efficient financial mechanisms.	We mitigated this risk with hedge derivatives.
Low economic growth expectations for Mexico	<ul style="list-style-type: none"> <li>Invest on properties with high ROI, to produce primarily during crisis season.</li> <li>Increase our competitiveness to retain key tenants, and increase our tenant roster.</li> <li>Improve our service towards tenants and remain their top of mind Real Estate solution.</li> </ul>	Stable income, as well as stable rates for our Finance mechanisms.
Lower consumer trust during the first semester of 2018	Monitor trends and regulatory reforms which may impact our operations = preventive measures.	Increase our property revenues, through an exceptional service, satisfying our tenants and visitor's needs.
Inflation rate of 6.7% during 2017	Tenants were affected by increased inflation and governmental tariffs, in their rents. However, we increased property value above inflation, as well as other value-added services.	Improvement on our investment performance with real rates, representing financial gain for our Holders.
Change		
Depreciation and fluctuation on foreign currency FX	Bought derivative financial instruments.	Offsetting of macroeconomic effects, such as FX, in our rights and duties, creating a harmonized balance.

## ENVIRONMENTAL

Risk identified in 2017 towards 2018	Mitigation measures implemented in 2018	Results 2018
Natural Phenomena	Emergency recovery plan, which allows us to continue our operations within less than 24 hours of an emergency.	We strengthen our safety protocols.
	Insure 100% of our properties and require all our tenants to have their merchandise insured.	
Acquisition of properties without eco-efficient technologies	Security systems on our properties were installed on our coastal properties, as well as those located within seismic zones = increased response capacity in emergency situations.	Over \$20 million pesos invested in updating properties with eco-efficient technologies.

Risk identified in 2017 towards 2018	Mitigation measures implemented in 2018	Results 2018
Water scarcity	Adapt our CAPEX policy to in line with IFRS standards, which allows us to invest on infrastructure that benefits and ensures compliance with applicable regulation and water provision.	Investment properties with better technologies for resource efficiency, generating substantial savings for our organization.
	Water suppliers have increased the cost between 10 y 15% approx., in order to cover increased demand.	Implement rainwater storage projects; as well as improve or restore 15 water treatment plants.

## SOCIAL

Risk identified in 2017 towards 2018	Mitigation measures implemented in 2018	Results 2018
Talent attraction and retention strategy	Improve benefits provided, as well as better development opportunities with our employees.	Standardized our tools in order to increase our roster of qualified candidates, not only by experience but also by their adapting capacity to FUNOs culture.
	Stablish position profiles required for each vacant position.	80% progress in filing and position profile descriptions.
Supplier detection and control of all those who do not comply with ethical and CSR standards	Define all ethical standards required; to be complied by suppliers.	Require all suppliers to sign our ethical supplier guidelines as well as adhere to our Code of Ethics. In case of failure to observe them, they cannot be part of our supplier catalog.  Conduct third party audits of our departments of: operations, procurement and human resources, aiming at guaranteeing all our processes comply with: <ul style="list-style-type: none"> <li>Applicable regulations</li> <li>Checkpoints to prevent child labor</li> <li>Other ethical standards and legal compliance.</li> </ul>



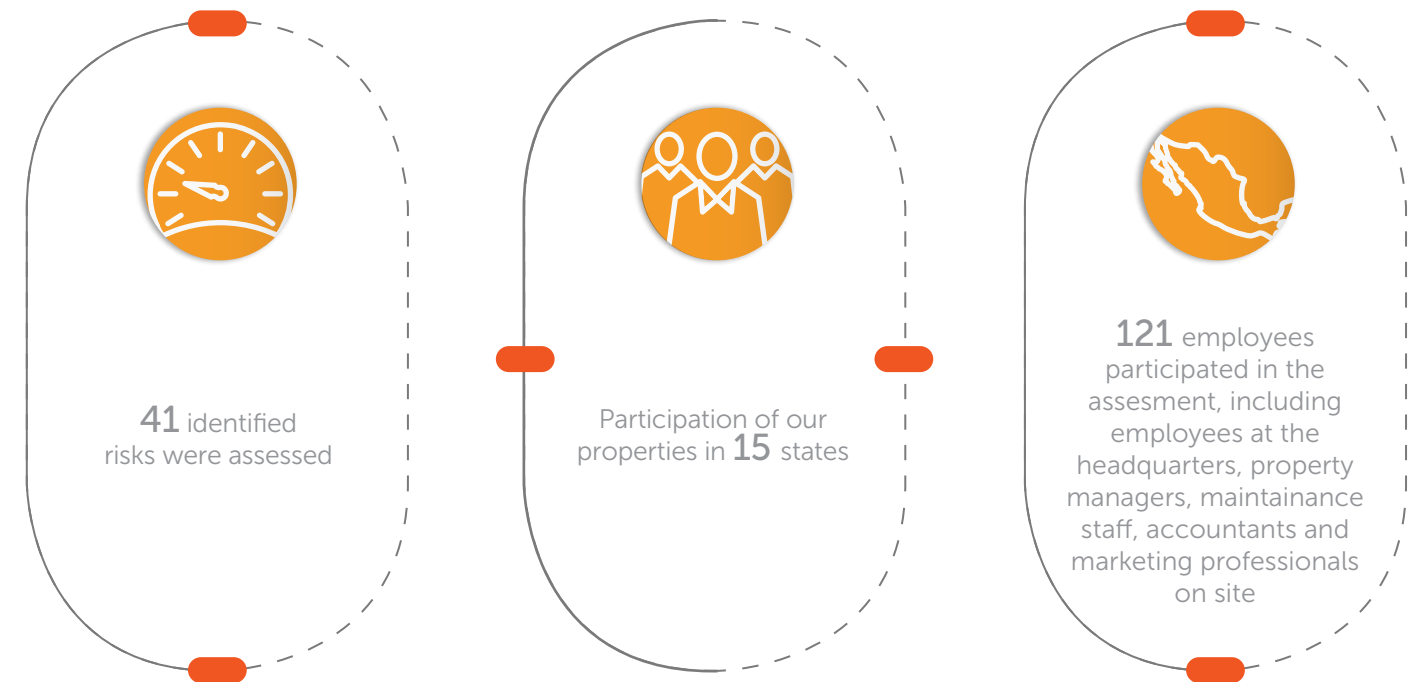
In 2018 we continue with our holistic risk management, analyzing emerging risks, and establishing mitigation action plans to prevent them in 2019. Our risk map includes:

Scope	Identified risks in 2018	Mitigation measures to be implemented in 2019
Economic	Legislative reforms affecting FUNO operations	Follow-up on regulatory potential updates or changes, while establishing preventive compliance plans.
	Long term debt with mix interest rates or in foreign currency	Acquire derivative financial instruments (SWAPS or Cross-Currency SWAP) which converts our variable portion of interest's rates to fixed ones.
	Low expectations for economic growth	Increase our competitiveness in order to inspire tenants to continue our relationships, renew annual contracts and increase the number of high-profile tenants.
	Contract renewals and controversies with tenants	
	Adoption of commercial agreements	Create pleasurable experiences with guests and tenants to increase roster and income.
	Lower consumer trust	Identify potential new locations to grow our portfolio.
	Higher inflation rates in Mexico	Acquire risk coverage needed to face higher interest rates.
	Fluctuation in MXN-USD Exchange rate	Continue adding value into our properties. Buy hedge coverages.
	Adequate conditions in our properties to comply with tenant and guests' requirements	Execute our accounting policies, which defines resources towards maintenance and property renovations/improvements, which will allow us to continue creating long term value within our properties.
	Environmental	Higher electricity costs
Natural Phenomena		Invest on making our properties more resilient. Strengthen our emergency recovery plan.
Social	Lose key talent as a result of inefficiencies in our performance evaluation processes, including qualitative and quantitative KPIs	Identify key performance employees, with high potential.
	Develop leadership skills within mid-range positions; specially property managers	Identify leadership characteristics for FUNO's culture, through different training programs.
	Lack of training in ethics and human rights standards. Also, for our cleaning and safety suppliers which represent our Tier 1 supplier	Compare on a trimestral basis, our suppliers list, to those established within article 69, 69B y 69B bis of Mexico's Ley del Impuesto Sobre la Renta (LISR).
	Supplier transaction realization within black lists of Mexico's Servicio de Administración Tributaria (SAT)	
	Less affluence in our shopping centers as a result of our countries economic and socio-political context	Stablish specific marketing and advertising guidelines, to increase affluence into our properties.

## RISK MAP

We updated our 2016 materiality matrix – which is the basis for our sustainability strategy- in 2018 we executed a companywide risk assessment, including environmental, social and Corporate governance risks.

This process includes:

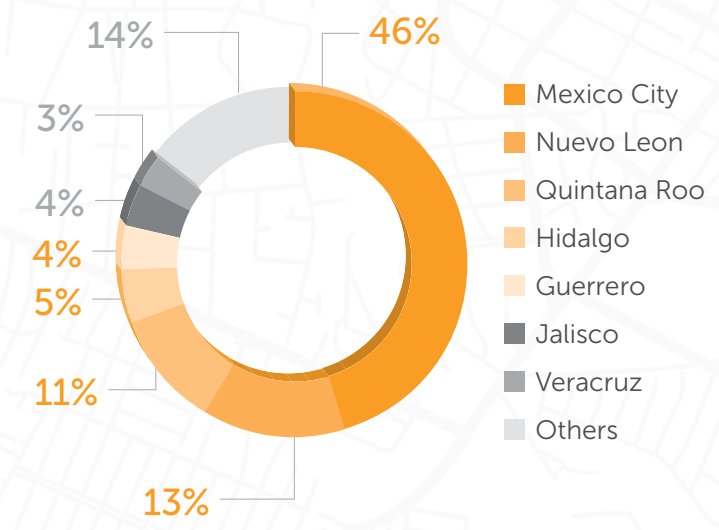


Our universe was duly represented by the reality of our portfolio:



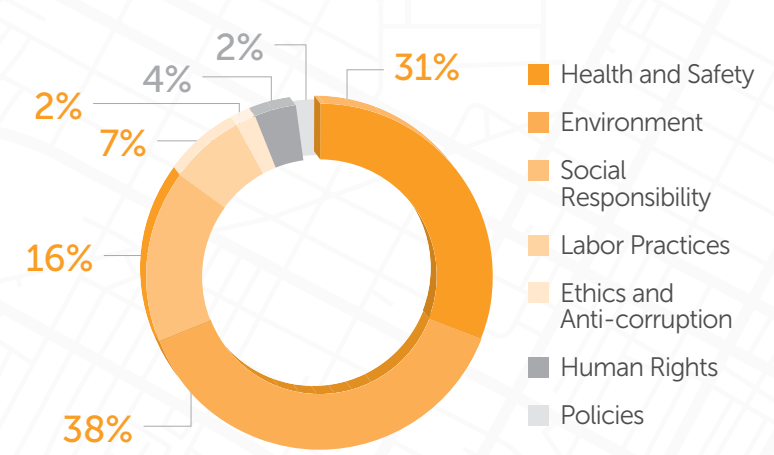


REPRESENTATION BY STATE



Our risk assessment included risks within the following scopes:

DISTRIBUTION OF ASSESSED RISKS BY SCOPE

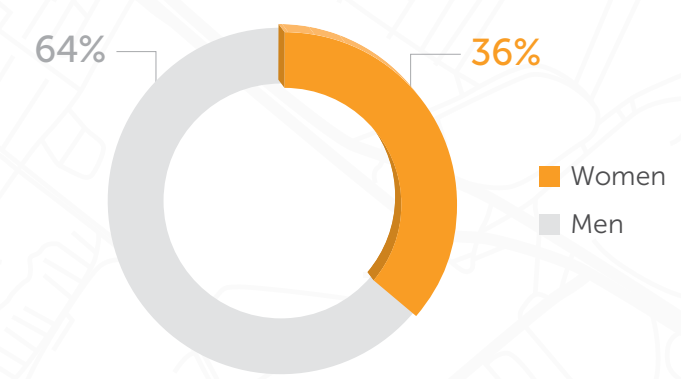


However, our matrix of probability vs impact, shows the following as the risks with highest threats:

PRIORITY RISKS 2018-2020



PARTICIPATION BY GENDER



Our heat map considers impact vs probability:

	Low	Minor	Moderate	High	Catastrophic
Almost certain		10			25
Very Likely			12		
Likely				12	
Unlikely					10
Uncertain	1				

- Our assessment shows the following risks as most likely:
- Natural Phenomena
  - Deft, robbery or violence within our properties.
  - Emergency plan problems

- Change in water prices
- Change in energy prices

- Our identified emerging risks are:
- Community inconveniences around our properties
  - Waste management
  - Lack of training on water issues
  - Water scarcity or excessive use of water
  - Accident or injuries in our properties



## LOOKING FORWARD

2018 Commitments	Progress	Description	2019 Commitments
Launch/strengthen stakeholders engagement mechanisms	➔	Develop new communication channels with tenants, investors and employees.	Launch/strengthen stakeholders engagement mechanisms  Launch an analysis for actions to be implemented in order to eliminate perception of conflict of interests.
Emergency recovery plan for critical hardware and software = resuming operations within 24 hours	✓	Our safety protocols include a Disaster Recovery Plan (DRP): <ul style="list-style-type: none"> <li>• Hourly backup of servers</li> <li>• Hourly backup of computers</li> <li>• Daily Oracle backups.</li> </ul>	Establish a business continuity plan acquire new tools for information traceability

### 2019 Commitment

In 2019 we will execute a **risk assessment, including financial and reputational risks,** considering **also our ESG risk assessment** as part of identified risks.



Patio Santa Fe, Mexico City



# ABOUT OUR REPORT

We believe in Mexico and ratify our commitment to continue growing and boost growth for the country and its people. We hereby present our 2018 Annual and sustainability report, showcasing how FUNO creates value in the long term for each of our stakeholders; as well as key results, events and data on our social and environmental performance for the period January 1<sup>st</sup> to December 31<sup>st</sup>, 2018.

Our sustainability strategy is based on the UN SDGs, this year we began monitoring our role towards the achievement of the UN 2030 Agenda, setting up strategic KPI's to report on our contribution.

This report also complies with GRI standards: essential and GRESB Real Estate Assessment criteria.

We currently have 536 properties, of which 111 are managed ASSETS.

Our Corporate governance and human capital performance indicators include all 536 properties; whilst environmental, social, health and safety data include only our managed assets.

Our definition of managed assets is based on the landlord/tenant relationship and aligns with GRESB. Managed assets/buildings are those for which the landlord is determined to have "operational control," we define operational control as:

- Ability to introduce and implement operating policies, health and safety policies, and/or environmental policies.
- If both the landlord and tenant have the authority to introduce and implement any or all of the policies mentioned above.

Hence our "managed assets" do not include those for which we do not have the faculty to implement policies or where the responsibility of such implementation relies on the tenant.

Currency is always shown in Mexican pesos, unless other currency is specified.

For calculating energy consumption, the conversion factors used are those indicated by the U.S. Energy Information Administration (EIA), available on page: [https://www.eia.gov/energyexplained/index.php?page=about\\_energy\\_conversion\\_calculator](https://www.eia.gov/energyexplained/index.php?page=about_energy_conversion_calculator). Also, the following criteria were considered:

- The conversion factor from Megajoules to MWh was 1 MWh = 3,600 Megajoules.
- California MBPI and California MBP II correspond to the same property, however, they are in different industrial warehouses. For this reason, the total of gross leasable area includes the three industrial warehouses.
- The properties of the Portfolio Kansas 29000 have the cost centre with the number 29500, meaning 29001 or 29501, correspond to the same property. However, there are times when the property selects the cost centre in Bizagi platform and, for the purpose of sustainability, it is a single property with different number and same GLA.

Electricity and fossil fuel consumption are presented in kWh, while for the past year they were reported in Gigawatts and Megawatts, respectively.

As a result of our transparency commitment we have a third party review our data.

# REPORTING PRINCIPLES

Our 2018 Annual and Sustainability Report complies with all content and quality required by the Global Reporting Initiative (GRI) standards, as follows:

## SUSTAINABILITY CONTEXT

Throughout this report, we manifest FUNOs contribution to the UN SDGs.

## MATERIALITY

Our first materiality analysis was conducted in 2016, which helped us define our sustainability strategy. During 2018 we updated such materiality with the results of our ESG risk assessment.

## STAKEHOLDERS ENGAGEMENT

Executed different initiatives to promote stakeholder engagement throughout our sustainability strategy; reinforcing it with employee surveys.

## EXHAUSTIVITY

We present an exhaustive explanation of the results of FUNO's performance in economic, social and environmental terms, expressing the significant impact in material areas and the coverage of each of these.

- Precision
- Balance
- Clarity
- Comparability
- Reliability
- Timeliness



# GRI CONTENT INDEX

GRI Standard	Content	Page /Direct Response	Omission
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102-4	Location of operations	124	
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102-8	Information on employees and other workers	50, 54	
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102-11	Precautionary Principle or approach	132, 136	
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<b>Strategy</b>			
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102-15	Key impacts, risks, and opportunities	8, 10, 132, 134	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	124	
102-17	Mechanisms for advice and concerns about ethics	124, 128	
<b>Governance</b>			
102-18	Governance structure	112	
102-19	Delegating authority	112 One share, one vote.	

GRI 102:  
General  
Disclosures  
2016

GRI Standard	Content	Page /Direct Response	Omission
102-20	Executive-level responsibility for economic, environmental, and social topics	112	
102-21	Consulting stakeholders on economic, environmental, and social topics	114	
102-22	Composition of the highest governance body and its committees		112, 114 There is no restriction of mandates for non-executive/ independent members.  The Technical Committee members with four or less additional are: Rubén Goldberg Javkin, Herminio Blanco Mendoza, Antonio Hugo Franck Cabrera and Ignacio Trigueros Legarreta.
102-23	Chair of the highest governance body	114	
102-24	Nominating and selecting the highest governance body	114	
102-25	Conflicts of interest	120, 128	
102-26	Role of highest governance body in setting purpose, values, and strategy	112	
102-27	Collective knowledge of highest governance body	114	
102-28	Evaluating the highest governance body's performance		114 No Technical Committee performance assessment processes have carried out. However, the CBFH Holders General Assembly requests information from this Committee when it considers appropriate, in order to assess the results of the Trust.
102-29	Identifying and managing economic, environmental, and social impacts	76, 98, 106, 112	
102-30	Effectiveness of risk management processes	132	
102-31	Review of economic, environmental, and social topics	20, 112, 134	

GRI 102:  
General  
Disclosures  
2016



GRI Standard	Content	Page /Direct Response	Omission
102-32	Highest governance body's role in sustainability reporting	20	
102-33	Communicating critical concerns	114	
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102-36	Process for determining remuneration	60	
102-37	Stakeholders' involvement in remuneration	60	
102-38	Annual total compensation ratio		For security reasons, this information is confidential.
102-39	Percentage increase in annual total compensation ratio		For security reasons, this information is confidential.
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	24	
102-41	Collective bargaining agreements	In FUNO, 100% of our employees are unionized.	
102-42	Identifying and selecting stakeholders	24	
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102-44	Key topics and concerns raised	24	
<b>Reporting practice</b>			
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102-50	Reporting period	140	
102-51	Date of most recent report	2017	
102-52	Reporting cycle	140 Annual	
102-53	Contact point for questions regarding the report	Third cover	

GRI Standard	Content	Page /Direct Response	Omission	
GRI 102: General Disclosures 2016	102-54	Claims of reporting in accordance with the GRI Standards	140	
	102-55	GRI Content Index	142	
	102-56	External assurance	154	
<b>Material topics</b>				
<b>Generation of long-term value</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	14, 28, 60	
	103-2	The management approach and its components	14, 28, 60	
	103-3	Evaluation of the management approach	14, 28, 60	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	4, 14 33 IT suppliers and \$12.6 million invested in IT during 2018.	
	201-2	Financial implications and other risks and opportunities due to climate change	132, 136 One of our properties was affected by natural disasters that occurred in 2018.	Environmental and climate change risks are mapped in FUNO's risk management process, but they have not by quantified or estimated.
	201-3	Defined benefit plan obligations and other retirement plans	We have an additional benefit plan, which covers retirement plans by means of regular FUNO resources.	
	201-4	Financial assistance received from government	FUNO does not receive financial assistance from the government.	
<b>Ethics</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	126	
	103-2	The management approach and its components	126, 128	
	103-3	Evaluation of the management approach	126, 128	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	In compliance with the law and our philosophy, 100% of our operations and contracts are evaluated in anti-corruption field.	
	205-2	Communication and training about anti-corruption policies and procedures	126	



GRI Standard		Content	Page /Direct Response	Omission
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	126	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	126	
	103-2	The management approach and its components	126	
	103-3	Evaluation of the management approach	126	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		FUNO prizes free competition in all relationships with its stakeholders; there are no lawsuits pending with regard to unfair competition during the period of this report.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	126	
	103-2	The management approach and its components	126	
	103-3	Evaluation of the management approach	126	
GRI 415: Public Policy 2016	415-1	Political contributions		In compliance with the law and in accordance to our philosophy, FUNO does not provide any contributions to political parties or representatives.
<b>Energy eco-efficiency</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	76	
	103-2	The management approach and its components	76	
	103-3	Evaluation of the management approach	76	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	42, 44	
	302-3	Energy intensity	42, 44	
	302-4	Reduction of energy consumption	42	

GRI Standard		Content	Page /Direct Response	Omission
<b>Water resources management</b>				
GRI 103: Management Approach 2018	103-1	Explanation of the material topic and its Boundary	76	
	103-2	The management approach and its components	76	
	103-3	Evaluation of the management approach	76	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	88	
	303-2	Management of water discharge-related impacts	86, 88	
	303-3	Water withdrawal	42, 44	No water sources have been significantly affected by FUNO consumption.
	303-4	Water discharge	92	In our water discharge there is a loss of water from evaporation and use in chillers and air conditioning, but the calculations take into account tenant water discharge, which is added to our discharges. The latter are not the product of FUNO consumption; they are waste water resulting from consumption by our tenants. Even so, they are counted as FUNO discharges.
	303-5	Water consumption	42, 44	
<b>Emissions</b>				
GRI 103: Management Approach 2018	103-1	Explanation of the material topic and its Boundary	76, 86	
	103-2	The management approach and its components	76, 86	
	103-3	Evaluation of the management approach	76, 86	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	86	
	305-2	Energy indirect (Scope 2) GHG emissions	86	
	305-3	Other indirect (Scope 3) GHG emissions	86	



GRI Standard	Content	Page /Direct Response	Omission
<b>Effluents and Waste</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	76
	103-2	The management approach and its components	76
	103-3	Evaluation of the management approach	76
GRI 305: Emissions 2016	306-1	Water discharge by quality and destination	In our water discharge there is a loss of water from evaporation and use in chillers and air conditioning, but the calculations take into account tenant water discharge, which is added to our discharges. The latter are not the product of FUNO consumption; they are waste water resulting from consumption by our tenants. Even so, they are counted as FUNO discharges.
	306-2	Waste by type and disposal method	92
	306-3	Significant spills	No spills in the period reported.
	306-4	Transport of hazardous waste	FUNO does not transport waste; this service is outsourced to contractors.
	306-5	Water bodies affected by water discharges and/or runoff	No water body was significantly affected by FUNO discharges, because these are compliant with NOM-002 and NOM-003.
<b>Environmental Compliance</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	78
	103-2	The management approach and its components	78
	103-3	Evaluation of the management approach	78

GRI Standard	Content	Page /Direct Response	Omission
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	76, 78 We have 5 properties whose activities are related to the extraction of natural resources; zero of them is dedicated to planting.
			Due to our commitment to sustainability and to the environmental care, there was no environmental breach during the reporting period.
<b>Human Capital</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	52
	103-2	The management approach and its components	52
	103-3	Evaluation of the management approach	52
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	54
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	60
	401-3	Parental leave	60
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	60
	103-2	The management approach and its components	60
	103-3	Evaluation of the management approach	60
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes.	At FUNO, employees are given between 10- and 15-days advance notice of changes in company operations or in the areas where they work, depending on the situation in each building.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	66
	103-2	The management approach and its components	66
	103-3	Evaluation of the management approach	66



GRI Standard	Content	Page /Direct Response	Omission
GRI 403: Occupational Health and Safety 2018	403-1	Occupational Health and Safety	66
	403-2	Hazard identification, risk assessment, and incident investigation	66
	403-3	Occupational health services	66
	403-4	Worker participation, consultation, and communication on occupational health and safety	66
	403-5	Worker training on occupational health and safety	66
	403-6	Promotion of worker health	66
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	66
	403-8	Workers covered by an occupational health and safety management system	66
	403-9	Work-related injuries	<ul style="list-style-type: none"> <li>•FUNO employees: <ul style="list-style-type: none"> <li>» Zero workplace accidents or occupational hazard incidents</li> <li>» 14 illness incidents</li> <li>» Zero lost days due to workplace accidents or occupational hazard incidents</li> <li>» 123 lost days by illness</li> <li>» Absentee rate in 2018 was 2</li> <li>» Lost-time injury frequency rate for 2018 was 2</li> </ul> </li> <li>•Outsourced employees: <ul style="list-style-type: none"> <li>» 45 occupational hazard incidents.</li> <li>» 117 illness cases</li> <li>» 530 lost days due to workplace accidents or occupational hazard incidents</li> <li>» 837 lost days by illness</li> <li>» Lost-time injury frequency rate for 2018 was 1.13</li> </ul> </li> </ul>

GRI Standard	Content	Page /Direct Response	Omission
GRI 403: Occupational Health and Safety 2018	403-10	Work-related ill health	There were no expenses relating to work-related accident or illness.
			Zero workplace accidents and fatalities for FUNO and outsourced employees.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	56
	103-2	The management approach and its components	56, 58
	103-3	Evaluation of the management approach	52, 56
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	56 2,306.6 hours of training given to women and 3,769.6 to men.
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	56, 100
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	58
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	52, 54
	103-2	The management approach and its components	52, 54
	103-3	Evaluation of the management approach	52, 54
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	54
	405-2	Ratio of basic salary and remuneration of women to men	60, 136 <ul style="list-style-type: none"> <li>• Women on average earn on Management level: 94% of men salaries</li> <li>• 96% Non-Management level</li> <li>• 48% Executive level (for men, this includes Vice Presidents and Deputy CEO)</li> </ul>



GRI Standard	Content	Page /Direct Response	Omission
<b>Corporate Social Responsibility</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	98
	103-2	The management approach and its components	98
	103-3	Evaluation of the management approach	98
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	100
	413-2	Operations with significant actual and potential negative impacts on local communities	136
<b>Socioeconomic Compliance</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	120
	103-2	The management approach and its components	120
	103-3	Evaluation of the management approach	120
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	120 Because of our internal control and risk management process, during the period reported there were no breaches of social or economic laws or standards.



City Center, Merida



# INDEPENDENT THIRD-PARTY REVISION



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## Limited Security Assurance Report on Indicators of Sustainability Performance (Non-Financial Information)

To the Sustainability Committee of Fideicomiso Fibra Uno,

We were hired by the Administration of Fideicomiso Fibra Uno (hereinafter referred to "FUNO") to report on the indicators prepared and presented by FUNO Vice-presidents and presented by the Sustainability Department contained at FUNO Sustainability Report 2018, for the period from January 1st to December 31st, 2018 ("the Report"), which are detailed in Appendix A attached to this report (the "Contents"), in the form of an independent conclusion of limited assurance about whether, based on our work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Contents are not prepared, in all material aspects, in alignment with the criteria established in the *Accountability Principles Standard 2018* (AA1000AP, 2018) and in accordance with the GRI Standards.

### Responsibilities of the Administration

FUNO Sustainability Committee, through its Sustainability Department, is responsible for preparing the information subject to our review, in accordance with the Criteria.

The Administration of FUNO, through its Sustainability Management is also responsible for preventing and detecting fraud, as well as identifying and ensuring that FUNO complies with the laws and regulations applicable to its activities.

It is also responsible for ensuring that: the personnel involved in the preparation of the indicators are adequately trained, the information systems are duly updated and that any change in the presentation of data and / or in the form of reporting, includes all the units of significant reports.

### Our responsibility

Our responsibility is to review the information concerning the Indicators contained in the Report and report on it in the form of an independent conclusion of limited security based on the evidence obtained. We perform our work based on the International Standard on Assurance Works (ISAE) 3000, *Assurance Works Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain an adequate level of safety or limited reliability with respect to whether, based on our work and the evidence obtained, nothing has come to our attention which led us to believe that the Indicators contained in the Report for the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2018, are not prepared in all material aspects, in accordance with the criteria established in the *Accountability Principles Standard 2018* (AA1000AP, 2018) and in accordance with the GRI Standards.

KPMG Cárdenas Dosal, SC (the Firm) applies the *International Standard on Quality Control 1* and, therefore, maintains a comprehensive quality control system, including documented policies and procedures on compliance with ethical requirements, professional standards also legal and regulatory applicable requirements.

We have complied with the requirements of independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Council of International Standards of Ethics for Accountants, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



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The selected procedures depend on our understanding and experience in the Indicators presented in the Report and other circumstances of the work, and our consideration of the areas in which material errors are likely to arise.

By obtaining an understanding of the Indicators contained in the Report and other circumstances of the work, we have considered the process used to prepare the Indicators, with the purpose of designing assurance procedures that are adequate in the circumstances, but not with the purpose of expressing a conclusion as to the effectiveness of the internal control of FUNO on the preparation of the Indicators presented in the Report.

Our work also includes the evaluation of the appropriateness of the main issue, the suitability of the criteria used by FUNO in the preparation of the Indicators, assessing the appropriateness of the methods, policies and procedures, as well as models used.

The procedures applied in a work of limited security differs in nature, opportunity and scope that in a work of reasonable security. Therefore, the level of assurance obtained in a limited security job is significantly less than the assurance that would have been obtained in the case of performing reasonable security work.

### Criteria

The criteria on which the preparation of the Indicators has been assessed refer to the requirements established accordance with the GRI Standards and with the internal procedure of FUNO to review sustainability performance.

### Conclusion

Our conclusion is based on, and is subject to what is detailed in this report. We believe that the evidence we have obtained provides a sufficient and adequate basis for our conclusion. We have also identified opportunities with respect to the collection processes that have been presented in an additional report for their attention and continuous improvement actions.

Based on our review and the evidence obtained, we were not aware of any situation that makes us think that the Indicators mentioned in the Appendix A of this report, prepared by FUNO Vice-presidents and presented by the Sustainability Department contained at FUNO Sustainability Report 2018, for the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2018, are not prepared in all material aspects, in accordance with the criteria established in the *Accountability Principles Standard 2018* (AA1000AP, 2018) and in accordance with the GRI Standards.





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#### Restriction of use of our report

Our report should not be considered as suitable for use or considered by any of the parties wishing to acquire rights before us, other than Fideicomiso Fibra Uno, for any purpose or under any other context. Any party other than those mentioned above who obtains access to our report or a copy thereof and chooses to rely on our report (or any part of it) will do so at its own risk. To the extent permitted by law, we do not accept or assume any responsibility and deny any responsibility for our work to any party other than FUNO for this independent limited security report or for the conclusions we have reached.

Our report is issued to Fideicomiso Fibra Uno, and we understand that it will be published or reproduced in their external reports of interests for Fideicomiso Fibra Uno, and the information will not be modified without our prior consent.

KPMG, Cárdenas Dosal, SC

  
Juan Carlos Reséndiz Muñiz

Mexico City, July, 5<sup>th</sup>, 2019



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#### Appendix A

- Water (GRI 303)
  - Consumption of water from the different sources of consumption (local water network, purchase of water pipes, extraction of water wells). (m3)
  - Volume of treated water that returns to the operation (m3).
  - Water intensity (ratio between the water consumed and the water discharged in the operation by area of operation).
- Energy (GRI 303)
  - Electric power consumption of the local network (kWH).
  - Consumption of diesel, LP gas and natural gas
  - Energy intensity per m2 occupied.
- Ethics (GRI 102-17)
  - Number of reports issued to the ethical line.
  - Training hours on all topics
- Labor (GRI 403)
  - Number of labor incidents
  - Number of days lost due to labor incidents.
  - Number of work fatalities
- Inventory of CO2 emissions.
  - Scope 1 emissions, reported in its 2018 emissions inventory.
  - Scope 2 emissions, reported in its 2018 emissions inventory.
- Social
  - Number of social relations activities carried out within the FUNO real estate.

With respect to CO2 emission indicators object of scope, the work performed consists on a review of supporting documents to validate that the information used in the emissions inventory is complete and that the calculation is reasonable, however, our work should not be considered as a document that can be provided to the authority responsible for monitoring and tracking emissions.





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This report may include projections or forward-looking statements that imply risk or uncertainty. Words such as "estimate," "project," "believe," "expect," "anticipate," "attempt" and other similar expressions should be identified exclusively as predictions and estimates. FUNO warns readers that the statements or estimates contained in this document, or those made by FUNO management, are entirely subject to risks and uncertainty which may provoke changes as a result of various factors beyond FUNO's control. Future estimates reflect FUNO's best judgment as of the date of this document, and the trust reserves the right to update the statements contains in this document, or those emanating from it, whenever it considers appropriate. The past or present performance of FUNO is no guarantee of future results.



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