

# Second-Party Opinion

## FUNO Sustainable Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the FUNO Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eight eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 6, 7, 8, 9, and 11.



**PROJECT EVALUATION / SELECTION** FUNO’s Sustainability Committee, comprising of its Sustainability Director, Procurement Manager, Finance Director, Facility Directors, VP Investor Relations and Capital Markets, VP Administration & IT, Property Directors, Legal Manager, and Human Resources Marketing departments, will be responsible for selecting eligible projects. FUNO’s Sustainable Bond Council will provide the ultimate approval on selecting eligible projects. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** FUNO’s Sustainable Bond Council will be responsible for tracking the allocation of bond proceeds to eligible projects, as well as for the management of amounts still unallocated. FUNO intends to achieve full allocation of the net proceeds within 36 months from the date of each bond issuance. The unallocated proceeds may be held in cash or invested in marketable instruments or used to refinance outstanding debt. This is in line with market practice.



**REPORTING** FUNO intends to publish “FUNO Sustainable Bond Report(s)” on its website to provide allocation and impact reporting on an annual basis until full allocation. The allocation reporting is expected to include category-level details on the Eligible Projects, and the balance of unallocated proceeds. The impact reporting is expected to include relevant qualitative and/or quantitative impact based on the indicative metrics provided within FUNO’s Sustainable Bond Framework. Sustainalytics views FUNO’s allocation and impact reporting as aligned with market practice.

**Evaluation date** June 29, 2021

**Issuer Location** Mexico City, Mexico

### Report Sections

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	13

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Jonathan Laski (Toronto)**  
Project Manager  
jonathan.laski@sustainalytics.com  
(+1) 647 264 6640

**Hrithik Sharma (Toronto)**  
Project Support

**Taylor Whitfield (Toronto)**  
Project Support

**Paramjot Kaur (New York)**  
Client Relations  
susfinance.americas@sustainalytics.com  
(+1) 646 518 9623

## Introduction

Fibra UNO (“FUNO”, or the “Company”) is a real estate investment trust headquartered in Mexico.<sup>1</sup> As of 31<sup>st</sup> December 2020, the Company’s real estate portfolio comprised of 646 properties, in particular, 148 in retail, 192 in industrials, 100 in offices, and 206 in other asset classes, including hotels, banking branches, universities, and a hospital.<sup>2</sup> In the same reporting period, the Company had 10.7 million square meter (“sqm”) in Gross Living Area, with an occupancy rate of 93.1%.<sup>3</sup>

FUNO has developed the FUNO Sustainable Bond Framework (the “Framework”) under which it intends to issue sustainability bonds (or “Sustainable Bonds”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to create positive environmental or social impacts. The Framework defines eligibility criteria in the following eight areas:

1. Energy Efficiency
2. Renewable Energies
3. Green Buildings
4. Clean Transportation
5. Sustainable Water and Wastewater Management
6. Access to Essential Services
7. Socioeconomic Advancement and Empowerment
8. Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance (or “Employment Generation and Programs Addressing Unemployment”)

FUNO engaged Sustainalytics to review the FUNO Sustainable Bond Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG), Green Bond Principles 2018 (GBP), and Social Bond Principles 2020 (SBP).<sup>4</sup> This Framework has been published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of FUNO’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. FUNO representatives have confirmed (1) they understand it is the sole responsibility of FUNO to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and

<sup>1</sup> FUNO website, “Who We Are”, at: <https://en.funo.mx/company/whoweare>

<sup>2</sup> FUNO report, “Annual Report”, [https://en.funo.mx/panel/archivos\\_subidos/data-JgNRPsqlVx.pdf](https://en.funo.mx/panel/archivos_subidos/data-JgNRPsqlVx.pdf)

<sup>3</sup> Ibid.

<sup>4</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>5</sup> The FUNO Sustainable Bond Framework is available on Fibra UNO’s website at: <https://en.funo.mx/investors/esg/sustainability-management>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

(3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and FUNO.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that FUNO has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the FUNO Sustainable Bond Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the GBP, and the SBP. Sustainalytics highlights the following elements of FUNO's Sustainability Bond Framework:

- Use of Proceeds:
  - The Framework's five green categories are aligned with those recognized by the GBP and the three social categories are aligned with those recognized by the SBP.
  - FUNO has established a three-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Under the Energy Efficiency category, the Framework allows for investments in (i) replacements of existing heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment with non-fossil fuel-based technologies; (ii) energy monitoring retrofits such as digital controls, sensors, building information systems, and metering systems; (iii) energy storage projects, load control systems and smart grid solutions. Sustainalytics views investments in energy efficiency and optimization measures and the associated criteria to be aligned with market practice.
  - Under the Renewable Energies category, FUNO intends to finance expenditures related to renewable energy generation projects, in particular, solar, wind, and hydro power, and the procurement of renewable energy through long-term (more than five years) power purchase agreements with solar, wind, or hydro power projects. Sustainalytics views the criteria to be aligned with market practice and notes the following:
    - Sustainalytics notes positively that the Framework excludes financing of thermal and nuclear power plants.
    - Hydropower projects are eligible if they (i) have capacity below 25 megawatts ("MW"), or (ii) are based on run-of-river systems, or (iii) have a lifecycle carbon intensity of less than 100gCO<sub>2e</sub> per kilowatt-hour ("kWh"), or (iv) operate with power density greater than 5 watts per sqm. Furthermore, the Framework mandates environmental and social risk assessment for all potentially eligible hydropower projects.
  - For the Green Buildings category, the Company intends to invest in new or existing commercial buildings or industrial facilities that have (i) placed within the top 15% of their city in terms of greenhouse gas ("GHG") emissions based on a third-party assessment, or (ii) achieved or are

expected to achieve a green building certification and associated levels as specified in the Framework.

- Sustainalytics considers the threshold of financing top 15% low-carbon buildings in their region to be aligned with market practice.
- Sustainalytics views the schemes specified in the Framework – LEED (“Gold” or above), or Edge (“Advanced” or above), or BOMA BEST (“Gold” or above) – to be credible and the levels selected to be indicative of positive impact and aligned with market practice. For Sustainalytics’ assessment of these certifications please refer to Appendix 1.
- For the Clean Transportation category, the Company intends to invest in electric vehicle charging stations, and retrofitting and upgrades for bicycle infrastructure, such as cycling lanes and cycle parking. Sustainalytics considers the criteria to be aligned with market practice for green transportation.
- Under the Sustainable Water and Wastewater Management category, FUNO intends to invest in wastewater treatment plants and rainwater harvesting upgrades. Sustainalytics notes that the Framework excludes financing of activities associated with fossil-fuel energy operations and considers the criteria to be aligned with market practice.
- Under the Access to Essential Services category, FUNO intends to invest in (i) property retrofitting for universal accessibility for priority groups, including people with disabilities, families with strollers, etc. and (ii) the costs associated with COVID-19-specific safety protective measures such as sanitizer stations, face masks, infrared thermometers, sanitizing or absorbent floor mats, lab coats, and trash cans at the properties operated by the Company.
  - For investments to ensure universal accessibility of its properties, Sustainalytics notes that the Company intends to periodically report on the impact created by these upgrades and views the criteria to be aligned with market practice.
  - Sustainalytics considers investments in COVID-19 safety measures to be aligned with market practice.
- Under the Socioeconomic Advancement and Empowerment category, the Company intends to finance micro, small, and medium enterprises (“MSMEs”)<sup>7</sup> in Mexico that are either owned or managed (at the most senior level) by more than 50% women or led by marginalized populations.
  - Sustainalytics recognizes the criteria for financing women-led businesses as well as businesses based in developing countries, such as Mexico, to be aligned with market practice.
- Under the Employment Generation and Programs Addressing Unemployment category, the Framework allows for financing (i) the total amounts discounted from property rents (at least 25% discount compared to market rents) in the form of waivers or long-term loans to the Identified MSMEs (defined below) or short-term loans to MSMEs affected by the COVID-19 pandemic; (ii) initiatives to promote local employment, including program costs and grants to NGOs for the community housing initiatives and vocational trainings for the Identified MSMEs as well as those affected by COVID-19; and (iii) activities to revitalize and/or stabilize economic activity in the Qualified Areas,<sup>8</sup> including FUNO’s grant-based outreach program.<sup>9</sup>
  - Sustainalytics considers investments in training and capacity building programs for the target populations to be aligned with market practice.
  - The Identified MSMEs include MSMEs<sup>10</sup> that are (i) owned or managed (at the most senior level) by >50% women, and/or (ii) led by sexual and gender minorities, and/or (iii) led by excluded and/or marginalized populations, and /or (iv) led by communities, people with disabilities, undereducated, and /or (v) situated in Low-income Areas.<sup>11</sup>
  - For investments related to the interest-free loans extended to MSMEs to temporarily cover partial rents, Sustainalytics recognizes the Company’s intent to assist specific

<sup>7</sup> The Framework refers to the definition of MSMEs by the Mexican Secretary for Economics. Micro enterprises refer to those with less than 10 employees and make less than 4 million pesos; Small enterprise refers to those with 11-30 employees and make between 4 and 100 million pesos; medium enterprise refers to those with 31 – 100 employees and make between 100-250 million pesos.

<sup>8</sup> Qualified Areas under this category are defined as (i) “Low-income Areas”: Municipalities living in poverty and extreme poverty, as defined by CONEVAL – please refer to the Framework for the specific excerpt, or (ii) areas affected by natural disasters, or (iii) non-metropolitan or underserved communities, owing to a lack of quality access to essential goods and services; or located in medium or low income, in accordance with the INEGI (Migrants, poverty levels, unemployment, population density).

<sup>9</sup> FUNO website, “FUNO® Outreach Program”, at: <https://en.funomx.com/investors/esg/funo-foundation/funo-outreach-program>

<sup>10</sup> The size of MSMEs, as defined in footnote 7.

<sup>11</sup> Low-income Areas, as defined in footnote 8.

- MSMEs that are either financially impacted by the pandemic or are led by well-defined target populations and considers the criteria to be aligned with market practice.
- For expenditures related to partial rent waivers, and grants to eligible businesses, Sustainalytics notes that although allocation of sustainability bond proceeds for philanthropic purposes is not typically aligned with market practice, based on the fact that FUNO has confirmed that such expenditures are expected to be less than 10% of total net bond proceeds, Sustainalytics considers the costs associated with such expenditures to be acceptable.
  - Project Evaluation and Selection:
    - FUNO’s Sustainability Committee, comprised of the Company’s Sustainability Director, Procurement Manager, Finance Director, Facility Directors, Vice President (“VP”) Investor Relations and Capital Markets, VP Administration & Information Technology (“IT”), Property Directors, Legal Manager, and Human Resources Marketing departments, will be responsible for selecting projects per the criteria defined in the Framework (“Eligible Projects”).
    - The Company’s Sustainable Bond Council, which consists of an Independent Sustainability Expert, and an independent member of FUNO’s Executive Committee (collectively, the “Independent Members”), along with the Company’s Chief Executive Officer (“CEO”), Deputy CEO, VP Legal, VP Administration & IT, VP Investor Relations & Capital Markets, and Sustainability Director-Secretary, will provide the ultimate approval on Eligible Projects, taking into account the mandatory votes from the Independent Members.
    - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - FUNO’s Sustainable Bond Council will be responsible for tracking the allocation of an amount equal to the net proceeds of bond issuance to Eligible Projects, as well as for the management of amounts still unallocated. In addition, the Council will prepare a bimonthly report on the use of proceeds for the Company’s independent audit committee, the results of which will be disclosed to the investors on an annual basis.
    - FUNO intends to achieve full allocation of the proceeds within 36 months from the issuance date of each bond issuance.<sup>12</sup>
    - The unallocated proceeds may be held in cash or invested in marketable instruments or used to refinance outstanding debt,<sup>13</sup> in accordance with FUNO’s normal liquidity policies.
    - Based on management of the bond proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - FUNO intends to publish “FUNO Sustainable Bond Report(s)” on its website<sup>14</sup> to report on the allocation and impact of bond proceeds within one year from the date of the bond issuance and annually until full allocation and thereafter, as necessary in case of new developments.
    - The allocation reporting will include category-level details on the allocation of net proceeds of a bond issuance, example(s) of financed Eligible Projects, the balance of unallocated proceeds, and confirmation on the use of proceeds per the criteria defined in the Framework.
    - The category-wide impact reporting is expected to provide qualitative and (if reasonably practicable) quantitative impact of financed Eligible Projects against at least one relevant key performance indicator per category, including (i) intensity of energy consumption (kWh per occupied sqm), (ii) intensity of water consumption (m<sup>3</sup> per occupied sqm), (iii) intensity of CO<sub>2</sub>e emissions (tons of CO<sub>2</sub>e per occupied sqm), and (iv) adapted sqm for universal accessibility for priority groups, and (v) number of Identified MSMEs supported.
    - Based on FUNO’s commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

<sup>12</sup> Per the Framework, FUNO has already invested in Eligible Projects, including energy efficiency projects or projects for developing and retrofitting properties in order to make them resource efficient and achieve a LEED certification, that are expected to account for around 90% of the bond proceeds of its first issuance.

<sup>13</sup> Sustainalytics notes that the Framework excludes investments in fossil fuel operations and thermal power plants. Nonetheless, the Company has confirmed that it will not refinance debt associated with carbon-intense assets or activities.

<sup>14</sup> The allocation and impact reporting is expected to be available at: <http://en.funomx.com/investors/esg/sustainability-management>

## Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the FUNO Sustainable Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of FUNO

### Contribution of Framework to FUNO's sustainability strategy

Sustainalytics is of the opinion that FUNO demonstrates a commitment to sustainability through the following social and environmental objectives set out in its sustainability strategy:

- Environmental objectives and initiatives – focusing on reducing the energy intensity, water-use intensity, waste generation and GHG emissions of the Company's properties, including:
  - A 20% reduction target for both energy intensity and GHG emissions intensity by 2030 compared to 2018 baseline levels, through green building investments and energy efficiency retrofits.<sup>15</sup> As of 2020, FUNO managed properties had achieved a 39.5% decrease in electricity intensity, as well as a 52.8% reduction in GHG emissions intensity compared to the baseline year.<sup>16,17,18</sup>
  - A commitment to increase certified green building space in FUNO's portfolio by 1 million square metres by 2030, representing 9.3% of all current gross leasable space.<sup>19</sup> Approximately 33% of FUNO's office building portfolio (910,566 sqm) has received a LEED certification as of 2020.<sup>20</sup>
  - The adoption of the Green Business Certification's TRUE Zero Waste program which, when achieved, will mean the diversion of an average of >90% of generated waste from landfill, incineration and the environment.<sup>21</sup> FUNO has currently completed two of the five stages of this program following adoption of it in 2019.<sup>22</sup>
  - A 30% reduction target for water-use intensity by 2030 compared to 2018, through water efficiency investments, demand management and the provision of educational resources.<sup>23</sup> As of 2020, FUNO managed properties had achieved an 83.3% reduction in water-use intensity since 2017.<sup>24,25</sup>
- Social objectives and initiatives – focusing on the improvement of infrastructure in the local communities which the Company operates and fostering regular stakeholder engagement,<sup>26</sup> including:
  - An ongoing goal to continuously develop initiatives that support communities through education, employment and environmental engagement, including through engagement with non-governmental and civil society organizations.<sup>27</sup>
  - A commitment to a minimum of two formal meetings per year with each of the organizations it supports in order to maintain productive relationships that foster community benefits. Such organizational relationships include those with the Mexican Institute of Hearing and Language, Unete, Save the Children, Greenpeace, United Nations High Commissioner for Refugees, and the Mexican Red Cross.<sup>28</sup>
  - A commitment to achieving universal accessibility at its properties for people with disabilities.<sup>29</sup> FUNO has demonstrated this commitment through the achievement of a Distintivo A, Silver label

<sup>15</sup> Energy intensity and GHG emissions intensity figures calculated on an occupied square metre basis by FUNO.

<sup>16</sup> FUNO has communicated to Sustainalytics that the majority of the GHG and electricity use reductions experienced in 2020 were a result of regional restrictions related to the COVID-19 pandemic. The disclosed 2030 targets are still expected to be relevant once regular business operations resume.

<sup>17</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>18</sup> Total energy consumption (kWh) from properties over which FUNO has operational control accounted for 46% of the total energy consumption of FUNO properties in 2020.

<sup>19</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>20</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>21</sup> Green Business Certification Inc. "TRUE Zero Waste", at: <https://true.gbci.org/>

<sup>22</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>23</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>24</sup> Water-use reduction figure calculated on a litres per occupied square metre basis by FUNO.

<sup>25</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>26</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>27</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>28</sup> FUNO, "ESG – Society", at: <https://en.funo.mx/investors/esg/funo-foundation/society>

<sup>29</sup> FUNO, "Social Inclusion", at: <https://en.funo.mx/esg/eficiencia-operacional/infraestructura-sustentable.php>

from Todo Accessible for its La Isla Entertainment shopping center in Cancun, Mexico.<sup>30</sup> This label is recognized by Mexico's Foundation for the Inclusion and Development of People with Disabilities, and is a guarantee of universal accessibility at the property.<sup>31</sup> FUNO has also committed to achieve universal accessibility labelling for at least one additional property by the end of 2021.<sup>32</sup>

Sustainalytics recognizes FUNO's commitment to addressing relevant sustainability issues through environmental and social initiatives and encourages it to include quantifiable and time-bound targets, particularly for the social categories defined in the Framework. FUNO is also encouraged to expand upon its environmental goals through the development of long-term environmental targets through 2050. Nonetheless, Sustainalytics is of the opinion that the Framework is aligned with the Company's overall sustainability strategy and will further its action on its key environmental and social priorities.

### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include physical climate risks, occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale development and waste generated in construction.

Sustainalytics is of the opinion that FUNO is able to effectively manage and mitigate potential risks through its demonstrated implementation of the following policies and practices:

- The execution of vulnerability analyses for climate change-related risks. The results of the analyses are incorporated into specifically defined strategies that guide the Company's broader activities.<sup>33</sup>
- FUNO's Responsible Investment Policy (the "Policy") aligns FUNO's real estate acquisition practices with the Company's sustainability strategy, and ensures its compliance with its Code of Ethics, as well as the Principles of Responsible Investment.<sup>34,35</sup> The Policy mandates that environmental audits be carried out by certified third-party auditors, and that all audit reports be reviewed by a Technical Committee. The Technical Committee is overseen by the Directorate of Sustainability who ensures compliance with the Policy.<sup>36</sup> The Policy also mandates alignment with social responsibility considerations, including non-discrimination, stakeholder engagement, and human rights issues.<sup>37</sup>
- FUNO's Sustainability Policy that formally incorporates ESG considerations by establishing internal structures that integrate the use of relevant key performance indicators and initiatives into the Company's operations. Oversight of the Sustainability Policy is carried out by the Executive Committee and the Sustainability Manager.
- An integrated Health and Safety program which is comprised of workplace accident prevention training and guidelines, and emergency response protocols. FUNO's health and safety priorities also include maintaining the security of individuals at its properties through automated guest registration systems and partnerships with third-party security firms as well as local authorities.<sup>38,39</sup>
- A Code of Ethics (the "Code") that outlines standards and business practices to which all FUNO employees, subsidiaries and affiliates are required to adhere to. This Code covers areas of Human Rights, and Diversity & Inclusion, and provides specific ethical standards that govern the Company's relationships with tenants, suppliers, and contractors, as well as addresses conflicts of interest and anti-corruption practices.<sup>40</sup>
- An integrated ESG Risk Management & Assessment program (the "ERMA Program") that is overseen by the Sustainability Committee. The Committee is led by the VP of Administration and includes the Directors of Operations, Projects and Finance. The ERMA Program includes reporting to the Global

<sup>30</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>31</sup> Fundación para la Inclusión y Desarrollo de Personas con Discapacidad, A. C, <https://findedis.org/>

<sup>32</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>33</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>34</sup> FUNO, "Responsible Investment" (2020), at: [https://en.funo.mx/esg/common\\_files/RIN-SOS-005\\_Politica\\_Inversio\\_%20Responsable\\_\(003\)\\_eng-01.pdf](https://en.funo.mx/esg/common_files/RIN-SOS-005_Politica_Inversio_%20Responsable_(003)_eng-01.pdf)

<sup>35</sup> FUNO, "Values & Mission", at: <https://en.funo.mx/company/vision-mission>

<sup>36</sup> FUNO, "Responsible Investment" (2020), at: [https://en.funo.mx/esg/common\\_files/RIN-SOS-005\\_Politica\\_Inversio\\_%20Responsable\\_\(003\)\\_eng-01.pdf](https://en.funo.mx/esg/common_files/RIN-SOS-005_Politica_Inversio_%20Responsable_(003)_eng-01.pdf)

<sup>37</sup> FUNO, "Responsible Investment" (2020), at: [https://en.funo.mx/esg/common\\_files/RIN-SOS-005\\_Politica\\_Inversio\\_%20Responsable\\_\(003\)\\_eng-01.pdf](https://en.funo.mx/esg/common_files/RIN-SOS-005_Politica_Inversio_%20Responsable_(003)_eng-01.pdf)

<sup>38</sup> FUNO, "Health and Safety", at: <https://en.funo.mx/investors/esg/creating-sustainable-communities/health-and-safety>

<sup>39</sup> FUNO, "The Power of Action – Integrated Annual Report 2020", at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

<sup>40</sup> FUNO, "Code of Ethics", at: [https://en.funo.mx/esg/common\\_files/codigo\\_etica.pdf](https://en.funo.mx/esg/common_files/codigo_etica.pdf)

Reporting Initiative, as well as being a signatory to the UN Global Compact (“UNGC”) through which the Company aligns its business strategy with the ten principles of UNGC that cover human rights, labour, environment and anti-corruption.<sup>41,42</sup>

- The execution of biodiversity risk analyses at all FUNO properties. The results of these assessments inform activities undertaken to support the protection of vulnerable species and protect areas with high biodiversity where FUNO operates.<sup>43</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that FUNO has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the Eligible Projects.

---

<sup>41</sup> UN Global Compact, “Participants”, at: <https://www.unglobalcompact.org/what-is-gc/participants/87071-Fibra-Uno>

<sup>42</sup> FUNO, “Responsible Investment” (2020), at: [https://en.funo.mx/esg/common\\_files/RIN-SOS-005\\_Politica\\_Inversio\\_%20Responsable\\_\(003\)\\_eng-01.pdf](https://en.funo.mx/esg/common_files/RIN-SOS-005_Politica_Inversio_%20Responsable_(003)_eng-01.pdf)

<sup>43</sup> FUNO, “The Power of Action – Integrated Annual Report 2020”, at: [https://en.funo.mx/panel/archivos\\_subidos/reporte\\_ingles-2020.pdf](https://en.funo.mx/panel/archivos_subidos/reporte_ingles-2020.pdf)

## Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the GBP 2018 or SBP 2020. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

### Importance of green building investments in Mexico

As of 2020, buildings produce nearly 40% of global energy-related GHG emissions and thus represent a significant opportunity for the achievement of global emissions reduction targets.<sup>44</sup> As the second-largest construction market in Latin America, Mexico's building sector, in particular, can demonstrate leadership and can pave the way for the country's achievements of its national GHG reduction targets, including a 36% reduction by 2030.<sup>45,46</sup>

According to the World Resources Institute, the current Mexican building policy environment is aligned with the achievement of the UN-endorsed Zero Carbon Buildings for All Initiative, which strives to decarbonise the global building stock.<sup>47</sup> Despite this, the International Finance Corporation ("IFC") forecasts that only about 9% of new construction in Mexico will be comprised of green buildings by 2025.<sup>48</sup> This forecasted landscape of green buildings is indicative of lagging investment in the sector, a reality that is supported by Climate Bonds Initiative data showing that as of 2020, only 10.6% of all Mexican green bond proceeds have gone towards low-carbon buildings.<sup>49</sup>

FUNO's Framework includes financing for certified green building projects that Sustainalytics expects to advance national goals to decrease the GHG emissions of the Mexican built environment. For a comparison of the specified green building certifications, please refer to Appendix 1.

### Importance of renewable energy investments in Mexico

In 2015, Mexico established its Energy Transition Law<sup>50</sup> to advance renewable energy projects that support the country in the achievement of its Nationally Determined Contributions ("NDC") under the Paris Agreement.<sup>51,52</sup> These commitments contained in the law include increasing the share of clean energy in Mexico's power generation to 35% by 2024, and to 43% by 2030.<sup>53</sup>

Renewable energy generation in Mexico has the potential to achieve both significant positive environmental impacts and the continued stimulation of local economic development. According to a report from the International Renewable Energy Agency ("IRENA"), Mexico is capable of generating 46% of its electricity from renewable sources by 2030.<sup>54</sup> The IRENA report contemplates the potential for rapid expansion of wind and solar photovoltaic generation, with additional substantial contributions from hydroelectricity.<sup>55</sup> However, as of 2020, Mexico was generating only 17.1% of its electricity from renewable sources, of which nearly half was from hydropower energy.<sup>56</sup> In order to bridge the gap between the country's current renewable energy generation and its capabilities, significant investments in infrastructure and technology will be required.

<sup>44</sup> Climate Bonds Initiative, "Financing Low-Carbon Buildings in Mexico", (2020) at:

[https://www.climatebonds.net/files/reports/cbi\\_mexicoconstruction\\_english.pdf](https://www.climatebonds.net/files/reports/cbi_mexicoconstruction_english.pdf)

<sup>45</sup> WRI, "Will Mexico Rise to the Zero-carbon Buildings Challenge?", (2020) at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>.

<sup>46</sup> Climate Bonds Initiative, "Financing Low-Carbon Buildings in Mexico", (2020) at:

[https://www.climatebonds.net/files/reports/cbi\\_mexicoconstruction\\_english.pdf](https://www.climatebonds.net/files/reports/cbi_mexicoconstruction_english.pdf)

<sup>47</sup> WRI, "Accelerating Building Decarbonization: Eight Attainable Policy Pathways to Net Zero Carbon Buildings for All", (2019) at:

<https://files.wri.org/d8/s3fs-public/accelerating-building-decarbonization.pdf>

<sup>48</sup> IFC, "Green Buildings Market Intelligence Mexico Country Profile", at: <https://www.edgebuildings.com/wp-content/uploads/2017/09/Mexico-Green-Building-Market-Intelligence.pdf>.

<sup>49</sup> Climate Bonds Initiative, "Financing Low-Carbon Buildings in Mexico", (2020) at:

[https://www.climatebonds.net/files/reports/cbi\\_mexicoconstruction\\_english.pdf](https://www.climatebonds.net/files/reports/cbi_mexicoconstruction_english.pdf)

<sup>50</sup> The Law Reviews, "The Renewable Energy Law Review: Mexico", (2020) at: <https://thelawreviews.co.uk/title/the-renewable-energy-law-review/mexico>

<sup>51</sup> Gobierno Federal, "Intended Nationally Determined Contribution", at: [https://www.gob.mx/cms/uploads/attachment/file/162973/2015\\_indc\\_ing.pdf](https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf).

<sup>52</sup> UNFCCC, "National Determined Contributions (NDCs)", at: <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs/nationally-determined-contributions-ndcs>

<sup>53</sup> Gobierno Federal, "Intended Nationally Determined Contribution", at: [https://www.gob.mx/cms/uploads/attachment/file/162973/2015\\_indc\\_ing.pdf](https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf).

<sup>54</sup> IRENA, "Renewable Energy Prospects: Mexico" (2015), at: [http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_REmap\\_Mexico\\_report\\_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1](http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1).

<sup>55</sup> IRENA, "Renewable Energy Prospects: Mexico" (2015), at: [http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_REmap\\_Mexico\\_report\\_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1](http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1).

<sup>56</sup> IEA, "Electricity generation mix in Mexico, 1 Jan - 30 Sep, 2019 and 2020", at: <https://www.iea.org/data-and-statistics/charts/electricity-generation-mix-in-mexico-1-jan-30-sep-2019-and-2020>.

Sustainalytics is of the opinion that the renewable energy projects contemplated in FUNO's Framework are expected to support progress towards Mexico's achievement of its renewable energy capabilities and targets.

#### **Importance of supporting Mexican MSMEs in their COVID-19 recovery**

Mexico is home to over four million MSMEs, representing 12.4% of the total gross production and employing 47.3% of the country's workforce.<sup>57</sup> Although approximately 90% of all Mexican businesses are MSMEs, only one-third of them have access to formal financial services, receiving only 9.1% of all bank loans in the country.<sup>58</sup> In the context of the global COVID-19 pandemic in particular, this lack of financial resources acts as a constraint on economic recovery. The lack of access to financial services is exacerbated further by higher interest rates charged to MSMEs when they do receive loans. The OECD reports that on average, there is a 5.9% interest rate spread between the loans received by MSMEs and those provided to larger firms.<sup>59</sup> As a result, Mexico has the widest productivity gap between MSMEs and large firms, and the lowest labour productivity levels for MSMEs among all OECD countries.<sup>60</sup> With the economic impacts of COVID-19 further burdening Mexican MSMEs, the need for financial support to these businesses is further compounded.<sup>61</sup>

By providing MSMEs affected by the pandemic with rent relief, FUNO can contribute to the alleviation of the disproportionate effects of the pandemic on vulnerable sectors of the economy.<sup>62</sup> Further, FUNO's administration of grant programs that support MSMEs will also lend to meaningful economic recovery. As such, Sustainalytics is of the view that FUNO's financial support of Mexican MSMEs economically impacted by COVID-19 is expected to have a positive economic impact on disadvantaged populations.

<sup>57</sup> Organization of Economic Cooperation And Development (OECD), "Financing SMEs and Entrepreneurs 2020", (2020) at: <https://www.oecd-ilibrary.org/docserver/061fe03d-en.pdf?expires=1591799913&id=id&accname=quest&checksum=C16E2D403439F007FE4307E9EC4F1FFC>.

<sup>58</sup> Euromoney, "Mexican banks struggling to plug SME funding gap", (2018) at: <https://www.euromoney.com/article/b1b2yzzrpdhmn9f/mexican-banks-struggle-to-plug-sme-funding-gap#:~:text=While%20small%20and%20medium%2D-sized,of%20GDP%2C%20according%20to%20Moody's>.

<sup>59</sup> Organization of Economic Cooperation And Development (OECD), "Financing SMEs and Entrepreneurs 2020", (2020) at: <https://www.oecd-ilibrary.org/docserver/061fe03d-en.pdf?expires=1591799913&id=id&accname=quest&checksum=C16E2D403439F007FE4307E9EC4F1FFC>.

<sup>60</sup> Organization of Economic Cooperation And Development (OECD), "Mexico Policy Brief", (2017), at: <https://www.oecd.org/policy-briefs/mexico-raising-productivity-in-small-traditional-enterprises.pdf>

<sup>61</sup> García-Villagrán, A. et al. (2020) "The COVID-19 Effect in Mexican SMEs", ASTESJ, at: [https://www.astesj.com/publications/ASTESJ\\_050608.pdf](https://www.astesj.com/publications/ASTESJ_050608.pdf)

<sup>62</sup> García-Villagrán, A. et al. (2020) "The COVID-19 Effect in Mexican SMEs", ASTESJ, at: [https://www.astesj.com/publications/ASTESJ\\_050608.pdf](https://www.astesj.com/publications/ASTESJ_050608.pdf)

### Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energies	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Access to Essential Services	11. Sustainable Cities and Communities	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
Socioeconomic Advancement and Empowerment	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Employment Generation and Programs Addressing Unemployment	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

## Conclusion

FUNO has developed the FUNO Sustainable Bond Framework under which it may issue sustainability bonds and use the proceeds to finance and/or refinance Eligible Projects. Sustainalytics considers that the Eligible Projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the use of proceed categories will contribute to the advancement of the UN SDGs 6, 7, 8, 9, and 11. Additionally, Sustainalytics is of the opinion that FUNO has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that FUNO is well-positioned to issue sustainability bonds and that that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

## Appendices

### Appendix 1: Summary of Referenced Green Building Certification Schemes

	LEED <sup>63</sup>	EDGE <sup>64</sup>	BOMA BEST <sup>65</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• EDGE Certified</li> <li>• EDGE Advanced</li> <li>• EDGE Zero Carbon</li> </ul>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ol style="list-style-type: none"> <li>1. Climatic Conditions</li> <li>2. Building Type and Occupant Use</li> <li>3. Design and Specifications</li> <li>4. Building Orientation</li> </ol> <p>Calculation of the End Use Demand Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> <li>• Air</li> <li>• Comfort</li> <li>• Health and Wellness</li> <li>• Custodial</li> <li>• Purchasing</li> <li>• Waste</li> <li>• Site Stakeholder Engagement</li> </ul>
<b>Requirements</b>	Prerequisites independent of level of certification, and credits with associated points.	Prerequisites depending on the level of certification. To achieve the minimum level, EDGE Certified, a building must demonstrate a minimum 20% reduction in operational energy	Minimum requirements independent of level of certification; score based on checklist to determine certification level.

<sup>63</sup> USGBC, “LEED rating system”, at: [www.usgbc.org/LEED](http://www.usgbc.org/LEED).

<sup>64</sup> EDGE, “Certify”, at: <https://www.edgebuildings.com/certify/>

<sup>65</sup> BOMA BEST, at: <http://bomacanada.ca/bomabest/>.

	<p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>consumption, water use and embodied energy in materials as compared to typical local practices.</p>	<p>The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.</p>
<p><b>Performance display</b></p>			
<p><b>Qualitative Considerations</b></p>	<p>Widely recognized internationally, and strong assurance of overall quality.</p>	<p>Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.</p>	<p>Most commonly used certification for existing buildings in Canada, and considered less administratively burdensome for existing buildings.</p>

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Fibra UNO
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	FUNO Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 29, 2021
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eight eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN SDGs, specifically SDGs 6, 7, 8, 9, and 11.

### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input type="checkbox"/> Affordable housing   | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

FUNO's Sustainability Committee, comprising of its Sustainability Director, Procurement Manager, Finance Director, Facility Directors, VP Investor Relations and Capital Markets, VP Administration & IT, Property Directors, Legal Manager, and Human Resources Marketing departments, will be responsible for selecting eligible projects. FUNO's Sustainable Bond Council will provide the ultimate approval on selecting eligible projects. Sustainalytics considers the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other (please specify):  |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

FUNO's Sustainable Bond Council will be responsible for tracking the allocation of bond proceeds to eligible projects, as well as for the management of amounts still unallocated. FUNO intends to achieve full allocation of the net proceeds within 36 months from the date of each bond issuance. The unallocated proceeds may be held in cash or invested in marketable instruments or used to refinance outstanding debt. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |   |   |
|---|---|
| <input type="checkbox"/> Allocation to individual disbursements                             | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                    |

#### 4. REPORTING

Overall comment on section (if applicable):

FUNO intends to publish "FUNO Sustainable Bond Report(s)" on its website to provide allocation and impact reporting on an annual basis until full allocation. The allocation reporting is expected to include category-level details on the Eligible Projects, and the balance of unallocated proceeds. The impact reporting is expected to include relevant qualitative and/or quantitative impact based on the indicative metrics provided within FUNO Sustainable Bond Framework. Sustainalytics views FUNO's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |   |

#### Frequency:

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

#### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

#### Information reported (expected or ex-post):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Number of beneficiaries   |
| <input checked="" type="checkbox"/> Target populations      | <input type="checkbox"/> Other ESG indicators (please specify): Intensity on energy consumption, intensity on water consumption, adapted sqm for universal accessibility for priority |

groups, and certified sqm (for green buildings).

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify): Standalone report(s) to be published on the Company's website  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

<http://en.funomx/investors/esg/sustainability-management>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

**Copyright ©2021 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



Named

2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider



The  
**Green Bond**  
Principles



The  
**Social Bond**  
Principles