

Framework



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FUNO® Sustainability Linked Bond Framework

January 2023

Background

We are the first and largest REIT in Latin America. FUNO owns over 612 properties, encompassing 11.2 million sqm of gross leasable area (GLA) all over Mexico, in the retail, office and industrial sector, with an occupancy rate of 93.2%.

Sustainable infrastructure is the core of our business model, aiming at the creation of long-term value for the communities where we operate and benefitting all our stakeholders. We currently report under GRI, TCFD, SASB and PRI guidelines; and have committed to establish a Science Based Target pending to be approved in 2023.

Our experience with sustainable finance goes back to 2019 when we established a corporate sustainability linked revolving credit facility, which was the first one in Latin America at the time, and a sustainable bond in 2021 which was also the first sustainable bond for a real estate company in Mexico.

We report to:

- THE GLOBAL COMPACT WE SUPPORT
- MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM
- FTSE4Good
- CDP DRIVING SUSTAINABLE ECONOMIES
- BIVA Bolsa Institucional de Valores
- GRESB REAL ESTATE MARKET
- PRI Principles for Responsible Investment
- EQUATOR PRINCIPLES
- GREAT PLACE TO WORK. CERTIFICADA
- ESR EMPRESA SOCIALMENTE RESPONSABLE

2016 2017 2018 2019 2020 2021

We report under the following guidelines:

- GRI
- SUSTAINABLE DEVELOPMENT GOALS
- SASB
- TCFD TAKE FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
- INTEGRATED REPORTING <R>

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FUNO's Sustainability Strategy
FUNOs sustainability Pillars



SUSTAINABILITY STRATEGY
2020-2030



* People with disabilities, single parents, LGBTQ+, indigenous groups, migrants.

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In order to achieve our Sustainability Goals, we have committed to develop, retrofit and refurbish our properties in order to increase their efficiency, which in turn will help us to:

- Reduce our energy, water and carbon footprint
- Increase property resilience across our portfolio
- Reduce current operational expenses
- Maintain or increase property values
- Increase our ESG Investor base
- Set standards for property performance in Mexico
- Strengthen social cohesion through inclusive and accessible public spaces for priority groups, such as people with disabilities, elderly, kids, amongst others).
- Provide safer recreational spaces, particularly in high crime rate areas in Mexico.
- Promote economic development for small and medium enterprises.

Framework overview

This Framework has been established in accordance with the Sustainability-Linked Bond Principles published in June 2020 (“SLBP 2021”)¹ as administered by The International Capital Market Association (ICMA). The Sustainability-Linked Bond Principles (SLBP) 2021 are a voluntary process guideline that outlines best practices for financial instruments to incorporate forward-looking Sustainability outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance of Sustainability-Linked Bonds (“SLB”). FUNO’s framework is in alignment with the five core components of the SLBP 2021:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond Characteristics
4. Reporting
5. Verification

Substantially similar core components are outlined under the Sustainability-Linked Loan Principles 2020 (“SLLP2020”), published by the Loan Market Association (LMA) in connection with Sustainability-Linked Loans.

Sustainability-Linked Instruments are any type of instrument for which the financial and/or structural characteristics can vary depending on whether FUNO® achieves predefined Sustainability/ ESG objectives. In this sense, FUNO® is hereby committing explicitly to specific sustainability outcomes within a predefined timeline that is relevant, core and material to our overall business. SLBs are a forward-looking performance-based instrument. The proceeds of SLBs are intended to be used for general purposes; hence, the use of proceeds is not a determinant in our categorization.

FUNO® considers the issuance of SLBs as a logical further step of connecting ESG aspects of its core business and its overall refinancing strategy via capital markets. SLBs will represent an additional class of funding instruments within FUNO® ESG related funding mix, and will also be an important tool in addition to our commitment to the sustainability bond market.

FUNO® is committed to the Sustainable Development Goals (SDGs) as it understands that private sector engagement is essential to accelerate the fulfillment of the 2030 Agenda.

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

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I. Selection of Key Performance Indicators (KPIs)

Based on the six pillars of our Sustainability Strategy and our materiality assessment, FUNO® selects as the Key Performance Indicator for its SLBs **the total certified sustainable gross leasable area under eligible certification schemes (m2) as a percentage of total GLA (m2) or Percentage of total GLA (m2) that is certified as sustainable under eligible certification schemes (m2).**

Eligible Certifications:

1. LEED Gold or Platinum for Building Design and Construction (BD+C): addresses design and construction activities for both new buildings and major renovations of existing buildings
2. LEED Gold or Platinum Operation and Maintenance (O+M): addresses performance oriented sustainable strategies and outcomes in existing buildings that are undergoing improvement work or little to no construction.
3. BOMA BEST Gold or Platinum Sustainable Buildings: is Canada’s environmental assessment and certification program for existing buildings of all sizes. It provides building owners, managers and operators a roadmap for operational improvement through the use of questionnaires and survey-based assessment on ten key areas of environmental performance and management.
4. EDGE: was developed by the International Finance Corporation (IFC) specifically for application in emerging market countries and is a green building certification system focused on making new residential and commercial buildings more resource-efficient.

Rationale

- The three highest environmental material aspects for FUNO are energy and water efficiency as well as waste management. Therefore, we believe a building certification KPI is the single most relevant KPI that encompasses improvement and performance of our properties in all these three categories.
- We did not select an energy related KPI, which is our other material environmental aspect, since it has been already committed in our Sustainability linked revolving credit facility², and we wanted to increase our public commitments rather than repeat them.
- We have raised the bar for sustainable practices in the Real Estate sector in Mexico with 89% of our in-house office developments being LEED Certified, accounting for a total of almost one million LEED certified square meters, including office and industrial properties.
- Such certifications are a key means of guaranteeing and demonstrating the quality of our properties. These ratings serve as independent validation that key sustainability issues (social and environmental), have been considered in the design, development and operation of our properties. Certification schemes also enable us to demonstrate compliance with international best practices, benchmark our sustainability performance against our competitors while tracking and improving our performance across portfolios.
- FUNO’s certified properties have demonstrated optimal performance when compared to similar properties³ in our portfolio in the same corridor, resulting in lower intensity in energy (9%) and water (18%) use, which make them in turn also more attractive to tenants. Our certified properties, not only offer an optimized level of resource efficiency, with cost savings over the long term, but they also incorporate design features that promote social inclusion and improve health and wellbeing for visitors as well. Properties with high environmental ratings can demonstrate higher return on investment over time.

² Reduce 5% our energy intensity

³ This data is an analysis of FUNO’s certified properties vs non certified properties located in the same financial corridor (Reforma corridor).

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Infrastructure is key for any country's development, promoting employment and create better quality of life, particularly so in emerging markets and developing economies. However, this comes with a price; according to IPCC, buildings consume 32% of worldwide generated electricity, and also produce 25% of global GHG emissions. Progress towards sustainable buildings is accelerating, but even so, improvements are lower that what's needed to face climate change. Due to our size and leadership, FUNO® is well positioned to drive change in the Real Estate sector in Latin America, with the support of responsible investors

Alignment with UN SDGs⁴

FUNO's commitment to properties certifications in Mexico contributes to the achievement of SDGs, primarily SDG 9, but also SDG 6, 7, 12 and 13 We have set a certification target in our 2030 strategy from a 2020 baseline.

Definition and methodology for KPI measurement

The KPI will be calculated as certified sqm of properties that are certified under one or more of the Eligible Certification schemes described below as sqm of the total GLA of all properties in FUNO's Total Portfolio.

The KPI is calculated based on GLA and not on the size of total construction/property footprint, therefore actual certified square meters are probably higher than the actual area reported by us. We have chosen this approach for standardizing reporting related to LEED, BOMA and EDGE certification; since some of them exclude common areas and parking spaces and others don't.

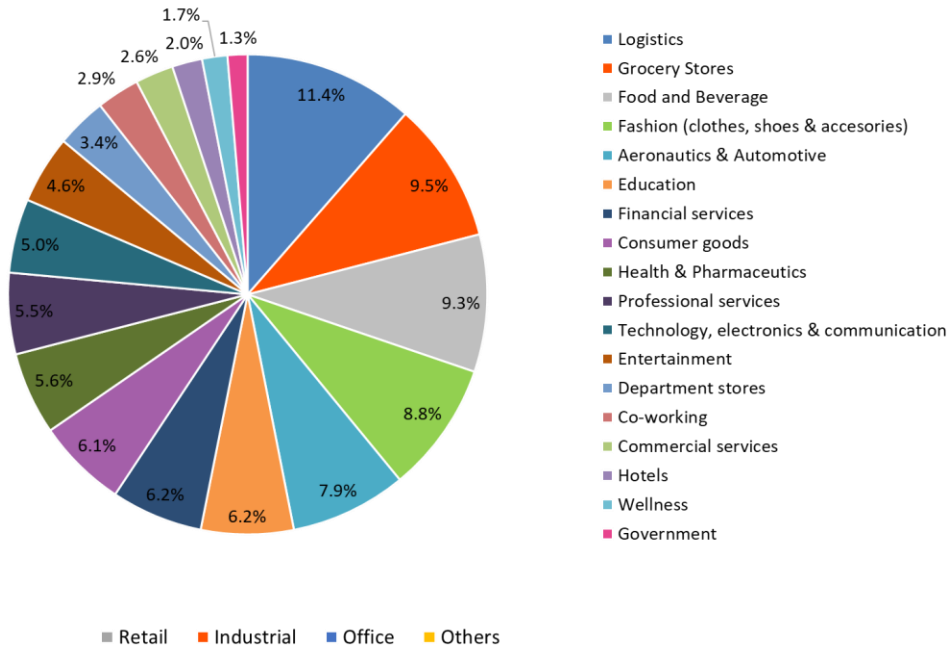
The KPI for each Fiscal Year shall be determined as of [December 31] of such fiscal year e.g., for the 2021 fiscal year, the KPI will be determined based on FUNO's Total Portfolio as of [December 31, 2021].

FUNO uses the following definition for its Total Portfolio size:

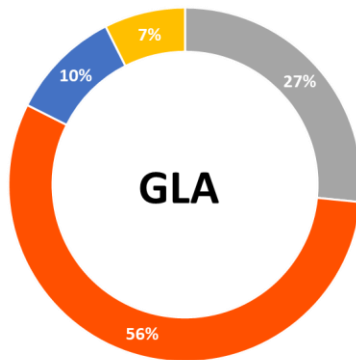
- Total GLA of the properties owned by FUNO.
 - Including Offices, industrial, retail, hotels, schools, hospitals and others
 - We consider properties owned by FUNO, regardless of it is operated by the tenant or other companies

⁴ The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, including Mexico
<https://sustainabledevelopment.un.org/?menu=1300>

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■ Retail ■ Industrial ■ Office ■ Others



In case of divestments:

1. If a certified property is sold, then it will negatively impact the KPI and FUNO will have to compensate for the reduction of certified GLA.
2. If a non-certified property is sold, then it will have a favorable impact on the achievement of the KPI
3. If a property it is owned by FUNO, it will be included in the total GLA. ⁵

In case of acquisitions:

1. In case of acquisition of a certified property it will have a favorable impact on the achievement of the SPT
2. In case of acquisition of a non-certified property it will have a negative impact on the achievement of the SPT
3. In case of an acquisition of a portfolio that represents over 3% of the GLA in any given year, such portfolio will not count for that years KPI nor SPT, it will have 24 months to be included in the KPI.

⁵Currently there are no properties where FUNO operates but does not own the property; if that were the case, the KPI will only include properties owned by the Fibra.

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Events that can trigger a recalibration on our KPI baseline include:

1. Change in ownership structure of the business
2. Material changes in certification schemes
3. Discovery of a material error in calculations

II. Calibration of Sustainability Performance Targets

FUNO® will assess its sustainability performance against Sustainability Performance Targets (SPTs) annually from the period 2021 to 2035 providing a trajectory towards:

- SPT 1: Certify 18.4% of the GLA, by 2025.
- SPT 2: Certify 22.9% of the GLA, by 2026.
- SPT 3: Certify 26.6% of the GLA, by 2027.
- SPT 4: Certify 30.3% of the GLA, by 2028.
- SPT 5: Certify 34% of the GLA, by 2029.
- SPT 6: Certify 37.7% of the GLA, by 2030.
- SPT 7: Certify 39.1% of the GLA, by 2031.
- SPT 8: Certify 40.5% of the GLA, by 2032.
- SPT 9: Certify 41.9% of the GLA, by 2033.
- SPT 10: Certify 43.3% of the GLA, by 2034.
- SPT 11: Certify 45.1% of the GLA, by 2035.

Baseline: 969,431 certified sqm, which represent 9% of the GLA as of December 2021⁶.

The chosen KPI encompasses FUNO® entire sustainability strategy and shows the result of the path taken in order to achieve FUNO® current sustainability goals. In order to certify a property, the property must comply with the highest health and safety standards, be water and energy efficient, have top waste management procedures, air quality indoors and be accessible to its users. Therefore, the chosen KPI ensures the achievement of several ESG commitments in the process of reaching this SLBs target. In addition, achievements on this KPI directly contribute to the United Nation's Sustainable Development Goals (SDGs) 11 (sustainable cities and communities) and 13 (climate action).

Ambition

In the Mexican Market there are very few properties built and/or designed with operational sustainable practices in mind; not to mention, the scarcity of relevant rating systems and certified properties available for purchase, with certifications such as LEED, EDGE or BOMA. FUNO's investment strategy on green buildings seeks to commit to the most rigorous standards of certifications such as LEED Gold and Platinum, BOMA Best and EDGE. While we will include certified sustainable buildings adhering to other levels of certification, it is our intention that the growth in certified GLA contemplated under SPTs will **be driven primarily by investments in retrofitting existing buildings to adhere to the most ambitious certification requirements.**

For SPTs established by 2025, we consider that **at least 90% will come entirely from refurbishment and retrofitting properties** in our current portfolio.

⁶ 2021 has been defined as the baseline since it is the year with most recent available complete and audited data.



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Furthermore, FUNO considers the SPT is challenging and ambitious because it will be increasing overall certified sustainable GLA by more than 5 times over the next 20 years and is a substantial increase over our historic growth in certified sustainable GLA. Achieving this SPT will require a robust certification strategy and material investments for retrofitting existing buildings.

Our certification strategy focuses on LEED for industrial and office buildings, EDGE for our retail and industrial portfolio and BOMA for our office buildings. We estimate that over 90% of this target will be achieved by retrofitting our existing buildings. The biggest challenges we expect is that of receiving data and collaboration from our tenants, particularly in industrial and retail properties.



Area	Goal	Strategy
Innovation	Monitoring use of supplies and maintenance processes in shopping centers	<ul style="list-style-type: none"> • Introduce a centralized platform to provide equipment availability metrics and evaluate image in shopping centers.
Energy	Optimize energy consumption	<ul style="list-style-type: none"> • Automated energy control in 27 buildings. • Adjustment of meters in 25 building. • Install network coding in 3 buildings.
	Reduce kWh of energy consumed per occupied sq meters by 20%	<ul style="list-style-type: none"> • Replace lighting fixtures with LED devices. • Install high-efficiency technology. • Install equipment to make air conditioning system more efficient. • Use clean energy sources.
Water	Ensure compliance with wastewater discharge regulations	<ul style="list-style-type: none"> • Partially renovate wastewater treatment plants (WWTP) in 37 buildings. • Generate an inventory of tests and lab analyses of WWTP. • Automate water discharge calculations.
	Reduce m3 of water consumed per occupied sq meter by 30%	<ul style="list-style-type: none"> • Continue reviewing facilities to avoid leaks. • Introduce high-efficiency technologies to reduce and optimize consumption. • Checking and sealing cisterns to close off leaks. • Supply of treated water to industrial parks. • Replacement of urinals with dry fixtures. • Checking and sealing cisterns to close off leaks. • Renovation of wastewater treatment plants to guarantee compliance with regulations on wastewater discharge.
Waste	Zero waste	<ul style="list-style-type: none"> • Continue tenant awareness campaign. • Apply manual and roadmap for waste management. • Classify waste and align metrics. • Optimize management of solid waste and batteries. • Place special containers for recovery and separation of solid waste. • Recycle paper and cardboard in industrial parks. • Replace pine used in benches with recycled material
Emissions	Reduce tCO2e per occupied sq meters by 20%	<ul style="list-style-type: none"> • Reduce electrical energy consumption. • Install technologies with high energy efficiency and onsite renewable energy generation. • Zero trash strategy. • Reforestation and maintenance of green areas
	Strengthen measurement of our environmental footprint (Scope 3).	<ul style="list-style-type: none"> • Work together with tenants to help them share their environmental information.

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Activity of tenants: We do not control the activities or consumption of resources by our tenants, but we encourage the application of best practices through training, green clauses and one-one meetings. Certifying properties allow us to create umbrella guidelines for tenants on the types of products, goods and services they can use in our properties.

On average FUNO has grown 70% yearly since its IPO, however in the last four years the growth of our portfolio is around 7% on average. Given the size of our current portfolio, we know the company will continue to grow, but new acquisitions most likely will represent under 5% of the company's current portfolio.

Risks to Achieving Target

Risks to achieving the target include:

- Natural phenomena damaging our properties
- Lack of communication channels with tenants and tenant oppositions
- Last-minute challenges to acquire or develop LEED certified buildings, such as negative outcomes on licensing, permits, environmental audits, etc.
- Changes in local regulations
- Extreme changes in utilities or operational costs and or availability of sustainable options
- Acquisition or sales of properties
- Risk of accidents, adverse impacts on human health and the environment, adverse impacts from pollution and contamination, and other pre-existing liabilities, soils, water resources, materials use, energy use, waste, and hazardous materials
- Civil disturbances and organized crime that can damage our properties

III. Bond Characteristics

Our Sustainability-Linked Instruments have a sustainability-linked feature that will result in a premium payment by FUNO if one or more of the SPTs have not been reached at the target observation date, such as, but not limited to, a coupon step-up.

For select transactions, a first coupon-step will apply if SPT #1 is not met on the target observation date for SPT #1 and remain until the target observation date for SPT #2. After the target observation date for SPT #2, a second coupon-step (higher than the first step-up) will be applicable until the maturity date of the bond if the second SPT is not met, regardless of the first SPT being met. Otherwise, the coupon remains or reverts to its initial level. Observation dates are specified on section "II. Calibration of Sustainability Performance Targets" and the applicable bond issuance documents

The mechanism for the step-up margin or other premium payment, as applicable, will be specified in the Indenture of the Sustainability-Linked Instrument.

If, for any reason, the performance level against each SPT cannot be calculated or observed, or not in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in a position to provide such certificate), the premium payment will be applicable.

If, for any reason, the company does not publish the relevant verification assurance certificate within the time limit as prescribed by the terms and conditions of the indenture of the Sustainability-Linked Instrument, the premium payment will be applicable

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IV. Reporting

Annually, and in any case for any date/period relevant for assessing the trigger of the SPT performance leading to a potential adjustment, such as a coupon step-up of our Sustainability-Linked Bond, Issuer will publish and keep readily available and easily accessible on its website: <http://en.funomx.com/investors/esg/sustainability-management>

The FUNO® Sustainability Linked Bond Report will contain at least the following:

1. Up-to-date information on the performance of the selected KPI, including the baseline;
2. An external verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a bond's financial performance; and
3. any relevant information enabling investors to monitor the progress of the SPT
4. Qualitative or quantitative explanation of the contribution of the main factors, including asset retrofitting, development, acquisition or divestiture activities, behind the evolution of the performance/KPI on an annual basis;
5. illustration of the positive sustainability impacts of the performance improvement; and/or
6. if it is the case, we will include any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

VI. Verification

Annually, and in any case for any date/period relevant for assessing the KPI performance leading to a potential financial adjustment, such as a step-up coupon on the Sustainability-Linked Bond, until after the KPI trigger event of a bond has been reached. FUNO will seek independent and external limited assurance of its performance level for the stated KPI by a qualified external reviewer with relevant expertise. The verification of the performance of the KPI will be made publicly available in the form of a verification assurance certificate on FUNO's website.

We have assured our reported certified sustainable GLA data by a third independent party⁷. Our certified sustainable GLA is calculated based on the Gross Leasable Area definition which aligns them with our financial reporting, linking business performance with sustainability performance.

KPMG has provided independent assurance on our sustainability reporting in the past.

FUNO will obtain and make publicly available a Second Party Opinion (SPO) and/or other external review from consultants with recognized environmental and social expertise to provide an opinion on the sustainability benefit of this Sustainability-Linked Financing Framework as well as the alignment to the SLBP.

Disclaimer: This Sustainability Linked Bond Framework is not an offer of, or invitation to apply for, or a recommendation to buy securities to any person in any jurisdiction. Any offers or invitations to apply for securities will be made only in accordance with all applicable laws.

⁷ Assurance can be accessed here: https://funo.mx/site_media/uploads/documentos/data-h6xINCS2oP.pdf