

WE DEVELOP WELFARE



2019 SUSTAINABILITY REPORT

WE DEVELOP WELFARE

At CADU we build housing to help create integrated communities. Our top-quality infrastructure fosters connectivity and communication, protects the environment and ensures quality of life and welfare for everybody living in our developments.



We care for the environment



We build integral communities



We foster connectivity



We enable well-being and quality of life

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\$64 million pesos depreciation

\$552,253 million pesos

net profit

\$3,222 million pesos

net debt

\$1,083 million pesos EBITDA



administrative expenses

\$2,728 million pesos cost of sales

1.243 of both FTE and indirect

employees

\$252 million pesos

of tax payments

\$4,304 million pesos

income





44%

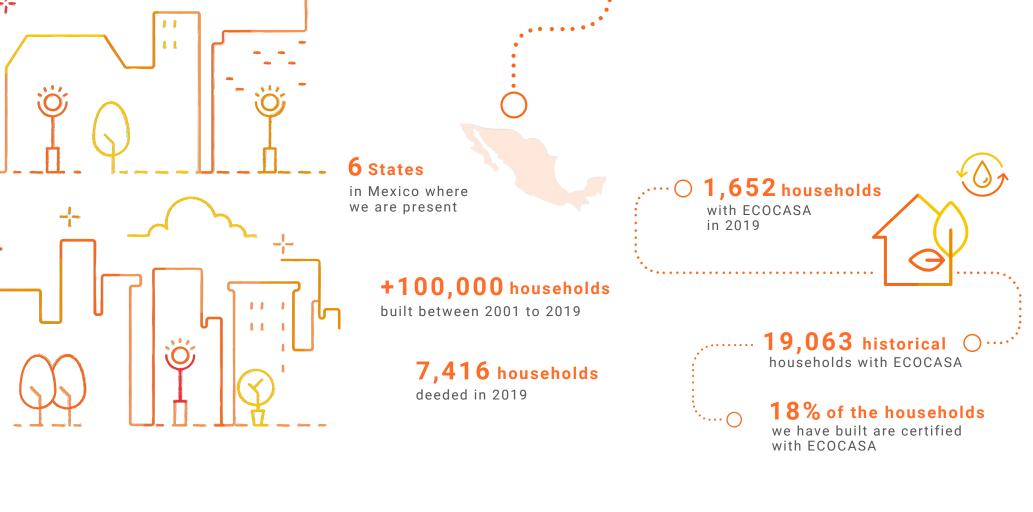
of independent board members

We contribute to the SDGs especially to SDG 11

14,916 hours o----We build training of health & safety delivered in 2019 to a total of inclusive households

Fatal accidents= 0

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Historically, we have installed





LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

CADU has been my home for almost twenty years. From it, I wish that thousands of families in Mexico turn the houses that we build for them into their homes.

There are nearly 9.4 million households in Mexico with some kind of deficiency – some still use wood or coal to cook, or do not have proper construction materials; some lack of basic services or are overcrowded. Therefore, at CADU we want that our building expertise turns into welfare opportunities for these Mexican families.

At CADU we want more people to own a decent home at a cost that will not compromise their access to food, healthcare, or clothing. We seek that more families live in safe and well-located communities; that the people living in our housing developments have connectivity options as well as green areas; and, that with our housing developments, people can find inclusive infrastructures and nearby access to healthcare services, education, and commercial options. In other words, that families find quality of life in our developments.

CADU's mission is to develop welfare.

The year 2019 was very enriching for the Company because we redefined our vision: we reaffirmed our commitment to sustainability and exceeded our financial goals.

As a **banner** of our new vision, we announced a **new project in Tulum, Quintana Roo.** This project will start operations in 2020 and will be fully aligned with world-class environmental and social requirements. The completion of this housing development will allow thousands of people to integrate into a new community; to reduce home-to-work transportation costs; to save in electricity and gas bills with the eco-technologies that we will incorporate; and, to access services that will enable their well-being.

Regarding sustainability, we set up a Sustainability Committee in charge of developing impact indicators in the social, environmental, and transparency fields; we analyzed our contribution to the Sustainable Development Goals (SDGs); we determined that all our housing developments will be designed according to environmental criteria, which includes our commitment to seek that every housing project will have a certification like ECOCASA or EDGE; we adhered to the Ten Principles of the UN Global Compact; and, we developed our Comprehensive Ethics System.

Our **fatal accidents record was kept clean** for the third consecutive year; we provided greater and better support to our communities; we established ourselves as the **housing developer with the highest number of environmentally certified homes** – ECOCASA; and, we consolidated as a company that supports gender equality, given that 40% of our team is made up of talented women.

As you will see throughout this Report, CADU **is transforming Mexico's housing market** because we are taking actions for climate change, we are proactive in issues that are material for the country, and because we are doing our best to develop communities that are synonymous with home.

Thank you, CADU team, this would not be possible without you.

Pedro Vaca Elguero

Chairman of the Board of Directors Corpovael, S.A.B. de C.V. "CADU"





WE DEVELOP WELFARE

Corpovael S.A.B. de C.V. (CADU) is a Mexican firm that develops and builds homes to promote the welfare of thousands of Mexican families.

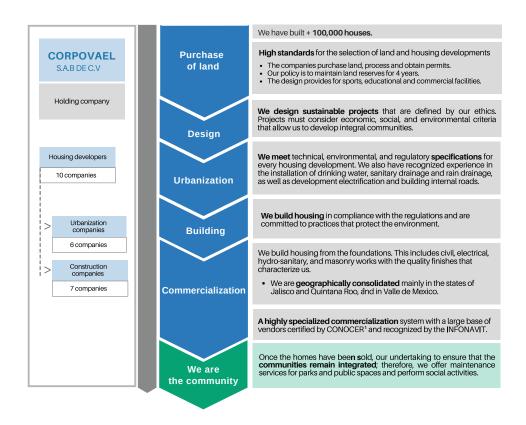
In 2001, the Company's founders realized that millions of homes in Mexico had been built with low-quality materials and lacked basic services, while thousands of households were living in overcrowded conditions.

As a result of our founders' sharp sense of social responsibility and their determination to cater for the niche they found, CADU established itself as a firm whose business model is focused on solving such social issues.

Since then, CADU became a catalyst for economic and human development in Mexico because we are determined to be well-being developers.



The Company is **vertically integrated** – from land acquisition to commercialization – which allow us to have control over the quality of our products and the practices we are committed to regarding the environmental, social and economic spheres.



CADU's corporate offices are located in Cancun, Quintana Roo. The Company is present in several cities in Mexico.

CONOCER: National Council for Standardization and Certification of Labor Competencies; INFONAVIT: Institute of the National Housing Fund for Workers. Figures with information to 4T18 according to the BMV report (not ruled). Source: CADU

CADU PRODUCTS

At CADU we build welfare through three niches:

- 1 Affordable entry-level housing
- 2 Middle-income housing
- 3 Residential segment

From 2001 to date, we have built:



+100,000 homes



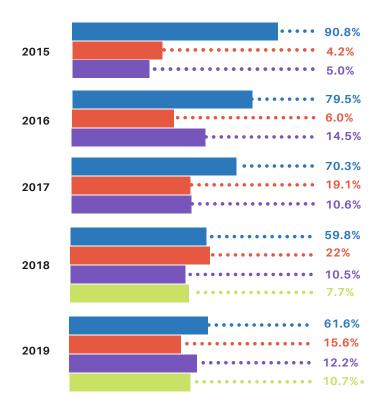
in + than 30 housing developments

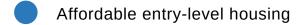


distributed over 6 states in Mexico.

As shown below, our portfolio is more diversified than a few years ago and most of our income comes from the sale of affordable entry-level housing.

CADU Revenue





Middle-income housing

Residential segment

Others

^{*} These CADU revenues originated from the sale of commercial, residential and construction services land in 2019

Affordable entry-level housing

In this category we seek to ensure the right to a home for low-income households, who are often salaried workers with income up to 8 times the minimum wage. Many of them are first-time home buyers and are looking for housing with a value of up to \$500,000 pesos.

Our construction time for affordable entry-level housing is highly competitive since it takes 18 weeks to complete.

Practically all the financing to our customers for this type of housing is provided by the INFONAVIT or Federal Government-backed housing funds, such as the Sociedad Hipotecaria Federal (SHF) and the FOVISSSTE. The amount of loans granted to buy this type of housing has allowed our customers to buy their properties and has also been relatively stable for the last few years. Therefore, commercial banks are largely absent from this sector's financing.

Our strategy has focused on favoring profitability over volume; consequently, the number of homes sold in this segment has decreased. Nevertheless, the average sale price of CADU's affordable entry-level segment has been increasing year after year.

Number of affordable entry-level houses sold



Average price of affordable entry-level housing



² All the workers in Mexico's formal economy are entitled to a savings account with the INFONAVIT – a Federal Government institution - to buy a house.

Middle-income housing

Middle-income housing is generally financed by INFONAVIT, FOVISSSTE and financial institutions for both first- and second-time home buyers. Sale prices range between \$500,000 and 2.4 million pesos.





The average price of middle-income housing was \$2.2 million pesos.

The average price of middle-income housing was \$2.4 million pesos.



Number of middle-income houses sold



Average price of middle-income housing



Sales for this segment in 2019 reflect the market's natural behavior followed by a change in the country's Federal Government.

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Residential segment

The sale price of this type of housing is over \$2.5 million pesos, so it is usually financed by commercial banks for buyers acquiring their second or third home.

This segment also includes the higher-priced residential *plus* housing that is occasionally financed in US dollars.

Number of residential plus houses sold



Average price of residential plus housing



Our sales for this segment increased by 74%.





INDUSTRY TRENDS

In the last few years, we have studied the context we operate in and analyze industry trends to create favorable business opportunities for CADU. The most important factors of our 2019 fiscal year are outlined below.



³ Aguascalientes, Chihuahua, Mexico City, State of Mexico, Jalisco, and Quintana Roo.

Factors we addressed at CADU



WORLDWIDE

around 3.5 billion people live in cities; however, it is estimated that this figure will increase to 5 billion by 2030 (UN, 2019).

At CADU we want to help these people find affordable and quality housing.



OVER THE COMING DECADES

95% of urban growth will take place in developing countries (UN, 2019), such as Mexico.

We want to continue being a company that builds more homes with environment-friendly certifications.



IN MEXICO

according to the latest data from CONAVI (2018), around 9.4 million of the nearly 34 million homes have inadequate infrastructure. This means they are deficient in terms of the materials used, or lack services, and/or are

- Reducing housing infrastructure inadequacy is important for CADU. This is why we operate in 2 of the 10 states with the most deficient housing nationwide.
- We are present in 6 states ³ that account for 20% of inadequate housing nationwide.

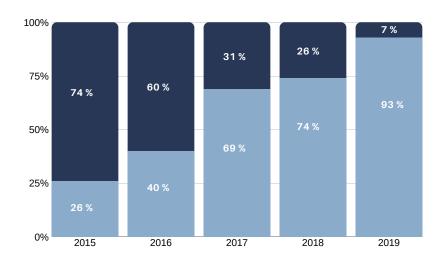


NATIONWIDE

the number of INFONAVIT beneficiaries comes to 6,967,600 as of the third quarter of 2019. Many of them are CADU's potential customers. Therefore our goal is to continue offering them options to acquire their first or second homes.

Subsidies

In line with the strategy we proposed when the Initial Public Offering was made in 2015, **CADU has been decreasing its use of subsidies.** In 2018, 26% of homes sold were subsidized, while in 2019 they accounted for 7%.



- with subsidy
- without subsidy



RELATIONS WITH AUTHORITIES, CHAMBERS AND ASSOCIATIONS

We have a good relationship with the authorities and are always monitoring relevant topics within the housing development industry.





Federal Mortgage Society (SHF)



National Housing Commission (CONAVI)



National Workers' Housing Fund Institute (INFONAVIT)



National Bank of the Army, Air Force and Navy, S.N.C (BANJERCITO)



Confederation of Employers of the Mexican Republic (COPARMEX)



The National Institute of Anthropology and History (INAH)



Mexican Stock Exchange Group (BMV)



Ministry of Agrarian, Territorial and Urban Development (SEDATU)



National Housing Chamber (CANADEVI)



Housing Fund of the Social Security and Services Institute for State Workers (FOVISSSTE)



National Banking and Securities Commission (CNBV)



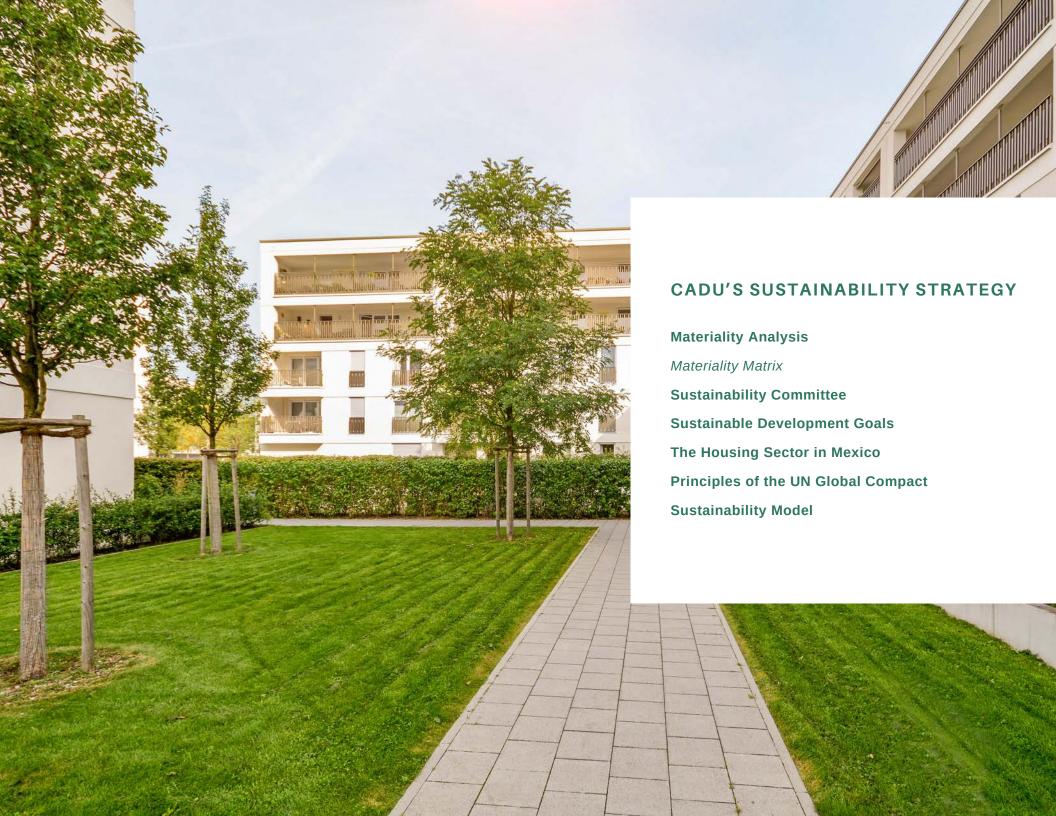
Ministry of Ecology and Environment (SEMA)



National Council for Standardization and Certification of Labor Skills (CONOCER)



United Nations (UN)



CADU'S SUSTAINABILITY STRATEGY

Our company is strongly committed to developing a holistic vision of sustainability. Every action we take is aimed at building welfare as well as generating and sharing social, environmental, and economic value to stand the test of time.

"At CADU sustainability is and will continue to be the backbone of our business strategy."

JAVIER CERVANTES
CFO





OUR SUSTAINABILITY STRATEGY

IS BASED ON CONTINUING AS THE DRIVING FORCE FOR POSITIVE DEVELOPMENT for all the groups impacted by our operations.

So, one of the things we do is encourage dialogue with our stakeholders as shown below.

In addition, we strongly believe that the Board of Directors' vision and the work of all our employees will enable us to deal with the big domestic and global challenges we face.

In 2019, we conducted a new materiality study in order to create value in the economic, social, and environmental pillars to be shared with our stakeholders. This was the main source of information for defining the changes that we will start implementing as of 2020.



Materiality analysis

In 2019, we updated the materiality analysis with the support of an independent expert who helped us map our risks and opportunities. Interviews and surveys were conducted, and visits were made to the Company's different operational areas at different times to see how the Company was progressing.



This analysis helped us identify our risks and opportunities in the environmental, social, and economic spheres.

As a result:

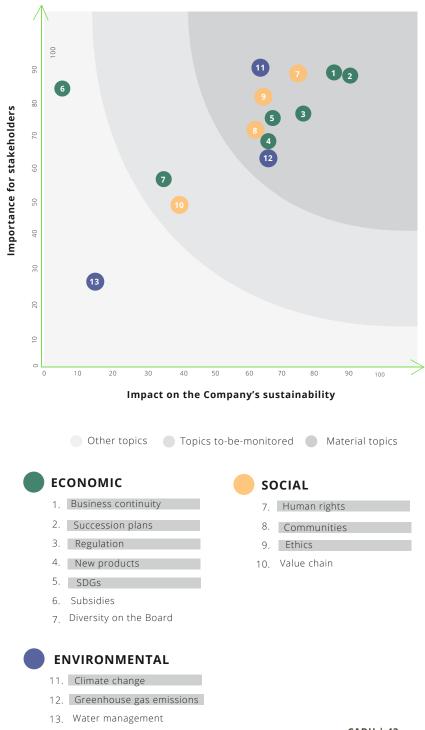
- 1 We outlined new goals
- We defined what to do to mitigate immediate and future risks
- We provided highly relevant information to our Board of Directors and our Leadership Team to define how to capitalize on our opportunities
- 4 We integrated a Sustainability Committee

Materiality Matrix

The materiality analysis efforts allowed us to confirm that our material topics remain valid; therefore, we have built a table that summarizes our standing on each topic.



Axis "x" represents the impact of this topic on the company's sustainability, and axis "y" represents the significance of each issue for the selected stakeholders.



Material Topic	Risk	CADU's Actions	Expected impacts
Climate change	The number of hurricanes in the Gulf of Mexico could increase, thereby slowing down housing construction and delivery times Higher temperatures can lead to reduced working hours outdoors Rising sea level can affect my coastal operations, which directly impact our headquarters in Quintana Roo Regulatory changes in land purchase processes	Adaptation: Selection of adequate land reserve to cope with climate change. Use of natural disaster-proof materials Mitigation: Use of eco-technologies in housing developments to save electricity and water use. All our construction work will be carried out under world GHG emissions mitigation standards	 Reduced greenhouse gas emissions Business continuity Enhanced material selection
Succession plans	Brain drains Lack of business continuity	Identification of key areas and individualsSetting up succession proceduresSetting up contingency plans	Business continuity
Human rights	Human rights violations	 Adhesion to the Global Compact Strengthening of the Code of Ethics Setting up CADU's complaints system Human rights requirements for our value chain 	Identifying the Company as a leader in the field
Regulation	Increased costs Lack of business continuity	We are in contact with the authorities, chambers and associations so the authorities see us as allies	Project delivery in due time and manner
SDGs	Loss of market opportunities Failing to increase the Company's reputational value if they are overlooked	 Analysis of the contribution to SDGs by the company's operation Commitments and plans of action to meet SDGs 	Contribution to the Sustainable Development Goals
Ethics	 Penalties for any Company employee misconduct Issues in the work environment that could harm the operation may be overlooked Failing to identify any act that breaches our Code may result in penalties or loss of reputational value 	 Strengthening the Code of Ethics Creating the Ethics Committee Setting up complaint mechanisms Creating an anticorruption policy Developing the corporate ethics indicator system Creating a handbook on management of corporate ethics 	 Reducing injustice Improving the work environment Reliable operations that comply with the law Commitment to Human Rights Setting up of ethical practices for our supply chain
New products	Financial blow from lack of diversification and/or ignoring marking trends	Customer and product diversification	Industry innovationNew areas of opportunityConstant revenues
Communities	They may become centers of crime Lose social license	 Our projects are intended to develop communities Medical brigades Meeting basic needs Inclusive social events 	 Respect and support for our operations from communities Positioning the company with positive social impacts
Business continuity	The operation is fully or partially affected by natural disasters, climate effects, epidemics, or health crises	 Incorporating technologies so that employees can work remotely where possible 	Having in place a crisis reaction plan to ensure our Company's successful continuity

Sustainability Committee

Because of the importance of this topic for CADU, we have integrated a Sustainability Committee to convey the importance of good environmental, social, and corporate governance practices and emphasize their relevance to the Company's business model.

The Committee will develop strategies to measure and monitor our operations' sustainability impacts and report to both the Company's Chief Executive Officer and Board of Directors.

The basis for creating this Committee is having a group of capable, experienced, and knowledgeable people who will enable CADU to achieve the desired impacts.



The Sustainability Committee is comprised of four people – CADU's Chief Financial Officer, Chief Technical and Environmental Officer, and two independent experts, each with more than 10 years' experience in sustainability topics in various industries and countries.







Environmental Technical
Director CADU



Two Independent experts

The Committee will:



Approve

the sustainability strategy



Review and approve

the content of the annual Sustainability Report



Encourage

CADU's employees to become familiar with and comply with sustainability guidelines.

This Committee will report directly to the CEO and the Board of Director's Audit and Corporate Practices Committee.

SUSTAINABLE DEVELOPMENT GOALS

At CADU our commitment is to continue to be a promoter of development. As a result, in 2019 we conducted a study to understand how we contribute to the UN Sustainable Development Goals (SDGs).

The study found that our business strategy is closely aligned with SDG 11; but, that we also contribute directly to SDGs 6, 7, 8, 13 and 15; and, indirectly, to SDGs 4, 1 and 10 and 9.

Information on how we contribute to SDG 11 is provided below together with a summary of our direct and indirect contributions to the rest of the aforementioned SDGs.



SDG 11 - Sustainable cities and communities



Our housing developments are inclusive because they feature sidewalk ramps for temporary or permanently physically disabled persons to be able to move to any point in the housing development they live in or are visiting.

18% of the housing we have built is certified with ECOCASA Program which seeks to reduce energy consumption and GHG emissions.

We develop integral communities and work hand in hand with municipalities and town halls to develop "Strategic Urban Industrial Parks" or "PUE" (by its Spanish acronym). These development projects contribute to urban and territorial town planning to maximize the use of infrastructure, foster high density housing, maximize land use, and implement mobility schemes to encourage sustainable urban developments that offer quality housing solutions.

All our constructions and developments comply with the applicable cultural protection and environmental protection laws. We therefore rely on our Environmental Policy and internal procedures to obtain construction permits from the INAH and the SEMA.

We donate a portion (between 5% and 15%) of the land area in construction to the relevant municipalities to be assigned exclusively for parks, schools, markets, police posts, health centers, day-care centers, and other similar public services to ensure the cities have everything they need.

Sustainable Development Goals that receive a direct impact





At CADU we ensure water and sanitation for all the families living in our housing developments, especially the ones built in line with ECOCASA, EDGE, and any other environmental certification recognized by the Climate Bond Initiative (CBI).



At CADU we install: (i) clean street lighting with renewable energies; (ii) ecotechnologies that reduce GHG emissions; and (iii) energy infrastructure that enables people to access affordable energy services.



We promote sustained, inclusive, and sustainable economic growth because we offer full and productive employment and decent working conditions for all our employees.



We actively foster the reduction of GHG emissions by installing ecotechnologies that help reduce ${\rm CO}_2$ by 20% and even 40%.



Our Environmental Policy scope deals with how the Company seeks to protect and mitigate environmental impact and positively contribute to biodiversity challenges.

Sustainable Development Goals that receive an indirect impact



1 NO POVERTY



The way we build our housing projects helps reduce truancy because the spaces we donate to municipalities and which are reserved for education are located inside our integral cities.





We help ensure more people have access to housing that reduces vulnerability to weather-related natural phenomena.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

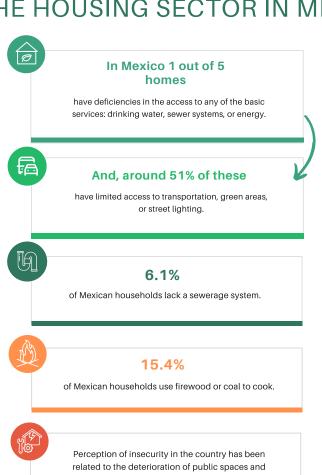


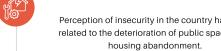
We encourage social, political, and economic inclusion, regardless of age, gender, race, and religious or political background.

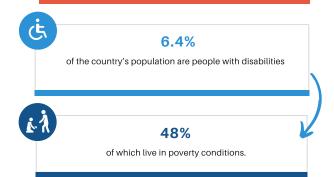


There is a current housing shortfall of 9.4 million homes in Mexico. To address this problem, we develop affordable, reliable, and sustainable high-quality houses for the millions of people without a home to live in.

THE HOUSING SECTOR IN MEXICO







SOURCE: PREPARED BY US BASED ON DATA FROM THE SEDATU, 2019.



At CADU, as set forth in this Report and in this section, we are contributing to reducing these statistics because **we develop welfare**.

COMPONENTS OF THE NATIONAL HOUSING PLAN	DEFINITION	CADU'S CONTRIBUTION
Security of possession	Lack of a public deed for occupied own housing.	We accompany our customers throughout the process to obtain a deed.
Availability of utilities, installations and infrastructure	Homes must have drinking water, sanitary drainage and energy.	All our homes offer these utilities so that occupants can live there healthily.
Affordability	The cost of housing does not compromise people's ability to buy food, healthcare or clothing.	CONAVI delivered 10% and 5% of subsidies in 2018 to two of the states we operate in: Jalisco and Quintana Roo, which allowed families to buy their first home with us.
Habitability	Guarantees the physical safety of occupants.	The construction and materials of our homes protect people from rain, wind, extreme cold or heat that could endanger their health. It also protects against natural phenomena.
Accessibility	Our homes are designed to address the needs of underprivileged and disabled people.	All our housing developments have wheelchair ramps and pedestrian crossing signs.
Location	Our homes offer access to employment, healthcare, and education opportunities; they are located in pollution- and risk- free zones. Public spaces are looked after to reduce the perception of insecurity.	All our housing developments are close to the Urban Industrial Parks and have immediate access to roads or transport systems. Also, our developments form communities where schools, stores, and health centers are built. We maintain public spaces so they look new.
Cultural Adequacy	Housing design that allows for the cultural expression of its occupants.	We put up fences with phrases about respect. More fences are earmarked for members of the community to display their artistic skills.



PRINCIPI ES OF THE UN GLOBAL COMPACT

As of this fiscal year, we have complied with the Ten Principles of the UN Global Compact because we have been driving these practices within CADU for some time.

Upon signing this Compact, we committed ourselves to continue taking company measures in fields such as human rights, labor regulations, environmental protection, and the fight against corruption. This makes CADU part of a group of thousands of companies worldwide that will continue working to building the world we want in a responsible way.

THE 10 PRINCIPLES OF THE GLOBAL COMPACT





🐉 🙎 HUMAN RIGHTS

- Businesses should support and respect the protection of internationally proclaimed Human Rights.
- 2 Businesses must make sure that they are not complicit in any human rights abuses.



LABOR REGULATIONS

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Businesses should support the elimination of all forms of forced and compulsory labor.
- Businesses should support the effective abolition of child labor.
- 6 Businesses should support the elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

- **7** Businesses should support a precautionary approach to environmental challenges.
- 8 Businesses should undertake initiatives that promote greater environmental responsibility.
- 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

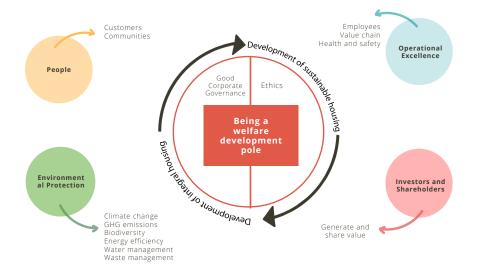


ANTI-CORRUPTION

Businesses should work against corruption in all forms, including extortion and bribery.

SUSTAINABILITY MODEL

CADU's vision is to develop welfare; therefore, our sustainability model is based on this premise and aims at developing integral cities with sustainable housing.

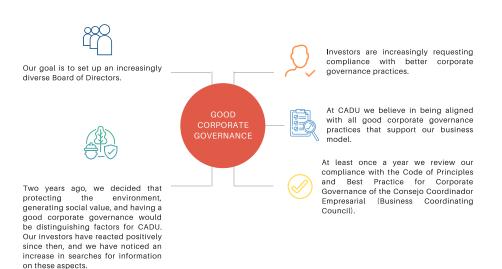






THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE

At CADU we try to maintain a fluid dialogue with our stakeholders because we are committed to good corporate governance, proper accountability and transparency.



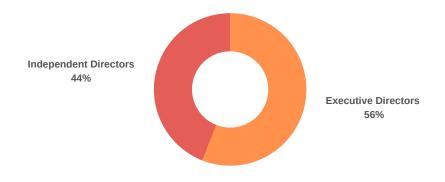


BOARD OF DIRECTORS

The Ordinary General Shareholders' Meeting confirmed on April 29, 2019 that CADU's Board of Directors is to be integrated as follows:

Name	Gender	Position		Member of CAD Board of Direct since	
Pedro Vaca Elguero	.	Chairman of the Board of Directors and CEO	Owner and busines executive		Strategy, housing sector, business development, textile industry, public relations.
Pablo Vaca Elguero	•	Member	Owner and business executive	2009	Operations, construction, negotiation.
Joaquín Vaca Elguero	•	Member	Owner and business executive	2009	Finance, capital markets, administration, investment.
Luis Vaca Elguero	.	Member	Owner and business executive	2009	Tourism, hospitality, administration.
Javier Cervantes Monteil	.	Member	Owner and business executive	2009	Finance, laws, risks, sustainability, strategy.
Alberto Sánchez Palazuelos	.	Member	Independent*	2009	Seguros, pensiones, administración, estrategia.
Manuel F. Arce Rincón	.	Member	Independent*	2009	Strategy, insurance, investment, transportation, and construction.
Luis Zazueta Domínguez	•	Member and Chairman of the Audit and Corporate Practices Committee	Independent*	2014	Audit, accounting, finance, risks, tax advice.
José Luis Romero Hicks	.	Member	Independent*	2016 _i	Housing, political sciences, nternational trade, foreign affairs.
Israel Godina	•	Non-member Secretary of the Board of Directors	N/A	2019	Laws

Our Board is made up of people with a recognized career and relevant experience in the housing development sector. Their profiles bring value in terms of strategy, administration and finance, construction, regulation, and public affairs.



Tenure

Our shareholders have the opportunity to elect members each year, and the latter have the opportunity to be reelected.

* Independent member, in terms of the Securities Market Law (LMV).

Audit and Corporate Practices Committee

Our Board of Directors is supported by an Audit and Corporate Practices Committee (CAYPS) consisting entirely of independent Directors and chaired by a recognized Director with financial and accounting experience and expertise.

This Committee is in charge of reviewing and making recommendations to the Board of Directors regarding transactions with related parties; issuing an opinion on matters within its field of competence, pursuant to the Securities Market Law; participating in the drawing up of reports; making observations on the performance of relevant executives; proposing compensation to the CEO and other relevant executives of the Company; evaluating the firm providing external audit services (and analyzing the opinion, assessments and reports generated); discussing the financial statements with the persons responsible for preparing them (and recommending their approval or otherwise by the Board of Directors); informing the Board of the situation regarding the internal control and internal audit system of the Company (and the legal entities controlled by it); investigating possible breaches in the operation, internal control and internal audit; ensuring that the CEO carries out the resolutions of the Shareholders' Meetings.

Independent Directors

Of the members of our Board of Directors, **44% are independent** in line with the terms of the Securities Market Law (LMV).

According to the LMV, the following persons may not under any circumstances be appointed or act as independent directors:

- The relevant executives or employees of the company or of the legal entities that comprise the business group or consortium it belongs to, as well as the statutory auditors of the foregoing. The aforementioned limitation will apply to individuals who have held such positions during the twelve-month period immediately prior to the date of appointment.
- 2 Individuals

 who have significant influence or power of command over the company or over any of the legal entities that comprise the business group or consortium the company belongs to.
- Shareholders

 who are part of the group of people who control the company.
- Customers, service providers, suppliers, debtors, creditors, partners, directors or employees of a company that is an important customer, service provider, supplier, debtor or creditor.

 A customer, service provider or supplier is deemed important if the company's sales account for more than ten percent of the total sales of the customer, service provider or supplier in

more than ten percent of the total sales of the customer, service provider or supplier in question during the twelve-month period prior to the date of appointment. Similarly, a debtor or creditor is deemed important if the amount of credit involved is greater than fifteen percent of the assets of the company itself or of its counterpart.

Anybody related by blood, affinity or civil relationship up to the fourth degree as well as the spouses, concubine and concubinary of any of the natural persons referred to in sections I through IV of this article.

44% of independent directors

Meetings of the Board of Directors and the Committee

Our Board of Directors held quarterly meetings in 2019, while the Audit and Corporate Practices Committee met on seven occasions.

The attendance of the members of both bodies was 100% in 2019.

Date of the meeting % of attendance to the meeting

February 25 - Board and Committee	100%
April 23 - Committee	100%
April 24 - Board and Committee	100%
May 15 - Committee	100%
July 15 - Committee	100%
July 22 - Board and Committee	100%
October 21 - Board and Committee	100%

Related Party Transactions

One of our policies at CADU defines how all transactions with related parties need to be submitted for approval by the Audit and Corporate Practices Committee, except for any listed as exceptions in CADU's internal policy.



Conflicts of interest

To avoid conflicts of interest at CADU, the following steps must be taken:

If any senior executives or directors

find themselves in a conflict of interest situation, they must refrain from participating in any decisions made in relation to the situation in question and immediately notify their superior so the latter may make whichever decision is in the best interests of the Company.

The members of the Board of Directors

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are responsible for ensuring their diligence and loyalty to the Company. To avoid conflicts of interest, a Director must inform the other Directors of any personal interest they may have in any transaction, and refrain from making any decisions related to the situation in question.

CADU considers the following circumstances as conflicts of interest:

If there is a cause, circumstances or situation of a personal nature that interferes in any way with obtaining the greatest benefit for the Company.

If an interest exists that makes it difficult to do the job objectively.

If senior executives or managers receive improper personal benefits as a result of their position in the Company.

If, for any reason, personal interests override the interests of the Company.

MANAGEMENT TEAM

Our management team infuses quality work, honesty, and responsibility culture in each of its areas.

MANAGEMENT TEAM

Pedro Vaca Elguero Chairman of the Board of Directors and Chief Executive Officer (CEO)

Pablo Vaca Elguero
Joaquín Vaca Elguero
Surier Cervantes Monteil
Manuel Araiza Luévano
Israel Godina Machado
Mario Rodríguez Durón
Chief Construction Officer (CCO)
CEO at the Jalisco Division
Chief Financial Officer (CFO)
Chief Operations Officer (COO)
Chiel Legal Officer (CLO)
General Accountant

Jesus Guilabert Boyer Managing Director at CADU Residential

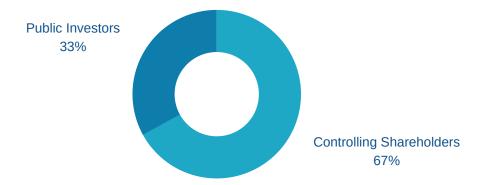
Enrique Esquer Managing Director at Valle de México (Mexico City / State of Mexico)

Víctor Rodríguez García Managing Director

INVESTORS AND SHAREHOLDERS

As of December 31, 2019

CADU's shareholding was divided as follows:



According to estimates, nearly 80% out of the 33% of shares among the investor public is held by institutional investors.

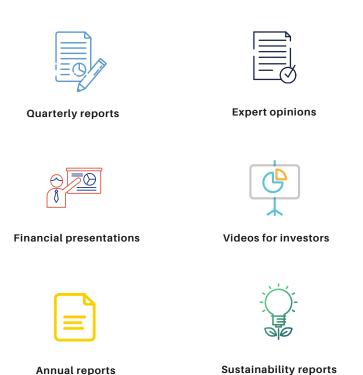
CADU's capital stock is divided into the fixed portion of the capital stock and the variable portion of the capital stock. This means there are **Series A shares and Series B shares**, respectively, but all shares have equal value and, within each series, confer the **same rights** to their holders.

CADU's shares are indivisible and represented by consecutively numbered share certificates or provisional certificates, which must bear the handwritten signatures of two Directors, pursuant to the applicable legal provisions.

Transparency

Our transparency standards require us to share information clearly, promptly and accurately across the various platforms we serve with the support of mechanisms that encourage accountability.

The following information about CADU is available for any interested party:



The previous information is available on our website, or on the Mexican Stock Exchange (BMV), the National Securities and Exchange Commission (CNBV) websites.

Additionally, any investor can participate in the quarterly conferences we hold to share our results. The Head of our Investor Relations Department is available at any time to answer questions about the Company.





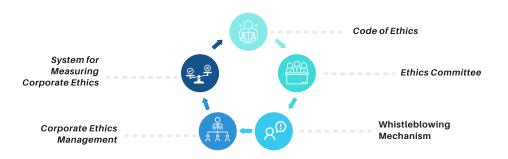
DEFINED BY OUR ETHICS

The values that characterize CADU are:



These pillars are principles of action for each decision we make as a company and, through proactive actions, we seek their adoption through our corporate culture and by each member of staff.

In view of the foregoing, last year our sustainability strategy underwent general restructuring, as a result of which we positioned corporate ethics as one of the central elements of this new strategy. As a result, we created the Comprehensive System of Ethics, which features the necessary components for optimal operation.



Code of Ethics

In 2019 we renewed and strengthened our <u>Code of Ethics</u>. As part of our renewal process, we identified the Company's hallmark values and ensured they were well aligned and represented. We also made sure that CADU's ethical framework continued to comply with applicable legislation and included the best international standards in the field

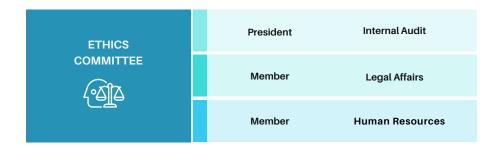
The Board of Directors approved the new Code because it faithfully represents the Company's vision. It also determined that the Code should be flexible in terms of incorporating best practices but never in terms of tolerating breaches of the principles and values set forth by the Code.

CADU's Board of Directors concluded that the Audit and Corporate Practices Committee would review the possible incorporation or modification of principles and values on an annual basis to continue strengthening the Company's Code of Ethics.

The Code of Ethics is mandatory for CADU's Board of Directors and employees at all levels, as well as for suppliers, contractors and anybody who has a relationship with the Company.

Ethics Committee

As of December 31, 2019, the Ethics Committee is a collegiate body **comprised of three individuals** appointed by the Audit and Corporate Practices Committee on the basis of their proven integrity.



This Committee is responsible for ensuring ethics at CADU. Its obligations and responsibilities include the following:

- a) Meeting regularly
- b) Receiving, investigating and resolving ethics-related complaints
- c) Taking disciplinary measures against the parties complained about if found responsible
- d) Training employees in ethics
- e) Training employees to make complaints
- f) Measuring the degree to which ethics are implemented in the Company
- g) Identifying the main ethical risks
- h) Creating an annual ethics plan for CAYPS approval
- i) Drawing up an annual calendar with Committee meetings and objectives
- j) Preparing an annual report setting out CADU's results in this field. It must be submitted to CAYPS and the Board of Directors
- k) Promoting knowledge and the implementation of ethics within CADU
- l) Acting as an advisory body on facts or circumstances that may affect business ethics

Whistleblowing Mechanism

In 2019, with the help of an independent third party, we developed a Whistleblowing system that we call <u>CADU DENUNCIA</u>. This system allows any interested party to make ethics-related complaints in a simple and intuitive way, given that the platform has:



A GUIDE

for each type of complaint



SECTIONS

to attach information (whether photos, videos, audios or documents)



FORMS

to collect data on the case or person to be reported



SPECIFIC QUESTIONS

that help to collect more information of each case

To foster trust in the platform, all reports can be made anonymously. The information received in <u>CADU DENUNCIA</u> is safeguarded and protected with the highest standards.

Any interested party can make an anonymous complaint. We have a policy of not taking reprisals against whistleblowers.

If an employee has any doubts about how to submit a complaint or about whether an act may breach our Code of Ethics, they can write to the Ethics Committee at **etica@cadudenuncia.com** or seek advice from their direct superior.



The ethical experience depends on all of us who are part of CADU.

What should a CADU employee do?

All CADU's employees should:

- Be familiar with this Code of Ethics

 Note: Not having read or signed this Code does not exempt employees from the obligation to comply therewith
- Comply with this Code of Ethics
- Promote the experience of the Code
- Request for clarifications (in case of doubt) of possible situations that infringe or could infringe the Code

Employees can turn to their direct supervisor or send an e-mail to CADU' Ethics Committee.

- Report in the CADU-DENUNCIA System

 Any behavior, irregularity or indication that could result in the violation of this Code
- Collaborate in the development of investigations
 Carried out by the Ethics Committee and / or the people in charge of solving a case.
- Be role models

 And positively represent the Company's image with good example both inside and outside the premises.

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Corporate Ethics Management

Our Ethics Committee is **guided by a management** manual setting forth mechanisms and defining procedures for acting with regard to each element of the CADU Comprehensive System of Ethics. This document was prepared by an independent expert in the field and approved by the Board of Directors in an ordinary meeting.

This manual covers the following aspects for each element:

Training programs Bribery Anti-corruption Reporting mechanisms Code of ethics Specialized training Indicators **Ethics Committee** Contingency plans Membership Red lights Obligations, responsibilities, Evaluations and powers Reporting lines Conflicts of interest **Reporting System** Investigations Anonymous Penalties complaints * No reprisals Code of Ethics Safeguarding of Reviews confidential information Modifications and updates Interaction with the Ethics Committee

Measuring Corporate Ethics

We know that if something is not properly measured, one may not present improvements in that regards. Thus, we created a system of indicators to enable us to measure the evolution of ethics at CADU on a quarterly and annual basis. This system will detect potential risks and areas of opportunity in the field and, based on the indicators obtained, we will be able to tailor annual plans.

Our Comprehensive Ethics System is built on a platform of continuous improvement because our ethics define who we are.



Anti-Corruption Policy

As a result of our drive to renew our Code of Ethics, we also devised an Anti-Corruption Policy that contemplates the following:

- The Universal Declaration of Human Rights
- Mexico's Federal Criminal Code
- National Anti-Corruption System
- General Administrative Responsibilities Act
- Federal Anti-Corruption Act for Public Procurement in Mexico
- United Nations Convention Against Corruption

At CADU we have a zero tolerance policy *vis-à-vis* any act of corruption or bribery.



Ethics achievements and goals



- In 2019, 775 of our employees read and signed our Code of Ethics, accounting for 64% of our workforce.
- We created the Comprehensive Ethics System
- We published the Anti-Corruption Policy



TARGETS

- By 2020 we want to achieve 85% coverage and 100% of new employees.
- We are committed to strengthening our Comprehensive Ethics System with a system of measurement indicators and with a Company's ethics management manual.
- \square Report on the breakdown of complaints in 2020.
- Obtain the Business Integrity Distinction from the *Ministry* of *Public Administration.(SFP)*
- Report findings of a survey on the implementation of ethics and trust in the management system.
- Report coverage of our Code of Ethics among our suppliers.



OPERATIONAL EXCELLENCE

One of the main lines of action that we have determined as a result of our new sustainability strategy is to **maintain operational excellence**. This is essential for achieving our objective of continuing to be **well-being driving force**.

We have identified that the best way to achieve this objective is, on the one hand, by strengthening and forging new strategic alliances in our value chain while taking measures to foster optimal development for our suppliers. On the other hand, we realized that it is essential to offer the right incentives to allow our employees to earn better compensations, aspire to better jobs and improve their skills and knowledge. Lastly, we seek to maintain adequate management of processes and procedures to protect the health and safety of our employees.



EMPLOYEES

Our **1,215 employees** are the driving force of the company. In order to keep them motivated, we have established a management system that allows for more focused, prompt and timely attention to each of them.

This system addresses issues such as:

Attracting and retaining staff

- Benefits
- Remuneration
- Career plans

Diversity and gender equality

- Equal opportunities
- Equal pay
- Balance in the filling of job vacancies

Personal and professional development

- Training
- Work atmosphere

The positive impact that this management model has on our employees leads naturally to efficiency in our operations and growth for CADU.

Operating model for human resources management



Attracting and retaining staff

At CADU we want the best people on board. With this objective in mind, we try to offer the best conditions in the market in terms of salary, benefits and growth possibilities.

In an increasingly globalized, demanding and rapidly changing world, lack of adaptation or scant knowledge could entail latent risks or slow responses to market opportunities. This is why at CADU we encourage staying at the forefront through different mechanisms that help the team develop and offer the best conditions to retain them.



Benefits

The benefits we offer at CADU are intended to compensate the efforts made by each employee so that the Company can continue to be the sector leader.



Four weeks' vacations a year (including three weeks in December)



30-day Christmas bonus for employees who have been with the company for more than one year



Interest-free loan policy



Medical support for employees and their immediate relatives



Funeral expense support



Annual bonus

In addition to the above, we also provide **maternity** and paternity benefits to our employees.

Year	Type of permit	Employees	Days granted
2019	Maternity	7	588
2018	Paternity	0	0
2019	Maternity	5	420
	Paternity	5	25



Remuneration

The most recent materiality analysis found that **employees are satisfied with their remuneration**; and, despite this positive indicator, every year we make adjustments to all salaries and, through performance reviews, employees aspire to better salaries and jobs.

At CADU we are committed to offering dignified, competitive and equitable remuneration. Thanks to these practices, we make a direct contribution to countering inequality and improving quality of life for many families. We also believe that remuneration should not be based on gender but on the abilities of each person. Therefore, there is wage equality for all our employees who carry out the same job.



The salary is based not on gender but on each person's abilities. Men and women earn the same salary for the same job that has the same responsibilities on their job descriptions.

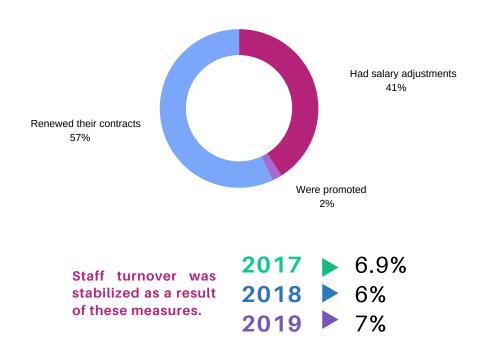


Career plans

Internal growth is a very important indicator in our labor management strategy. As a result, every year we conduct **performance reviews** so our employees can be promoted within the Company.

This year, 57% of the reviews warranting positive action led to contract renewal, 41% resulted in a pay rise and 2% in internal promotion.

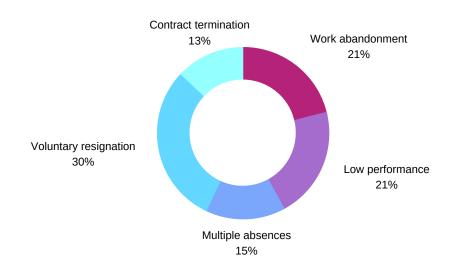
2019 Results from performance evaluations



Considering that the construction industry is labor intensive and has a natural hire and layoff cycle, the 6% to 7% staff turnover range is a positive indicator that encourages us to maintain our strategies for attracting and retaining personnel.

Nevertheless, as an ongoing improvement process, all the causes of employee layoffs are studied in order to implement specific strategies that allow improvements in each particular area.

2019 Causes Behind Turnover Rates



Diversity and gender equality

One of our greatest strengths, and what distinguishes us as an inclusive company, is the diversity of our workforce. At CADU we value gender diversity, diversity of thought and generational diversity because we believe that respecting differences is a prerequisite for a company to be innovative and competitive.

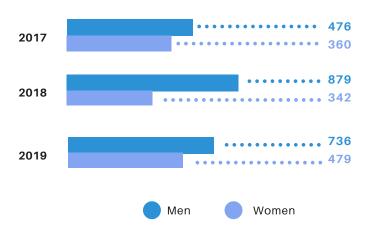
At CADU we promote gender equality and have measures for reducing the gender gap at all levels of the organization. Consequently, for the first time ever, 48% of our new hires were women.



Today, women make up 40% of our workforce, this meant a 12% increase from 2018. As of December 31, women accounted for 37% of managerial and executive positions, and we want this number to continue increasing – gender equality allows for equal opportunities.



Share of employees by gender

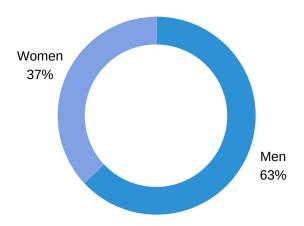


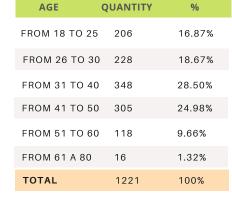
In 2019, we created 4,765 jobs, including permanent and indirect employees.*

^{*}At the end of 2019, we had 1,215 full-time, permanent employees and 3,550 indirect employees.

Our workforce is made up of several generations

Executive and Managerial Positions





		2019	
AGE	Q	UANTITY	%
FROM 18 To	0 25	183	15.06%
FROM 26 To	0 30	268	22.06%
FROM 31 To	0 40	364	29.96%
FROM 41 To	0 50	248	20.41%
FROM 51 TO	O 60	127	10.45%
FROM 61 A	80	25	2.06 %
TOTAL		1215	100%



We have made the commitment to have women serving on the Board of Directors.

We do not tolerate discrimination under any circumstances, be it on the basis of sex, religion, physical appearance, nationality, thinking or any other reason. In our materiality analysis our personnel pointed out that this is what they value most in the Company.

Cases of growth within CADU



The story of the engineer Asunción Domínguez Castillo, from Tabasco, fills us with pride. His testimony shows us how commitment, honesty and a good attitude towards work allow people to grow and bring out their biggest skills.

Asunción came to the city of Cancun three years ago in search of a job in construction. His father had been a builder, so he wanted to do what he had proudly learned from his father.

Asunción got a job offer from CADU and joined our team soon after. He immediately stood out because of the exceptional way he responded to his responsibilities, showing initiative and great commitment to the Company.

Six months after joining, he became an on-site Supervisor and eventually, thanks to his efficient execution of his duties, was promoted to the development's Coordinator.

"The boss gets very involved and that makes everyone in the team even more committed. He knows all of us by name and congratulates us personally for our progress" - noted Asunción referring to our Chief Construction Officer.



The tale of Humberto Montejo's growth is a source of inspiration because it shows us that a person can achieve anything if one is determined to do se.

Humberto started working at CADU in 2006 as a builder. After two years in construction, he decided to put his working relationship with the Company on hold so he could work in the tourism sector, in the field of cleaning.

In 2013 he decided to return to CADU. However, he applied to the sales department because he was looking for a different, yet equally valuable path.

We saw his determination and decided to give him the opportunity he was looking for, making sure our team trained him extensively in sales techniques.

He also attended Spanish classes (since his mother tongue is Mayan), as well as instruction in motivation and self-improvement to overcome his inherent shyness.

Today Humberto is a successful worker and one of the Certified Consultants with the highest volume of sales in our developments. His approach to work is based on effort and dedication.

Humberto is always willing to share his experience with the other sales staff and contribute to the Company's benefit.

Personal and professional development

In 2019 we offered a range of courses and training programs because we value each of our employees and understand that each of them has individual aspirations, objectives and goals.



Every year we conduct satisfaction surveys among our employees, which enable us to identify areas of opportunity and risks that could affect the atmosphere at work. We have taken these steps based on surveys that include:



1. Holding football tournaments to promote socializing among employees.

2.Launching CADU magazine which contains leisure and company information.

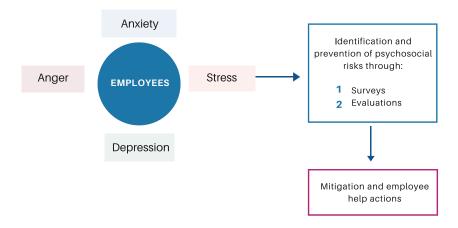
3. Holding birthday celebrations for our personnel.

4. Organizing family Christmas gatherings to promote integration.

HEALTH AND SAFETY

Health

The mental and emotional health of our employees is of paramount importance to CADU, which is why we have devised procedures and policies that seek to identify, prevent and remedy any psychosocial risks our employees are exposed to. This is crucial for implementing actions in the fields of prevention and healthcare.



From 2020 onwards, we will routinely carry out evaluations of and surveys to all our employees to identify conditions such as stress, anxiety, depression, and anger.

The health of our employees is the health of the Company.



Safety

Because of our line of business some employees may be exposed to incidents or accidents at work. As a result, we have very strict processes that seek to anticipate any situation of vulnerability in order to correct it and to help us control our construction practices to prevent accidents.

We have all the necessary safety measures in place in high-risk work areas and provide all our employees with the necessary tools and protective equipment to perform their work safely. All our employees, suppliers and contractors whose work must be carried out in areas of high exposure to risks and accidents are required to respect the established procedures, as well as the official rules and regulations we are subject to.

We fully comply with all the Official Standards we are bound to because of our business and industrial model.





Safety Norms			
NOM-001-STPS-2008	Edificios e Instalaciones		
NOM-002-STPS-2010	Fire Prevention, Protection, and Fighting		
NOM-004-STPS-1999	Machinery Safety Systems and Devices		
NOM-005-STPS-1998	Handling, Transportation, and Storage of Hazardous Substances		
NOM-006-STPS-2000	Handling and Storage of Material		
NOM-009-STPS-2011	Security Conditions for Work at Height		
NOM-022-STPS-2008	Static Electricity		
NOM-027-STPS-2008	Welding and Cut		
NOM-030-STPS-2008	Work in Confined Spaces		



Organization Rules			
NOM-017-STPS-2008	Personal Protection Equipment		
NOM-018-STPS-2000	Identification of Hazards and Risks of Chemicals		
NOM-019-STPS-2011	Safety and Hygiene Fees		
NOM-021-STPS-1994	Reports on Occupational Risks		
NOM-026-STPS-2008	Safety Colors and Signals		
NOM-030-STPS-2010	Preventive Safety and Health Services		

In 2019 we trained more than 1,200 people in health and safety, which translates into 14,916 hours of training for our employees, suppliers and contractors.

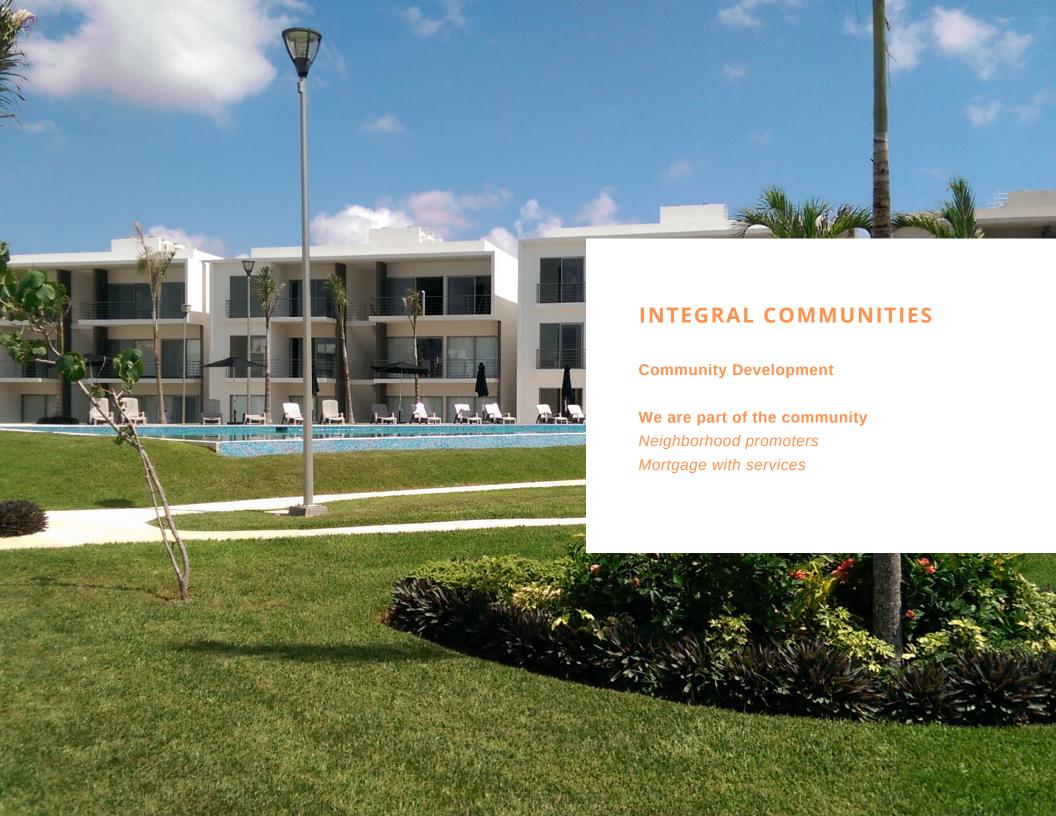
Our safety processes include drills to make employees aware of possible hazards and to reinforce action protocols in the event of an accident. We are all responsible for safe operations.

All these efforts paid dividends this year, enabling us to reduce the number of accidents to no more than zero and avoid serious accidents altogether for the third year running.

	CADU Health & Safety Indicators		
	2017	2018	2019
Major accidents	0	0	0
Deceased	0	0	0
Non-major accidents	38	51	0



We trained more than 1,200 people in health and safety.



INTEGRAL COMMUNITIES

The quest for better living conditions and new working opportunities has prompted thousands of people to migrate to different states, some of which include locations where we operate in. This situation has given rise to two issues:

- 1. Most of these families arrive in a new city, but without a decent home to go to; and,
- 2. The settlements they come to are far from the workplaces.

These two scenarios entail countless complications that undermine the population's welfare because of:

Economic inequality
Lack of job opportunities
High costs for mobility and transportation to work, health or educational facilities
Stagnation of local trade
Lack of access to basic services
Truancy

The undermining of the social capital.

As a result of these circumstances, CADU has become a strategic ally of the government in driving the economic, social and sustainable development of Mexico and its communities, not only because of the Company's business model but also because of its sustainability strategy, which aims to develop integral communities to address the welfare gap faced by the Mexican population.

To accomplish this, we have consolidated a management procedure in our production cycle that consists of two phases to help us achieve the desired positive impact:



Community development: This phase contemplates the sector's natural processes in which land is purchased, and includes urbanization, construction, and the sale of housing.



We are part of the community: This phase begins once we finish the sale of housing because this is when CADU becomes part of the community. This is how we look after our neighbors and make sure the developments are kept safe.



We are strategic allies of the government in driving the economic, social and sustainable development of Mexico and its communities.

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PHASE 1 PHASE 2



GENERATE AND SHARE VALUE DURING CONSTRUCTION



GENERATE AND SHARE VALUE AFTER CONSTRUCTION

Community Development

Purchase of land

CADU Actions:

Our land is strategically chosen to allow new communities to settle near work and commercial centers.

Issues addressed:



We reduce the high costs of commuting for workers and their families



We protect the income of vulnerable people



We improve quality of life for workers by allowing them to live not too far from their workplaces





Green and inclusive urbanization

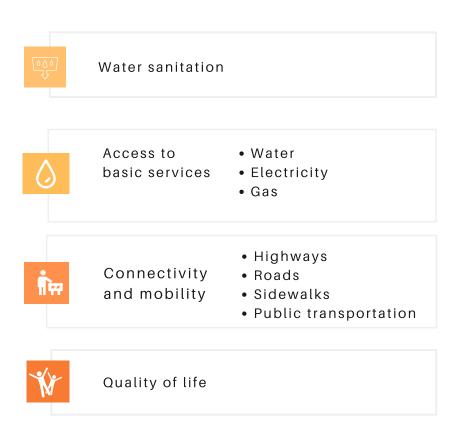
CADU Actions:

We perform environmental and social impact analyses in all our developments and have procedures in place for looking after, protecting, and relocating flora and fauna species.

We also focus our urbanization on the construction of quality infrastructure, taking care of basic needs that will allow for an optimal development of our communities:



Issues addressed:



Sustainable building

This pillar is in turn divided into three main lines of action:







environmental

social

economic

CADU actions in building work with environmental impact: All our developments are required to meet the highest standards in efficiency and sustainability. The technologies and materials we use have allowed us to reduce our GHG emissions by 22% compared with the previous year. In addition, these technologies enable our communities to save water, energy and gas.

CADU actions in building work with social impact: together with the educational authorities, we build schools inside the developments. We also build inclusive housing and roads that cover the needs of people with disabilities.

CADU actions in building work with economic impact:

Our developments feature exclusive spaces for economic activities to help foster internal commerce. We also build special housing, which, besides providing homes, can be adapted to house small businesses and provide a source of extra income for families.

Issues addressed:

Climate change:



Energy is the main factor behind climate change (UN, 2019). The green technologies we install in our homes help our customers reduce their GHG emissions.

Economic inequality:



Thanks to our energy-saving technologies, families spend less on water, electricity and gas. We also design each development to encourage local commerce and family businesses.

Truancy:



Schools are located inside our developments, and this has helped children attend classes and improve their opportunities.

Our commitment to Mexico and to the well-being of our communities is an intrinsic part of our business model and is bolstered by our sustainability strategy.

We are part of the community

As we mentioned, we are committed with the communities. Once we finish selling the homes in each of our developments, we become part of that community.

We have follow-through and care programs aimed at improving the quality of life for our neighbors by safeguarding the social capital and providing medical and social support.



Neighborhood Promoters

The "Promotores Vecinales" or Neighborhood Promoters Program aims to achieve community integration through the nomination of community leaders who are certified by INFONAVIT and who shall perform activities for the benefit of the communities.

In 2019, in coordination with certain government agencies and civil associations, we conducted various support activities, such as:

Health brigades



Free breast cancer screening



Eye tests with delivery of prescription lenses



General medical examinations



Gynecologist appointments



Dental care

Pet vaccin

Social brigades



Pet vaccination campaigns



Haircuts



Football tournaments



Crime prevention workshops



Crafts and games workshops

Cultural brigades



Reading classes in reading rooms built by CADU



English classes



Storytelling



Homework club

Enrollment brigades for government welfare programs:

These brigades specialize in helping young people, adults and people with disabilities to enroll for government welfare programs.



Young people building the future



Welfare pension for senior citizens



Scholarships for elementary, secondary and high school students



Pensions for people with disabilities

To further strengthen neighborhood integration, we have also promoted the creation of neighborhood committees, which help us organize events and channel the needs of the different communities.

Integrated Neighborhood Committees by Development in 2019	Number
Villas Otoch Paraíso MZA 107	1
Villas Otoch Paraíso MZA 108	1
Villas del Mar III	1
Villas del Mar Plus	2
Paseos del Mar	5
Cielo Nuevo	1
Villas del Sol II	2
Villas del Sol III 5ta etapa	2
Villas del Sol Plus	3
Villas del Carmen	1
Villas del Carmen Plus	1
Pescadores	3
TOTAL	23

As presented before, our commitment to Mexico and to promoting the well-being of communities is an intrinsic part of our business model and is bolstered by our sustainability strategy.

Mortgage with services

The "Hipoteca con Servicios" or Mortgage with Services Program works in synergy with management companies authorized beforehand by INFONAVIT. In this Program, the borrower voluntarily accepts to pay via payroll - together with the monthly installment on their loan - a conservation or maintenance contribution which is used to improve public services and preserve the common areas of the development they will be residing in. The contribution does not exceed \$200 pesos and covers the following services:

- Park maintenance
- Garden maintenance
- Maintenance of common areas
- Cleaning of streets and avenues
- Painting in common areas (including sidewalks)
- Public lighting maintenance
- Maintenance of sports fields
- Ironworks in parks
- Rehabilitation of children's games and barbecues
- Maintenance of central dividers

As of December 31, 2019, **52,000** homes are participating in this Program. The benefit for the communities is enormous because by establishing measures to maintain and look after the developments, the deterioration often caused by affordable entry-level housing projects is avoided.



ENVIRONMENTAL ACTIONS

Our environmental strategy—which includes promoting a culture of environmental protection among our employees and stakeholders, focuses on:

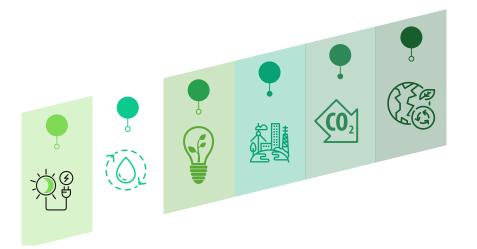
- Making efficient and rational use of energy and water
- Protecting biodiversity with cutting-edge programs
- Managing waste and emissions in a comprehensive manner with the support of state-of-the-art technologies
- Contributing to the generation of clean, efficient and lowcarbon energy

As a result, our construction mandates have been **aligned** with environmentally friendly practices, both with ECOCASA and other developments. These include:

- The inclusion of green technologies in order to save energy and reduce CO emissions.
- The installation of water-saving toilets and faucets (for kitchens and bathrooms);
- The installation of energy-saving light bulbs and insulation materials that help cut greenhouse gas emissions..



IN 2019 WE HAVE INSTALLED 13,216 ENERGY-SAVING LIGHT BULBS IN OUR SOCIAL HOUSING DEVELOPMENTS.





ECOCASA



"The world's cities occupy just 3% of the Earth's land, but account for 60-80 per cent of energy consumption and 75 per cent of carbon emissions." (UN, 2020)



At CADU we build houses with green technologies that protect the environment.

CADU has participated in the ECOCASA program since 2013. As a result, we are contributing to the transformation of the housing market in Mexico. ECOCASA is a program implemented by the SHF with the financial and technical backing of the German Development Bank, KfW, and the Inter-American Development Bank (IDB).

ECOCASA, is a housing program that aims to improve people's quality of life, reduce energy consumption and protect the environment. To achieve this, the program uses the following tools to help measure the energy performance of housing projects under evaluation:

DEEVi which evaluates the design efficiency of certain homes.

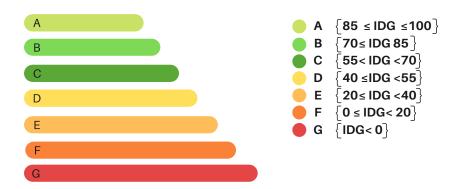
SAAVi which simulates how water will be saved in the projected house.

Global Performance Index (GPI) which evaluates the housing model presented by the developer, based on expected energy demand and projected water consumption.

⁴ This includes a thermal assessment of the home (which allows the assessor to gage CO₂ emissions) and considers the design and materials used in the construction; it also considers the local conditions, habits and technical characteristics of the home's installations and the gas and electricity technologies installed.

⁵ This measures the efficiency of water consumption in showers, washing machines, faucets and faucet installations. In addition, it considers an added value when the installations allow for water savings in locations subject to water-stressed conditions.

The GPI uses the DEEVi and SAAVi tools as inputs to calculate an efficiency index (GPI) on a scale of 0 to 100 that can be compared against the baseline house, which is represented by the G line in the following Figure:



The results of the GPI allow both the evaluator and the housing developer to see how efficient the housing is as a prototype against the baseline defined by the SHF.

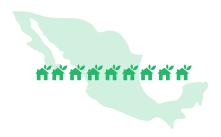
The ECOCASA program aims to reduce GHG emissions by at least 20% and up to 40%, as well as to protect water. The program therefore validates houses in levels C, D and E of the Figure above.

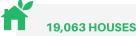
The homes we build at CADU as part of this program include the following differentiators with regard to the baseline housing.

		BASELINE HOUSE	CADU HOUSE WITH GREEN TECHNOLOGIES
	WALLS	Concrete walls with lime mortar inside and outside	Concrete block walls filled with mineral perlite with wall covering
	WINDOWS	Aluminum window frames	Aluminum and glass window frames with solar control film
0	DOORS	Wooden doors	Multi-panel
<u>\$</u>	HEATING	Gas heater with 84% efficiency	Gas heater with 92% efficiency
	WATER	Bathroom faucets 8 liters per miaxnute	Bathroom faucets 6 liters per minute

As of the end of 2019, we have built 19,063 houses as part of the ECOCASA program.

We are the Company with the **largest number** of **ECOCASA** homes in the country.





have been built as part of the ECOCASA program. up until the end of 2019

ALMOST 18%

f the total number of homes built by CADU are included in the ECOCASA program.

Biodiversity

At CADU we implement the measures issued by the Ministry of Ecology and the Environment regarding the treatment of flora and fauna species in each project we develop.



IN 2019 we reintroduced **8,250**pecimens to the Playa del Carmen ecosystem and **5,870**In Cancun.



WE DONTAED

66,483 m² of green areas in which no vegetation was removed but instead the vegetation retrieved from the construction areas was restored.





Flora

In 2019 we undertook to **protect flora and fauna** in our future project in Tulum with the following measures:

- A. Running a plant rescue program
- B. Carrying out reforestation
- **C.** Removing the vegetation cover only under the supervision of the authorities
- **D.** Ensuring that the dismantled surface is exposed as little as possible during the construction phase to prevent dust being carried away by wind or erosion
- **E.** Maintaining areas of use with trees and original vegetation bulbs to be kept as green areas, parks, central dividers, or gardens
- **F.** Rescuing and relocating original vegetation bulbs in the project's green areas, in case the projected design does not allow them to be kept in place, and always under the supervision of the competent authorities
- **G.** Planting native or conservation status flora (e.g. chaca, sapodilla, mayflower, ceiba, and other native palm trees
- H. Reforesting at least 1,500 palm or other trees per hectare if there are affected areas or areas with scarce vegetation
- I. Ensuring that reforestation efforts are carried out during rainy periods in order to increase survival and watersaving percentages

Fauna

- A. Clearing land gradually to allow any fauna that may be on the site to move to adjacent areas
- **B.** Putting up announcements and signs to inform people about the importance of the fauna, the reasons protecting it and also the penalties for anyone caught disturbing or taking advantage of the species on the site.

We evaluate the potential impact on the ecosystem for each project and seek to ensure that, as far as possible, they do not affect natural protected areas or high biodiversity areas.





⁶ These should have normal diameters (1.30 centimeters from the ground) and be protected within a radius of 5m around the tree trunk.

Water management

The affordable-entry level housing that we build as part of the **ECOCASA** program is subject to performance evaluations that consider the housing's efficiency with respect to water use.



Homes built by CADU save almost **6%** more water per year than a baseline home.

Waste management

CADU has never dumped waste in aquifers, such as rivers, lagoons and the sea. As is the case every year, 100% of our waste is handled in accordance with federal or local regulations and disposed of at authorized sites.

To date there have been no spillages that could have affected water bodies in any of our real estate developments.



In 2019 we worked with a company specialized in the collection and transportation of PET and electronic waste, which helped ensure proper disposal and handling of these materials.

Cutting CO₂ emissions

In addition to our commitment to building homes with green technologies that allow for more efficient use of energy and water, we began measuring our CO_2 emissions in 2018 even though we are not a CO_2 emission-intensive industry.

To calculate our 2019 emissions, we took total electricity and fuel⁷ consumption into account. We then used the U.S. Environmental Protection Agency's GHG emissions calculator and found that between 2018 and 2019 we slashed air emissions by 22%.

	2018	Tons of CO ₂ eq	2019	Tons of CO ₂ eq
Electric energy consumption	641,612 kwh	263.06	569,596 kwh	233.53
Consumption of machinery fuel	1,549,946 lts.	4,222.18	1,192,873 lts.	3,249.48
Tons of CO ₂		4485.24		3483.01

From 2018 to 2019 we had a **22% reduction in our emissions** to the atmosphere. This is equivalent to:



34,533 TRADITIONAL BULBS replaced with LED bulbs



38,678 LARGE BAGS OF GARBAGE being recycled instead of bringing them to the landfill.



⁷ Used for machinery.

Other environmentally friendly programs



Green Mortgage

A Federal Government program that prioritizes water and energy savings, as well as thermal insulation.



Nurseries

A nursery program that helps the reproduction of species for their reintegrating into the environment.



Reforestation Programs

They are deployed in the communities where the Company operates on a yearly basis.









PROGRESS REGARDING OUR SUSTAINABILITY GOALS

PILLAR		GOAL	TERM
CORPORATE		Have at least one woman serving at the Board of Directors of the Company	4 years
GOVERNANC	E	Have Board of Directors evaluations	4 years
SOCIAL		Incorporate new schemes to motivate permanent employees	2 years
RESPONSIBIL	ITY	Have a Sustainability Department in the Company which concentrates ESG work	2 years
CARE OF THE		Have an environmental policy in place	~
ENVIRONMEN	IT	Launch an environmental care campaign at CADU's Offices	In progress
		Set up a Sustainability Committee	~
CORPORATE SUSTAINABILITY		Provide the Board with training in Sustainability	1 year
		Conduct a comprehensive materiality analysis to enrich the strategy in this sphere	1 year



ABOUT THIS REPORT

This our Third Sustainability Report which covers operations between January 1 and December 31, 2019.

This Report was prepared taking into account the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD), the UN Global Compact Principles, the UN Sustainable Development Goals (SDGs), and the Guidelines of the Global Reporting Initiative (GRI) in its essential option.

The information herein is set out in a concise and balanced manner, presenting positive aspects as well as our areas of opportunity. It is reliable and comparable because we present historical progress in various areas and because they arise from unmanageable objective tools.

CONTACT INFORMATION

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GRI CONTENT INDEX

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS
Universal Standards			
GRI 101: ECONOMIC PERF	ORMANCE 2016		
GRI 102: GENERAL DISCLO	SURES 2016		
102-1	Name of the organization	CORPOVAEL S.A.B. de C.V. (CADU)	
102- 2	Activities, brands, products and services	7	
102-3	Location of headquarters	Cancun, Quintana Roo.	
102-4	Location of operations	8	
102-5	Ownership and legal form	CADU is a public stock corporation with variable capital (S.A.B. de C.V.) established under the laws of Mexico.	

102-6	Markets served	8 a 12	
102- 7	Scale of the organization	8, 56	
102- 8	Information on employees and other workers	56 a 71	The information has been consolidated to CADU level and not by operating unit.
102- 9	Supply chain	82 a 86	
102-10	Significant changes to the organization and its supply chain	8, 85	
102- 11	Precautionary principle or approach	24, 25, 27	
102- 12	External initiatives	19 a 21	
102- 13	Membership of associations	19 a 21	

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS
102-16	Values, principles, standards, and norms of behavior	43	
102- 17	Mechanisms for advice and concerns about ethics	45 a 48	
102-18	Governance structure	29, 35, 39	
102-19	Delegating authority	29	
102-20	Executive-level responsibility for economic, environmental, and social topics	29 The Sustainability Committee will report to the Audit and Corporate Practices Committee of the Board.	
102-22	Composition of the highest governance body and its committees	35, 39	
102- 23	Chair of the highest governance body	35 Mr. Pedro Vaca Elguero is the Chairman of the Board.	

102- 24	Nominating and selecting the highest governance body	35, 38	
102- 25	Conflicts of interest	37, 40	
102- 26	Role of the highest governance body in setting purpose, values, and strategy	37 The functions of the highest governance body are stipulated in CADU's Corporate Bylaws.	
102- 29	Identifying and managing economic, environmental, and social impacts	24 a 34	
102- 30	Effectiveness of risk management processes	27 a 29	
102- 31	Review of economic, environmental, and social topics	24 a 31	
102-32	Highest governance body's role in sustainability reporting	29	

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS
102-33	Communicating critical concerns	29	
102- 35	Remuneration policies	38, 42	
102-36	Process for determining remuneration	38, 42 The Audit and Corporate Practices Committee of the Board of Directors determines the remuneration schemes for the Company's management.	
102-38	Total annual compensation ratio		Due to the insecurity that exists in the country, the decision made by CADU is to omit this information.
102-40	List of stakeholder groups	23 a 24	

102-41	Collective bargaining agreements	75% of our temporary, construction employees are unionized.	
102-42	Identifying and selecting stakeholders	23 a 24	
102- 43	Approach to stakeholder engagement	23 a 24	
102- 44	Key topics and concerns raised	27 a 29	
102- 45	Entities included in the consolidated financial statements	Please refer to our 2019 Annual Report at the Mexican Stock Exchange's website.	
102- 46	Defining report content and topic boundaries	The term of the principles of the definition of quality recommended by the GRI: context of sustainability, materiality, inclusion of stakeholders, accuracy, balance, clarity, comparability, reliability, and punctuality.	
102- 47	List of material topics	29 a 29	
102- 48	Restatements of information	N/A	

102- 49	Changes in reporting		
102- 50	Reporting period	From January 1 to Decemeber 31 2019.	
102- 51	Date of most recent report	Our last Sustainability Report was published on May 31 2018 which covered the period from January 1 to Decemeber 31 2018.	

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS
102-52	Reporting cycle	Annual. The Sustainability Report is published annually for the third consecutive year.	
102- 53	Contact point for questions regarding the report	154 and 155	

102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the Essential option of the GRI Standards.	
102-55	GRI Content Index	120	
GRI 103: MANAGEMENT APP	ROACH 2016		
103- 1	Explanation of the material topic and its boundary	24 a 29 The material issues addressed in this Report are based on the three spheres: economic, social and environmental.	
103- 2	The management approach and its components	24 a 29	
103- 3	Management approach	24 a 29	

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	
Specific Topics				
GRI 200: Economic Standar	ds			
GRI 201: Economic Perform	ance 2016			
201-1	Direct economic value generated and distributed	94 a 95		
201-3	Defined benefit plan obligations and other retirement plans	66 a 67		
201- 4	Financial assistance received from government	The Company does not receive financial assistance from the government.		
GRI 203: Indirect Economic Impacts 2016				
203- 2	Significant indirect economic impacts	85, 88		

GRI 204: Procurement Practices 2016				
204- 1	Proportion of spending on local suppliers	85		
GRI 205: Anti-corruption 20	16			
205-1	Operations assessed for risks related to corruption	44 a 48		
205- 2	Communication and training about anti- corruption policies and procedures	50 a 51		
205- 3	Confirmed incidents of corruption and actions taken	There were no incidents related to corruption in 2019.		
GRI 206: Anti-competitive Behavior 2016				
206- 1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices competencia	This does not apply to us because we are committed to free competition and, therefore, there have been no incidents in the matter.		

GRI 300: Environmental Standards				
GRI 301: Materials 2016				
301-2	Recycled input materials used	116 a 117		
GRI 302: Energy 2016				
302- 1	Energy consumption within the organization			
GRI 303: Water and Effluents 2018				
303- 1	Interactions with water as a shared resource	113 a 115		
303- 2	Management of water discharge-related impacts	113 a 115		

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS
GRI 304: Biodiversity2016			
304- 1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	106 a 112 As a good practice we develop programs for the protection, rescue, conservation and compensation of flora, as well as protection and rescue of wildlife.	
304- 2	Significant impacts of activities, products, and services on biodiversity	106 a 112 We develop protection, compensation and reforestation programs for flora and protection and rescue of wildlife.	
304- 3	Habitats protected or restored	106 a 112	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	101	
305- 5	Reduction of GHG emissions	104	

GRI 306: Effluents and Waste 2016				
306- 2	Significant spills	116 a 117		
GRI 307: Environmental con	npliance 2016			
307- 1	Incumplimiento de la legislación y normativa ambiental	During 2019 no breaches of environmental laws or regulations were identified.		
GRI 400: Social Standards				
GRI 401: Employment 2016	GRI 401: Employment 2016			
401- 1	New employee hires and employee turnover	50 a 60		
401- 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	66 a 68		
401-3	Parental leave	68		

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS
GRI 403: Occupational Heal	th and Safety 2018		
403- 1	Occupational health and safety management system	71	
403- 2	Hazard identification, risk assessment, and incident investigation	71	
403-3	Occupational health services	75 a 78	
403-4	Worker participation, consultation, and communication on occupational health and safety		
403-5	Worker training on occupational health and safety	75	
403-6	Promotion of worker health		
403-9	Work-related injury	72,77	
GRI 404: Training and Education 2016			
404- 1	Average hours of training per year per employee	59 a 61	
404- 2	Programs for upgrading employee skills and transition assistance programs	59 a 61	

404- 3	Percentage of employees receiving regular performance and career development reviews	68 a 69	
GRI 405: Diversity and Equa	l Opportunities 2016		
405-1	Diversity of governance bodies and employees	36 a 37, 62 a 65	
GRI 406: Non-discrimination	2016		
406- 1	Incidents of discrimination and corrective actions taken	During 2019, no discrimination cases reported on CADU's whistleblowing mechanism.	
	GRI 408: Child Labor	2016	
408- 1	Operations and suppliers at significant risk for incidents of child labor	The Company's operation did not identify a potential risk of incidents of child. exploitation.	
GRI 409: Forced or Compulsory Labor 2016			
409- 1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	The Company's operation did not identify a potential risk of incidents of forced labor.	
GRI 410: Security Practices 2016			

410- 1	Security personnel trained in human rights policies or procedures	62		
GRI 411: Rights of Indigenous Peoples 2016				
411- 1	Incidents of violations involving rights of indigenous peoples	There were no incidents in this matter.		
GRI 412: Human Rights Assessment 2016				
412-2	Employee training on human rights policies or procedures	62 CADU's Code of Ethics covers Human Rights matters.		

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE AND/OR DIRECT RESPONSE	OMISSIONS	
GRI 413: Local Communities	s 2016			
413- 1	Operations with local community engagement, impact assessments, and development programs	86, 88		
GRI 414: Supplier Social Ass	GRI 414: Supplier Social Assessment 2016			
414- 1	New suppliers that were screened using social engagement criteria	82		
GRI 415: Public Policy 2016	GRI 415: Public Policy 2016			
415- 1	Political contributions	This does not apply to CADU because our Code of Ethics prohibits it.		

GRI 416: Customer Health and Safety 2016				
416- 2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no breaches.		
GRI 419: Socioeconomic Compliance 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	There were no breaches.		