

# Climate Change Adaptation and Mitigation Strategy

Climate Change is one of Arca Continental's major concerns. Since 2013 we have been submitting our GHG inventory and Climate Change strategy to the CDP and in our 2015 report we obtained a grade above 90. In the same year, we submitted our first CDP Supply Chain per one of our biggest customer's request and CDP Water. In this last report, we included the results of the first Life Cycle Analysis we ever conducted to three of our best-selling products.

In these reports, we clearly state that the highest level of responsibility in sustainability and, therefore, in climate change, relies on the Human Capital and Sustainability Committee of the Board, which has Arca Continental's CEO as an active member. This strategic committee, which holds meeting twice a year, oversees several key sustainability functions for the organization, such as:

1. Review the sustainability and social responsibility programs, accordingly to the business goals and strategies.
2. Periodical review of Arca Continental's sustainability and social responsibility strategy.
3. Give feedback to the administration about the content in Arca Continental's Annual Report in Social Responsibility and Sustainability.
4. Evaluate the effectiveness in the communications related to sustainability and social responsibility programs and activities.
5. Propose modifications to the policies in sustainability and social responsibility to the Board.
6. Follow up on sustainability and social responsibility's main indicators to evaluate their performance, which allows their control and improvement.

The risk and opportunities related to these issues are managed throughout Arca Continental's risk management process, which is conducted at the Board's level by the Audit and Corporate Practices Committee, the Company's CEO, and the Coordination of Risk Committees. This risk assessment is conducted annually where short, medium and long term physical, legislative and social risks are considered. If an identified risk has a significant impact and it likely to occur, a management plan is created and followed. During this exercise, we also identify business or reputational opportunities that can be pursued.

Part of the variable compensation of all Arca Continental's senior managers depends on the performance of environmental targets. This motivate our leaders to set an example and encourage their teams to follow the same path.

## Mitigation Strategy

Our Emissions Reduction Program was set up in 2010 to keep a detailed record of our energy consumption and of the fuels used in our operations. It allows us to monitor the results of



different emissions reduction initiatives each year, and to find areas of opportunity for ongoing improvement.

As described in our climate change adaptation and mitigation general strategy, Arca Continental has set a series of goals for the year 2020:

- 17.5% carbon footprint reduction compared to 2010 (Beverage Business Units).
- 11% megajoule (MJ) reduction in the energy required to produce one liter of beverage vs. 2010 (Beverage Business Units).
- At least 30% of our electricity consumption will be provided from renewable sources.
- 23% water intensity reduction compared to 2010 (Beverage Business Units).
- 100% water recharge through reforestation programs that promote rainfall. Goal achieved annually since 2014.

We are implementing the esKO Top 10 Energy Savings Challenge across our operations. This worldwide program brings together Coca-Cola System bottling companies to reduce their carbon footprint by reducing energy consumption and implementing the best practices that have been identified through experience and time. As of yearend 2015, 13 of our 20 production centers in Mexico had been certified in this program.

Our robust comprehensive waste management plan allowed us to recycle more than 63 million kilograms of industrial waste in 2015, almost 90% of our total waste generation. In 2015, our beverage businesses recycled 87.8% of their waste, a figure that is less than 4% short of the 90% goal we have set for 2020.

Since 2012, we have worked hard to lighten our PET bottles, creating multiple environmental benefits by reducing the amount of plastic and energy required to produce our containers and having a positive impact on Logistics and final disposal processes.

We analyze the mitigation effects, required investment and return period of all the mitigation projects. If a project has a return period above five years, but it's considered strategic because of the important footprint and risks reduction, we pursue it nevertheless.

## **Adaptation Strategy**

Arca Continental's core business is drinks production; hence, the main raw material of our products is water. We require good quality and quantity freshwater to fulfil our production requirements. Every five years, each of our facilities is required to conduct a Source Vulnerability Assessment that allows us to compile data regarding different vulnerabilities of the basin such as quality and volume, community and governmental affairs and physical or chemical vulnerabilities. As result of the vulnerability and risk identified, a Source Water Protection Plan is developed for each facility. This action plan describes all the activities required to be implemented to eliminate the risks identified.





Arca Continental does not withdraw water from fresh ground water sources and non-renewable ground water, and, since we also conduct water-stress analysis for each of our facilities, we can assure that no negative effects are inflicted in the basins where we operate.

Nevertheless, we have identified regions where Climate Change effects have a high risk of inducing water scarcity. We have begun preparing adaptation scenarios for our operations in those regions, not only considering production but also the community involved.

From the assessments conducted we have not identified a site particularly vulnerable to a physical effect of Climate Change. However, we are currently developing a plan that allow us to react in case of a natural hazard and be able to assist the surrounding community.

## **Joint Effort**

Climate Change affect us all, so it makes the best sense to ally and partner with peers and organizations to reduce its effects. We actively participate in associations that share our reduction and mitigation vision, several in which we have participation in their Board. The National Association of Soft Drinks and Carbonated Water Producers (ANPRAC), the Mexican Association of Coca-Cola Bottlers (ASCOCA) and the Mexican Industrial Chambers Confederation (CONCAMIN) are just a few examples of such organizations. The Ecology and Business Commitment (ECOCE) is a well-known pro-recycling organization in which Arca Continental is a founding partner.

