

We make a positive difference



2024 Sustainability-Linked Financing Framework

Table of Contents

1. Introduction

- 1.1 About Arca Continental
- 1.2 Approach to Sustainability
- 1.3 Rational for Sustainability-Linked Financing

2. Sustainability–Linked Financing Framework

- 2.1 Selection of the Key Performance Indicators (KPIs)
- 2.2 Calibration of the Sustainability Performance Targets (SPTs)
- 2.3 Sustainability-linked Instrument Characteristics
- 2.4 Reporting
- 2.5 Verification
- 2.6 Amendments to this Framework

3. Disclaimer

1.1 About Arca Continental

Arca Continental (“AC”) is a company dedicated to producing, distributing, and selling beverage brands of The Coca-Cola Company, as well as snacks under the Bokados brand in Mexico, Inalecsa and Carli Snacks in Ecuador, as well as Wise and Deep River in the United States.

Sustainability is embedded in AC’s Business Model. Integrated in the day to day as way of thinking and acting. It is also bolstered by the company’s suppliers and customers and it is a key part in the company’s integral strategy because it derives from its corporate culture and governance.

With an outstanding track record of more than 97 years, AC is one of the Coca-Cola’s largest bottlers in the Americas and one of the most important in the world. With the Coca-Cola franchise, the company serves a population of over 128 million people in the northern and western regions of Mexico, as well as in Ecuador, Peru, the northern region of Argentina, and the southwestern region of the United States. AC is listed on the Mexican Stock Exchange under the symbol “AC”.

As of 2022, AC maintains over 160 different brands and 1,700 SKUs across its regions of operations while being one of the largest Coca-Cola bottlers in the world. For up to date information on AC click [here](#).



Production Centers: 19 of beverages; 2 of snacks

Distribution Centers: 117 of beverages; 38 of snacks; +40 thousand associates; 1,322 MUC in beverages

Since 1926



Since 2017

Production Centers:
7 of beverages
1 of snacks

Distribution Centers:
31 of beverages
19 of snacks
+9 thousand associates
448 MUC in beverages



Since 2010

Production Centers:
4 of beverages
3 of snacks

Distribution Centers:
52 of beverages
3 of snacks
+9 thousand associates
147 MUC in beverages



Since 2015

6 production centers
63 distribution centers
+5 thousand associates
303 MUC



Since 2008

3 production centers
22 distribution centers
+2 thousand associates
152 MUC

Mission: To generate maximum value for their customers, associates, communities and stockholders, satisfying consumers’ expectations at all times with the highest quality products and services.

Vision: To be leaders in beverages and snack food consumption for every occasion in all the markets in which they participate, focusing on profitability and sustainability.

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

1.2 Approach to Sustainability

2022 Integrated Annual Report found [here](#).

Culture:

The company's mission, vision and values, together with its cultural and ethical principles, constitute the way of working of each one of AC's associates, organization leaders and board members.

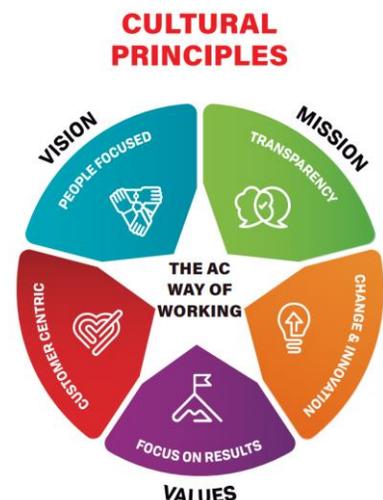
Values:

- **Customer-oriented and call to service:** Commitment to meeting the needs of their customers and consumers, driven by their constant desire to satisfy and surpass their expectations with world-class service.
- **Integrity based on respect and justice:** To maintain a commitment to integrity is unwavering. As a result, what the company do is consistent with what we think and say. They take care of the assets and resources of the company, its associates and the community. They value and endorse diversity in all working relationships to better serve customers and consumers.
- **Comprehensive Associate Development:** To foster an atmosphere of motivation, productivity and recognition, which drives them towards success. They support associates professional aspirations and personal goals, and encourage them to actively participate in their own growth and development plans. At the company, opportunities for growth and development are a direct outcome of the strong business performance.
- **Sustainability:** AC is convinced that they play a role in changing the environment. Consequently, they assume the commitment of meeting the needs of the present without compromising the ability of future generations to meet their own needs, guided by a form of Corporate Governance that leads them on a permanent quest to achieve a better quality of life for everyone.

Board of Directors:

AC's Board of Directors is comprised by 20 professionals that contribute with their expertise and knowledge to, among other things, ensure that the company's sustainable business strategy is properly executed. AC's Board of Directors is supported by four committees:

- Executive Committee
- Audit and Corporate Practices Committee
- Planning and Finance Committee
- Human Capital and Sustainability Committee



Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

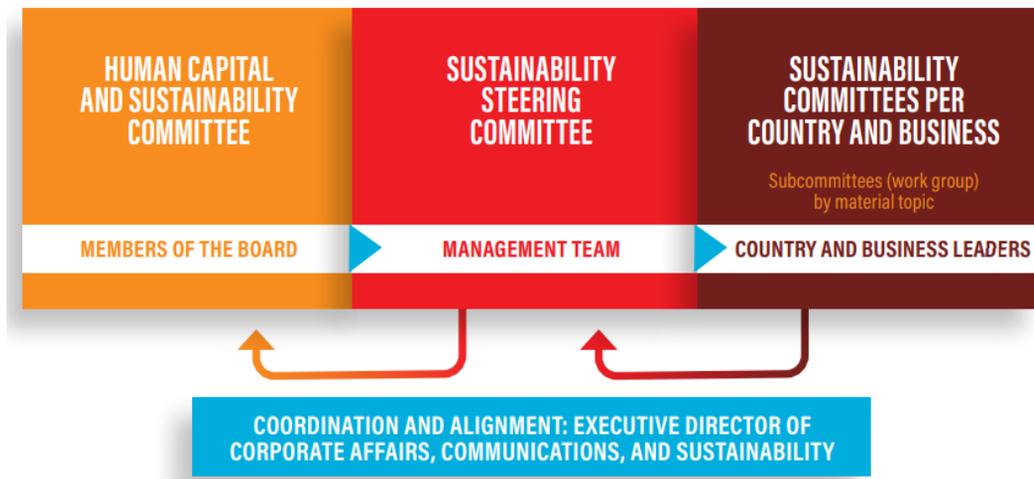
Verification

1.2 Approach to Sustainability

Sustainability Management & Corporate Governance

Sustainability is fully embedded in the company, from the highest executive position to every business units in the countries where the company operates. The former is achieved through a structure led by the Human Capital and Sustainability Committee, which is comprised by members of the Board of Directors – this Committee guides the Executive Sustainability Committee which is, in turn, led by the CEO and other company executives.

In order to carry out operational strategies, in 2022 local Sustainability Committees were established in each country that are led by each General Manager of the business and those reporting directly to him. This strengthens the management of the sustainability at all levels of the organization, aligning them with the company's general objectives while still adapting them to local realities.



Senior Management

AC's Executive Leadership Team is comprised by a group of professionals with broad experience in the industry, some of them with decadelong careers within the organization. Aside from their specific duties, some of them take part as guests in different committees that report directly to the Board of Directors, such as the Sustainability or the Ethics Committees, and others take part in some industry's national and international councils.



AC was acknowledged for the 20th year in a row as a Socially Responsible Company in Mexico, for the ninth year in Peru, and for the first time in Ecuador

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

1.2 Approach to Sustainability

Strategic Focus

The company's vision for sustainability, which is understood as the organization's capability to endure over time, allows AC to gear its efforts towards maximizing value creation, boosting profitable growth and sustainable development, and ensuring an enable context for operations while taking care of social and environmental wellbeing. With this in mind, the company works upon priority topics that allow every member of the organization to look after AC's overarching goals.

Materiality Definition

As part of AC's processes for continuous improvement, the company conducts periodic exercises to hear what its main stakeholders have to say.

The most recent update on these exercises was made in 2022, carrying out the largest materiality analysis to date. It took into consideration the opinion of more than 900 individuals, groups, and organizations that comprise the main stakeholders in the countries where AC operates.

As a result of this exercise, the company:

- Redefined the focus of its sustainability efforts
- Set precise goals in the matter
- Enhanced its indicators
- Confirmed primary actions, programs, and initiatives
- Identified the ODS that would be impacted within their sustainability strategy



Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

1.2 Approach to Sustainability

Priority Topics:

Taking into consideration each territory's particular characteristics, the company defined 3 pillars and identified 9 priority topics that emerge from the intersection of the company's stakeholders' expectations, its objectives, primary risks, and the social and political agenda.



Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

1.2 Approach to Sustainability

Environmental Leadership

- **Water Stewardship** is how a company manages water resources to meet business and community needs. Efforts typically consider water withdrawal, discharge and consumption; water use rights; assessing and supporting the management/ mitigation of watershed risk; and replenishing water used in production/across relevant value chains.
- **Circular Economy** refers to corporate strategies, initiatives, and operations that aim to eliminate waste and encourage the continual use of resources. This involves redesigning, reducing, reusing, and recycling materials throughout a value chain to create closed-loop processes and systems decoupling growth from increases in resource consumption.
- **Climate Action** refers to how the company manages and mitigates any physical or transition risks/opportunities associated with climate change. For transition, this relates to the ability to manage/adapt to new policies, market dynamics, and/or financial implications connected to the transition to a low-carbon economy. Physical risks relate to changes in weather patterns and increased frequency and severity of natural disasters which could decrease agricultural productivity, exacerbate water scarcity, impair production capabilities, disrupt the supply chain, and/or impact demand for products.

Social Positive Impact

- **Community Development** is how the company positively impacts communities where it makes and sells its products. Typical interactions occur through the company's operations and related business transactions as well as through voluntary community initiatives.
- **Associate Wellbeing** means how a company recruits, engages, and maintains employees in the face of increasing competition for talent and the evolving expectations from associates. It also includes maintaining a diverse workforce, managing and reducing workplace risks, protecting employees, and ensuring compliance with relevant laws and regulations. It encompasses the shared values, attitudes, behaviors, and standards that make up the work experience of the associates.
- **Product Portfolio** is how a company responds to and aligns with evolving consumer preferences including wellness, and nutrition considerations, expectations of transparency, as well as increased demand for sustainable products to meet the demands of every consumption occasion. It encompasses the complete collection of products and services sold by the company.

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

1.2 Approach to Sustainability

Transformational Partnerships

- **Responsible Sourcing** refers to corporate policies, controls, and market incentives in place to procure goods and raw materials that have been produced, respecting the environment, workers, and communities. It includes efforts to have a positive impact and ensure alignment of suppliers and distributors with the company’s business sustainability policies.
- **Small-Business Support** means helping AC’s “traditional channel” customers such as small grocery stores, bodegas, to improve their business management capabilities. These establishments are often run by micro entrepreneurs, who contribute significantly to community economic activities and social integration. To support these customers, AC carries out activities which contribute to the continuity and consolidation of these businesses with a focus on 3 main pillars: commercial development, entrepreneurial support, and social commitment.
- **Multisectoral Alliances** means engagement and collective action the company undertakes with policy makers, regulators, NGOs, industry organizations, and private companies to address systemic challenges, leveraging on the expertise of all sectors: private, public, and nonprofit. These strategic engagements build and enable positive social and environmental impact.

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

1.2 Approach to Sustainability

Acknowledgements and Memberships

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



FTSE4Good



Arca Continental Beverages
Sustainability Yearbook Member
S&P Global Corporate Sustainability Assessment (CSA) Score 2023



Sustainability-Linked Financing Framework

Introduction	KPIs	SPTs	Characteristics	Reporting	Verification
--------------	------	------	-----------------	-----------	--------------

1.3 Rational for Sustainability-Linked Financing

Sustainability is fully embedded within the AC business, from the highest executive position to all business units where AC operates. Our intention is to further align our sustainability commitments to our financing instruments through this Sustainability-Linked Financing Framework (“Framework”).

The Framework has been established in accordance with the (i) Sustainability-Linked Bond Principles 2023 (“SLBP”), published by the International Capital Market Association (“ICMA”) aiming to encompass future issuances in the capital markets and (ii) Sustainability-Linked Loan Principles 2023 (“SLLP”)*, published by the Loan Markets Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”) aiming to encompass bilateral or syndicated loans with financial institutions and/or multilateral agencies. When relevant, AC will extend the concepts contemplated within the SLLP to additional products, such as derivative and deposits. Together being referenced as Sustainability –Linked Instruments (“SLI”).

The SLBP and the SLLP are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked financing by clarifying the approach for issuance of a SLIs. The Sustainability-Linked Financing components of the Framework are in alignment with the five core components of the SLBP and SLLP:

Selection of Targets and Key Performance Indicators (“KPI”)

Calibration of Sustainability Performance Targets (“SPT”)

Financial characteristics

Reporting

Independent verification

SLIs can be any type of instrument in which the financial and/or structural characteristics may vary according to the achievement (or not) of predefined sustainability goals. In this sense, AC is explicitly committed to future improvements in the targets of sustainability performance that are relevant, essential, and material to the company’s business, within a predetermined timeline. As a result, SLIs are a forward-looking, performance-based instruments. The proceeds of SLIs are intended to be used for general purposes; hence, the use of proceeds is not a determinant in our categorization.

Prior to leveraging an SLI structure for financing instruments, AC will select one of its KPIs and respective SPTs included in this Framework, which is core, relevant, and material to the business and measure progress against its sustainability commitments.

For avoidance of doubt, this framework can be used by both AC and its wholly owned subsidiary AC Bebidas. AC Bebidas can leverage this framework so long as it continues to contribute at least 75% of total assets and/or net sales to the AC consolidated business.




* Lending, derivative and deposit products will include annual targets in line with the SLLP

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

2.1 Selection of Key Performance Indicators

1

Key Performance Indicator 1 (“KPI 1”): Absolute scope 1 & 2 GHG emissions (tCO₂e)

Rationale for KPI 1 Selection

The selected KPI is in alignment with AC's carbon footprint reduction plan which takes a science-based approach, being aligned with the Paris Agreement and supported by SBTi.

KPI 1 Definition

In accordance with the GHG Protocol (CO₂ equivalent emissions)

- **Scope 1:** Direct emissions from production centers each year, including all relevant business lines, including beverages, snacks and others.
- **Scope 2:** Sum of electrical energy emissions that come from the national grid (location based) and those that come from renewable sources (market based) from all relevant business lines.

KPI 1 Boundary

All assets under AC's operational control

Baseline Year

December 31, 2019

Baseline Amount

643,998 tCO₂e

- Scope 1: 451,743 tCO₂e
- Scope 2: 192,255 tCO₂e

Historic KPI 1 Results:

tCO ₂ e	2019	2020	2021	2022
Scope 1	451,743	424,586	409,866	320,635
Scope 2	192,255	183,574	155,038	124,056
Total	643,998	608,160	564,924	444,691

Rationale for the Selection of 2019 Baseline

In line with AC's science-based target commitment as validated in 2023

2

Key Performance Indicator 2 (“KPI 2”): Absolute scope 3 GHG emissions (tCO₂e)

Rationale for KPI 2 Selection

The selected KPI is in alignment with AC's carbon footprint reduction plan which takes a science-based approach, being aligned with the Paris Agreement and supported by SBTi.

KPI 2 Definition

In accordance with the GHG Protocol inclusive of all 15 categories (10 applicable to AC) accounting for over 99% of scope 3 emissions in the value chain (CO₂ equivalent emissions)

KPI 2 Boundary

Emissions related to the entire value chain of AC's operations

Baseline Year

December 31, 2019

Baseline Amount

4,550,939 tCO₂e

Historic KPI 2 Results:

Year	tCO ₂ e
2019	4,550,939
2020	3,985,529
2021	3,878,178
2022	3,980,693

Rationale for the Selection of 2019 Baseline

In line with AC's science-based target commitment as validated in 2023

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

2.1 Selection of Key Performance Indicators

3 Key Performance Indicator 3 (“KPI 3”): Recycled food-grade PET and BioPet containers (%)



Rationale for KPI 3 Selection

The selected KPI is in alignment to one of AC’s main environmental priorities, being relevant and material to the industry and company.



KPI 3 Definition

Tons of recycled PET and bio-PET content as a percentage of total tons of PET used

KPI 3 Boundary

All beverage production centers under AC’s operational control

Baseline Year

December 31, 2019

Baseline Amount

24.7%

Historic KPI 3 Results:

Year	%
2020	26.9
2021	27.8
2022	23.6
2023	24.9

Rationale for the Selection of 2019 Baseline

In line with baseline years of KPIs 1 & 2, while also being the most representative year prior to the Covid 19 pandemic

4 Key Performance Indicator 4 (“KPI 4”): Renewable Energy Consumption (%)



Rationale for KPI 4 Selection

The selected KPI is in alignment with AC’s carbon footprint reduction plan which takes a science-based approach, being aligned with the Paris Agreement and supported by SBTi.



KPI 4 Definition

The percent of renewable energy consumption vs total energy consumption, through PPAs and/or VPPAs as well as self-generated energy. Renewable energy is defined as energy sources with direct emissions less than 100g CO₂e/kWh and/or from renewable resources such as wind, solar, etc.

KPI 4 Boundary

All electricity sourced for use of beverage production centers under AC’s operational control

Baseline Year

December 31, 2019

Baseline Amount

26.5%

Historic KPI 4 Results:

Year	%
2020	33.8
2021	36.0
2022	44.1

Rationale for the Selection of 2019 Baseline

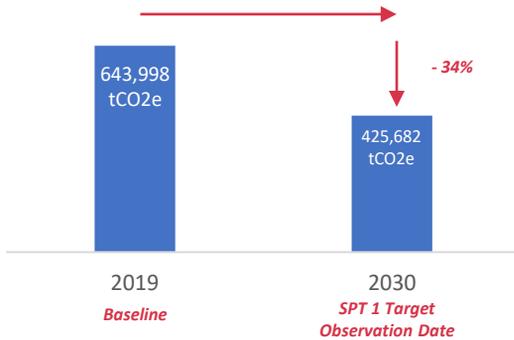
In line with baseline years of KPIs 1 & 2, while also being the most representative year prior to the Covid 19 pandemic

Sustainability-Linked Financing Framework

2.2 Calibration of the Sustainability Performance Targets

1 Sustainability Performance Target 1 (“SPT 1”)*:

- Absolute scope 1 and 2 GHG emissions reduction to 33.9% by 2030 from a 2019 base year



Potential Factors to Impact Target Completion:

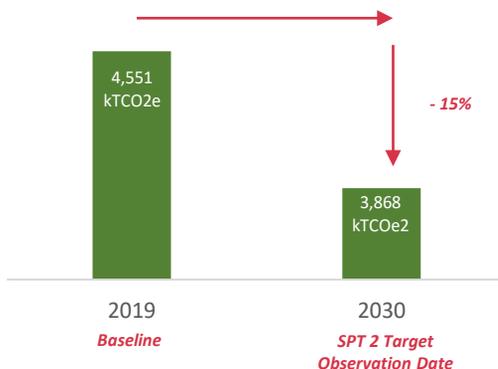
- Availability and economic feasibility of renewable energy sourcing
- Availability and economic feasibility of low carbon alternative technologies to replace the use of fossil fuels throughout operations
- Demand for fuels and refrigerants due to processing and packaging processes, which are subject to external factors
- Availability and economic feasibility of electrical vehicle and truck fleet expansion

Actions to Achieve SPT 1:

- System and process optimizations
- Implementation of sustainable practices throughout AC's daily operations
- New technologies to contribute the AC's carbon footprint reduction plan
- Promote innovative solutions that generate energy efficient outcomes and emission reductions
- Procurement of renewable energy
- Migrate to electric forklifts, vehicle and truck fleets

2 Sustainability Performance Target 2 (“SPT 2”):

- Absolute scope 3 GHG emissions reduction of 15% by 2030 from a 2019 base year



Potential Factors to Impact Target Completion:

- Third parties are not under AC's the operational control, with scope 3 emissions reduction being dependent on supplier actions
- Large investments needed either from AC or from third-parties to drive emissions reductions
- Availability of technologies to drive sustainable agriculture solutions and sustainable primary sources

Actions to Achieve SPT 2:

- Embrace sustainability goals across the supply chain through supplier, distributor identification, among others
- Collaboration with suppliers on the analysis of ingredients and packaging materials emission factors
- Replacement of cold drink equipment with more energy-efficient technologies
- Continue engaging with suppliers to increase recycled content in packaging materials
- More efficient transportation and distribution routes for third parties

* The target boundary includes land-related emissions and removals from bioenergy feedstocks

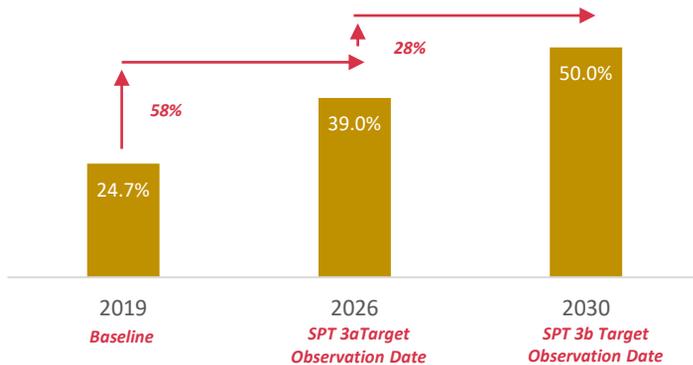
Sustainability-Linked Financing Framework

Introduction	KPIs	SPTs	Characteristics	Reporting	Verification
--------------	------	------	-----------------	-----------	--------------

2.2 Calibration of the Sustainability Performance Targets

3 Sustainability Performance Target 3 ("SPT 3"):

- a) Recycled food-grade PET and BioPet containers representing 39.0% by 2026
- b) Recycled food-grade PET and BioPet containers representing 50.0% by 2030



Potential Factors to Impact Target Completion:

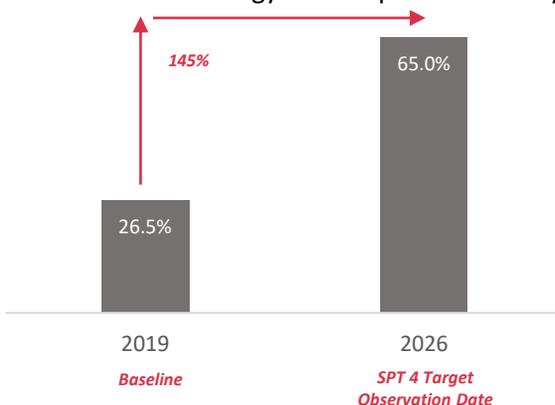
- Availability of recycled material sourcing in countries where AC operates
- Economic feasibility of recycled materials vs virgin PET
- Changes in regulation

Actions to Achieve SPT 3:

- Integrated Waste Management Plan, updated and adapted to different regional contexts
- World Without Waste goals, further promoting sustainable packaging designs
- Sustainable operating methods through the resource value chain
- Continued participation in new initiatives and pilot programs to promote a circular economy
- Investments in new collection centers and expansion of recycling facilities

4 Sustainability Performance Target 4 ("SPT 4"):

- Renewable energy consumption of 65% by 2026



Potential Factors to Impact Target Completion:

- Availability and economic feasibility of renewable energy sourcing
- Changes in legislation and regulatory uncertainty

Actions to Achieve SPT 4:

- Procurement of renewable energy in countries where AC operates
- IREC certificate procurement to validate renewable energy sources
- Analysis of business opportunities to incorporate solar panels in production centers
- Collaboration with Coca-Cola to generate further opportunities and options within energy markets

Sustainability-Linked Financing Framework

Introduction

KPIs

SPTs

Characteristics

Reporting

Verification

2.3 Sustainability-Linked Instrument Characteristics

AC's SLI will have financial characteristics linked to at least one of the SPTs defined in this document. Depending on whether or not the corresponding SPT is met, a coupon adjustment will be made (either in the form of a step-down and/or a step-up, respectively, depending on the type of SLI). In the event of non-compliance with the SPT, this will be communicated in a timely manner through the Annual Sustainability report and/or website.

As this is a Sustainability-Linked Framework, AC is not obliged to use the proceeds of its emissions in social, environmental or sustainable projects, or projects related to ESG criteria.

Information regarding the SPT(s) observation date and financial impact will be specified according to the SLI transaction in question. If, for any reason, AC does not publish the relevant SPT(s) within the time limit as prescribed by the terms and conditions of the SLI documentation, a financial step-up will be applicable.

Any fallback mechanisms in the case that the SPT(s) cannot be calculated or observed in a satisfactory manner (no satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in a position to provide such certificate), will be explained. AC will include, where needed, language in the documentation that takes into consideration potential exceptional events (such as significant change in perimeters through material M&A activities) or extreme events, including events out of the control of the Company that impacts the availability of recycled PET resin, changes in the regulatory or technical environment that could substantially impact the calculation of the KPI(s), the restatement of the SPT(s), and/or proforma adjustments of baselines or KPI scope.

2.4 Reporting

AC will report annually on the performance of KPI(s) defined in this Framework in its ESG Report and/or its [website](#), as the case may be and as defined and detailed in the documentation of the relevant SLI documentation.

- I. Up-to-date information on the performance of the selected KPI(s), including the baseline used where relevant;
- II. A verification assurance report relative to the SPT(s) outlining the (i) performance against the SPT(s) comparing the latest status of the KPI and the baseline, (ii) the related impact, (iii) timing of such impact, and (iv) impact on the instrument's characteristics (if any); and
- III. Any relevant information enables investors to monitor the progress of the SPT(s).

Information may also include, when feasible and possible:

- I. Qualitative or quantitative explanations on the contribution of the main factors to the evolution of the KPIs performance, on an annual basis;
- II. Illustration of the positive sustainability impacts of the performance improvement; and/or
- III. Any re-assessments of the KPI(s) and/or restatement of the SPT(s) and/or pro-forma adjustments of baselines or KPI(s) scope.

AC may also opt to disclose additional information in relation to the use of proceeds (like allocation and eligibility criteria), although this will not be mandatory for the SLI purpose.

Sustainability-Linked Financing Framework

Introduction	KPIs	SPTs	Characteristics	Reporting	Verification
--------------	------	------	-----------------	-----------	--------------

2.5 Verification

A) Second Party Opinion (Pre-Issuance)

This Framework has been reviewed by recognized ESG agency, who provided a Second Party Opinion confirming alignment to the SLBPs and the SLLPs referred to in this Framework. The Second Party Opinion and verification information will be kept up to date and made publicly available in the investor relations section of AC's website.

B) External Verification (Post Issuance)

AC will continue to provide transparency to investors and stakeholders by having the performance of KPI(s) and corresponding SPT(s) at the relevant reference dates verified by a qualified external verifier with relevant industry experience. Verification will consist of the following:

- I. An assurance statement by an external verifier on the KPI information included in AC's ESG report and/or its website, on an annual basis.
- II. A verification assurance certificate confirming the performance of the KPI meets the corresponding SPT as outlined in this Framework and relevant SLI documentation.

2.6 Amendments to this Framework

AC will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to the best practices in the market. AC will also review this Framework in the event of material changes in the methodology, KPI(s) and/or the SPT(s) calibration. Such a review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified provider of second party opinion. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external verifier. The updated Framework, if any, will be published on AC's website and will replace this Framework.

3. Disclaimer

[AC to include]



For more information about AC, please contact us:

Sustainability

David Moreno Rodríguez

Phone: 52 (81) 8151-1400

sostenibilidad@ACcontal.com

Communications

Vicente Chavez

Phone: 52 (81) 8151-1400

saladeprensa@ACcontal.com

Investor Relations

Emma Rebeca Pinto

Phone: 52 (81) 8151-1400

ir@ACcontal.com

Melanie Carpenter

Ideal Advisors Phone: (917) 797-7600

melanie@ideal-advisors.com