



ARCACONTINENTAL

Green Bond Framework

2021

(Updated as of April 2021)

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1. Introduction

Arca Continental S.A.B. de C.V. (“Arca Continental” or the “Company”) produces, distributes and sells beverages under The Coca-Cola Company brands, as well as salty snacks under the Bokados brand in Mexico, Inalecsa in Ecuador, and Wise and Deep River in the United States. The Company’s headquarters are located in Monterrey, Nuevo León, Mexico.

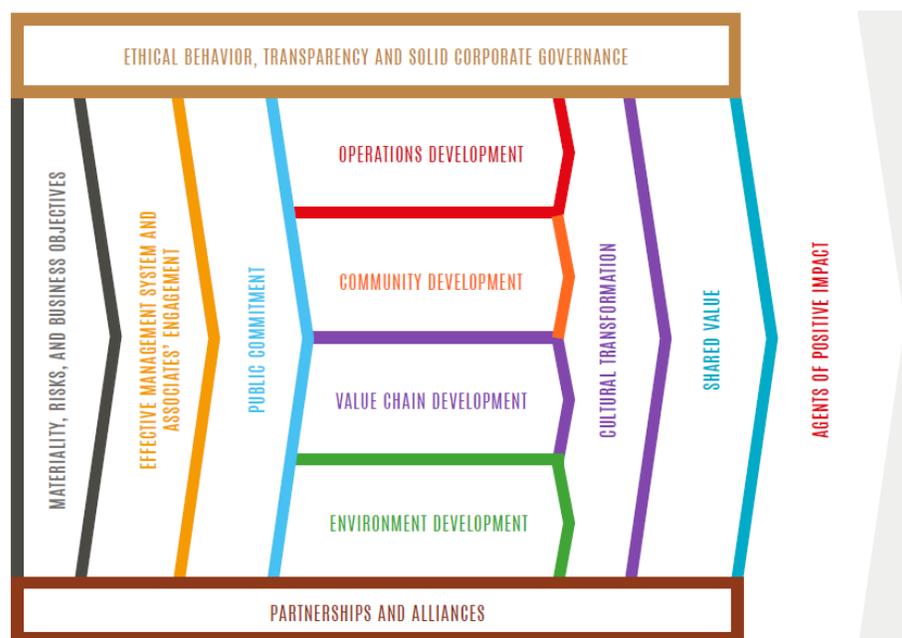
With a history of more than 95 years, Arca Continental is the second-largest Coca-Cola bottler in Latin America, and one of the largest bottlers in the world. Within its Coca-Cola franchise, the Company serves a population of more than 123 million people in the northern and western regions of Mexico, as well as in Ecuador, Peru, Northern Argentina, and the Southwestern region of the United States. Arca Continental is listed on the Mexican Stock Exchange under the ticker symbol “AC.”

2. Approach to Sustainability

Arca Continental believes that creating positive value for its stakeholders is the basis for attaining sustained growth, which enables the Company to build for the future. The founders of the different companies that became what is today Arca Continental instilled a deep social and environmental commitment in each of such companies.

The Company continues enhancing the integration of sustainability into the business strategy. Rather than creating a competitive advantage for the Company, our focus is to allow our associates, providers, customers, neighboring communities, or the beneficiaries of any of our programs – to become our agents of positive impact, so that together we can replicate the vision of our founders to build a stronger future in a world of shared prosperity.

We seek to create value establishing sustainability as a way of work in the entire organization, based on four pillars: operations, communities, value chain, and environment, as shown in the following diagram:



Arca Continental was one of the first companies to align its actions with the United Nations' Sustainable Development Goals, starting with a thorough analysis of our contribution to those goals. We have conducted numerous surveys with communities in Mexico, Ecuador, Peru and Argentina, to identify the topics in which each community is most interested in us having the best positive impact.

A fundamental part of our business philosophy is to protect the environment and support the communities where we are present. Through Arca Continental's Environmental Sustainability Model, which is founded on the pillars of water, carbon footprint, waste, and packaging, our goal is to have a business that is both profitable and friendly towards the planet.

In order to comply with the environmental objectives, we have made investments in projects that will continue allowing us to mitigate the emissions of our production activities, offset our water consumption, protect the ecosystems and water bodies that surround us, reduce the amount of waste generated, and maximize our recycling programs.

Arca Continental's senior management operates through the Environmental Management System based on the ISO 14001 standard, and the environmental specifications of the Operating Requirements of The Coca-Cola Company (KORE), which establishes mandatory environmental standards that all Coca-Cola bottlers.

Arca Continental's senior management, and the managers from each of our plants, have efficiency-related objectives linked to environmental indicators. Variable compensation is tied to compliance with such objectives, which will drive the organization's environmental strategy execution, contributing to continuous improvement in our operations at the different organizational levels.

Thanks to our efforts, today Arca Continental is one of the most environmentally advanced bottlers in the Coca-Cola System.

Waste management is at the core of Arca Continental's sustainability policy. We continue incorporating recycled material in our packaging, through PetStar, the largest food grade PET plant in the world and in which Arca Continental maintains and will enhance its sizable equity position. The adoption of the circular economy in our business model has led us to develop durable and reusable packaging, as well as recyclable materials and lighter packaging, with recycled and / or biodegradable content, including recycled PET resin (rPET).

The PetStar Sustainable Business Model, led by Arca Continental, has 26 years of history and is a beacon of excellence in circular economy for PET packaging; it is integrated from bottle collection to incorporation into new packaging with content recycling contributing to the global goal of Coca-Cola to 2030 #WorldWithoutWaste.

In 2018 the Company became a signatory to The New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation, in collaboration with the United Nations Environment Program. This commitment, which seeks to change how we produce, use, and reuse plastic, was signed as well by PetStar, ECOCE and The Coca-Cola Company, and promotes the creation of collective solutions. As part of this commitment, Arca Continental has agreed to use at least 20% recycled content in all our non-returnable PET plastic bottles in all regions by 2025. Through the consortium between Arca Continental, PetStar and ECOCE, nearly six out of every ten bottles that we introduce into the Mexican market are recovered for recycling.

At Arca Continental we have an Integrated Waste Management Plan, which is revised and modified constantly so that it can meet identified needs. Through this program, in 2020 we recycled more than 195,000 tons of industrial waste from our beverage plants, representing 96% of our total waste generated.

As part of our strategy to mitigate the effect of greenhouse gas emissions and better adapt to climate change, since 2014 we have been reporting to the CDP (Carbon Disclosure Project) certain information related to water and the value chain, the GEI Program of SEMARNAT, and to CESPEDES (Private Sector Studies Commission for Sustainable Development, by its abbreviation in Spanish). The objective of our Emissions Reduction Program, which began in 2010, is to keep a detailed record of electricity and fuels consumed in our different operations, resulting in a series of programs to optimize operations, electricity supply from renewable sources and replacing inputs for alternatives that are more planet-friendly. In 2020 we obtained an emissions indicator in our beverage's facilities equal to 24 grams of CO₂e per liter of beverage, thus reducing our carbon footprint and surpassing the goal established for 2020.

Coca-Cola bottlers all over the world participate in the KO Top 10 Energy Savings Challenge Program, which intends to reduce the carbon footprint by moderated energy consumption, aligned with the best practices. Our various energy efficiency projects, such as the optimization of our refrigeration systems and the installation of highly energy-efficiency equipment, have allowed us to save 18.32% in energy for each liter of beverage produced since 2010.

In 2016, Arca Continental published its Sustainable Construction Manual, which contains guidelines based on good practices, as well as international recognitions. Through such guidelines, our

corporate headquarters have attained Silver and Gold Level LEED Certification and the PetStar Museum-Auditorium, located in Toluca, Mexico, was awarded LEED Platinum Level in 2015.

In 2020, Arca Continental's renewable energy consumption in Mexico represented 36% of total electricity consumed. That same year, the Company acquired additional renewable energy to be provided by a wind farm to supply Bebidas México, Bokados and IPASA plants. Subject to changes in the regulatory framework proposed by the current administration, we expect to consume 70% of electricity from renewable sources in Mexico in 2022. In order to achieve our ambitious green goals, we have established two strategies: 1) investing to increase the use of renewable energy, and 2) exploring alternatives to generate renewable energy in South America.

Aligned with Arca Continental's focus on the continuity of its business in the long term, the Company has kept its philosophy of being a good neighbor, strengthening the relationship with the communities where it operates creating a stronger social fabric. The Company constantly invests in social areas, supports volunteer programs, to show a different perspective from Arca Continental's surroundings, and works with governmental and social organizations, as well as other companies with similar objectives.

Through our PetStar Inclusive Collection Model, in partnership with other institutions, Arca Continental is generating different inclusion initiatives, attending education needs, food and health of collectors and their families.

The Company's social initiatives center on promoting the integral development of women, along with active and healthy lifestyles; support small entrepreneurs from the traditional channel to create sustainable businesses; and develop agents of positive impact through its volunteering programs.

Arca Continental has been included in the Dow Jones Sustainability Index for Latin America and has been part of the MSCI Sustainability Index since 2014. The Financial Times Stock Exchange in London ratified the Company as a member of the FTSE4Good Index because of its commitment to best global environmental, social and corporate best practices.

3. Rationale for Issuance

Our Sustainability Strategy is complemented and supported by sustainable financing. Arca Continental believes in the importance of financing the transition to a low carbon economy and is fully committed to allocating capital into green projects, contributing to reaching the goals of the Paris Agreement.

Arca Continental's Green Financing Framework ("Green Bond Framework") has been created to set parameters that will govern all potential issuances of Green Financing Instruments for Arca Continental and its subsidiaries in the capital markets ("Green Instruments"):

This Framework aims to promote the transparency and integrity of Arca Continental's Sustainable Financing initiatives, and therefore is aligned with the latest version of the Green Bond Principles, published by the International Capital Markets Association (ICMA) in 2018.

4. Alignment with the Green Bond Principles

4.1 Use of Proceeds

The net proceeds from the offering of this green bond issuance will be used to finance or refinance, in whole or in part past, present and future Eligible Green Projects that promote the transition to low-carbon economy and which comply with the four core components of the Green Bond Principles (GBP) administered by the ICMA, following the recommendations of transparency, disclosure and promotion of integrity. Refinancing includes disbursements made by Arca Continental and any of its subsidiaries during the past 36 months.

Eligible Green Projects are comprised by the following categories:

GBP Eligible Project Category	Eligibility Projects Criteria and Examples	Alignment with UN SDGs ¹
Renewable Energy	<p>Expenditures related to the development, acquisition, maintenance, and operation of long-term renewable energy projects, such as solar, wind and biogas. Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> Power purchase agreements from renewable sources, like wind power farms Installation of biogas recovery system (anaerobic reactor) for power generation Solar power panels installation in production facilities and corporate offices 	
Energy Efficiency	<p>Expenditures related to renewal, installation, operation, and maintenance of energy-efficient equipment's and infrastructure. Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> Renewal of point of sale coolers renewal with new low-energy consumption technology, at least 25% energy reduction from current models Equipment and process improvements in production plants, including but not limited to: <ul style="list-style-type: none"> Production line filler equipment upgrade to reduce at least 20% of energy use Cooling tower replacement to reduce 33% of energy use 	
Pollution Prevention and Control	<p>Expenditures related to the construction, maintenance, operation, improvements and infrastructure of zero waste facilities and industrial and post-consumption waste management processes. Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> Recycling & Collection Projects, including standardization of recycling bins to increase waste recycling rate Initiatives aimed at achieving 100% collection of the bottles we produce by 2030 Investment to achieve Zero Residue Certification in production facilities 	
Clean Transportation	<p>Expenditures related to the procurement, maintenance, and operation of electric vehicles, and associated infrastructure. Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> Electric vehicles and forklifts Battery operated Tractors 	
Sustainable Water and Wastewater management	<p>Expenditures related to efficiency in water used at our bottling plants with the installation of new efficient water-related equipment in our production lines; also including water replenishment, wastewater management and water treatment projects.</p>	
Eco-efficient and/or circular economy adapted products, production technologies and processes	<p>Expenditures related to the procurement of recycled PET resin (rPET) in one-way packaging to achieve our 50% rPET; the minimum goal is to reduce our packaging emissions by 111 kilotons of CO₂e</p> <p>Expenditures to improve the recyclability in our refillable PET packages, as well as reducing the necessary inventory to fulfill market needs from our refillable bottles.</p>	

¹ <https://sdgs.un.org/goals>

With the use of proceeds, Arca Continental expects to refinance approximately 6% of projects that have already been implemented, in the Sustainable Water & Wastewater Management category, and the rest to finance new projects. This does not mean that this mix will remain over time and will depend in our needs as we include new projects in our Green Eligible Portfolio.

4.2 Process for Evaluation and Selection

A Green Bond Subcommittee (the “Subcommittee”), for the assessment and selection of Eligible Projects, will meet at least once a year to ensure alignment with this Framework. The Subcommittee consist of representatives from the following Arca Continental areas: **Quality and Environmental Affairs, Corporate Finance, Beverage Business Unit and Public Affairs, Communications and Sustainability**. The team is comprised of at least 4 members.

The Green Bond Subcommittee will respond to the Executive Sustainability Committee and will have the following main responsibilities:

- Identify, assess and select eligible projects
- Oversee the execution of the projects
- Supervise proper reporting of results
- Ensure compliance with this Framework

4.3 Management of Proceeds

Arca Continental will keep a register of Eligible Projects and ensure that an amount equal to the net value of each issuance of Green Instruments will be allocated in Eligible Projects within the next 36 months after the proceeds are received from each Green Instrument, in accordance with the governance established for project selection.

The register will also ensure if any previous Green Instruments proceeds have been allocated to each Eligible Project, avoiding double counting. Arca Continental’s treasury team, together with the Green Bond Subcommittee, will be responsible for managing the register and the follow-up on the funding’s.

Pending allocation in Eligible Projects, unallocated proceeds will be held in cash or invested in short-term investments, in accordance with Arca Continental’s firm-wide liquidity management/investment policy. During the life of the bonds, the net proceeds may be used to finance new Eligible Green Projects included in the Eligible Green Project portfolio or to refinance existing transactions.

4.4 Reporting

Allocation Reporting

Arca Continental commits to report the allocation of Green Instrument proceeds on an annual basis until proceeds have been fully allocated. The information will be made publicly available either as

part of Arca Continental’s Annual Integrated Report (available at its IR website: <https://www.arcacontal.com/investors/financial-reports.aspx>) or through a separate report. The allocation reporting should provide:

- The list of Eligible Projects to which Net Proceeds have been allocated (or re-allocated)
- The amounts allocated to each Eligible Project Category
- An estimate of the share of the Net Proceeds used for financing and refinancing, and which Eligible Projects have been refinanced

Impact Reporting

Arca Continental commits to publish in its Annual Integrated Report the expected environmental impact of the Eligible Projects to which the Green Instrument Proceeds have been allocated, measured through key performance indicators (KPIs), at least on a project category level.

GBP Eligible Project Category	Sample of KPIs
Renewable Energy	<ul style="list-style-type: none"> • % reduction in GHG emissions • % renewable energy use
Energy Efficiency	<ul style="list-style-type: none"> • % reduction in GHG emissions • % reduction in electricity usage (MWh saved)
Pollution Prevention and Control	<ul style="list-style-type: none"> • % reduction in GHG emissions • % of wasted recycled / properly disposed in our operations • PET collection rate (% of PET packaging footprint)
Clean Transportation	<ul style="list-style-type: none"> • % reduction in GHG emissions (gr CO₂ ton / km) • % reduction in fuel consumption (L / km traveled)
Sustainable Water and Wastewater management	<ul style="list-style-type: none"> • % reduction in water use per liter of beverage produced • Water recovered through reuse projects (m³) • Water replenished (m³)
Eco-efficient and/or circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> • Tons of rPET used in our PET bottles • % reduction in CO₂ emissions from rPET usage (vs. virgin PET)

5. External Review

5.1 Second Party Opinion

Arca Continental has retained Sustainalytics, an independent and reputable consultant with a proven environmental and social track record, to provide a Second Party Opinion (SPO) on the environmental benefits of this Green Bond Framework, as well as its alignment to the GBP. The SPO is available on Sustainalytics’ website and on our website <https://www.arcacontal.com/investors/financial-reports.aspx>.

The Company can update the Green Bond Framework at its sole discretion to update the Eligible Project portfolio, as well as to reflect company-related developments and/or advances in the best practices of the Green Bond Market. Any material change to this Framework will be submitted for review to the SPO Provider.

5.2 Compliance Review

Until all the proceeds have been allocated, Arca Continental will appoint Sustainalytics (or any other party appointed by the Company) to conduct a compliance review on an annual basis to provide

assurance that an amount equal to the net proceeds of the Green Bond has been allocated in compliance with the eligibility criteria set forth in this Framework.

6. Appendix

DISCLAIMER

The information and opinions contained in this Arca Continental Green Bond Framework (the “Framework”) are provided as of the date of this Framework and are subject to change without notice. None of Arca Continental, S.A.B. de C.V. (“Arca Continental”) or any of its affiliates assume any responsibility or obligation to update or revise this Framework, regardless of whether there are statements that are affected as a result of new information, future events or otherwise. This Framework represents Arca Continental’s or its affiliates’ current policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Arca Continental or its affiliates and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Arca Continental and its affiliates as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds or other instruments to fulfill environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds or other instruments should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds or other instruments should be based upon such investigation as it deems necessary. Each of Arca Continental and its affiliates has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Arca Continental’s or its affiliates’ green bonds or other green instruments. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by Arca Continental or its affiliates in any green bonds or other green instruments that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against Arca Continental or its affiliates; any such legally enforceable obligations relating to any green bonds or other green instruments are limited to those expressly set forth in the offering documents of the green bonds or other green instruments (in the case of securities offered in Mexico, as approved by the corresponding authorities). Therefore, unless expressly set forth in the offering documents of the green bonds or other green instruments (in the case of securities offered in Mexico, as approved by the corresponding authorities), it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds or green instruments if any of Arca Continental or its affiliates fails to adhere to this Framework, whether by failing to fund or complete eligible projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the eligible projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available eligible projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of eligible projects. Each environmentally focused potential investor should be aware that eligible projects may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities issues by Arca Continental, its affiliates or any member of the Arca Continental corporate group. 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