

Arca Continental, S.A.B. de C.V

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Introduction

In 2021, Arca Continental, S.A.B. de C.V (“Arca Continental” or the “Company”) issued green bonds aimed at financing and refinancing eligible green projects to facilitate the generation of renewable energy, development of sustainable water resource management, and procurement of electric vehicles while improving infrastructure of zero waste facilities and industrial and post-consumption waste management processes. In May 2022, Arca Continental engaged Sustainalytics to review the projects funded through the issued 2021 green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Arca Continental Green Bond Framework (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Arca Continental Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Arca Continental Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	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: <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 	<ul style="list-style-type: none"> • % Reduction in GHG emissions • % Renewable energy use
Energy Efficiency	Expenditures related to renewal, installation, operation, and maintenance of energy efficient equipment’s and infrastructure. Example projects may include, but are not limited to:	<ul style="list-style-type: none"> • % Reduction in GHG emissions • % Reduction in electricity usage (MWh saved)

¹ Arca Continental, “Arca Continental Green Bond Framework 2021”, at: https://www.arcacontal.com/media/371032/arca_continental_-_green_bond_framework_2021.pdf

	<ul style="list-style-type: none"> • Renewal of point of sale coolers 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 & 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 produced by 2030 • Investment to achieve Zero Residue Certification in production facilities 	<ul style="list-style-type: none"> • % Reduction in GHG emissions • % Of wasted recycled / properly disposed in Arca Continental's operations • PET collection rate (% of PET packaging footprint)
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 	<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	<p>Expenditures related to efficiency in water used at its bottling plants with the installation of new efficient water-related equipment in Arca Continental production lines; also including water replenishment, wastewater management and water treatment projects.</p>	<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	<p>Expenditures related to the procurement of recycled PET resin (rPET) in one-way packaging to achieve 50% rPET; the minimum goal is to reduce Arca Continental's packaging emissions by 111 kilotons of CO₂e.</p> <p>Expenditures to improve the recyclability in Arca Continental refillable PET packages, as well as reducing the necessary inventory to fulfill market needs from the Company's refillable bottles</p>	<ul style="list-style-type: none"> • Tons of rPET used in Arca Continental PET bottles • % Reduction in CO₂ emissions from rPET usage (vs. virgin PET)

Issuing Entity's Responsibility

Arca Continental is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Arca Continental's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Arca Continental employees and review of documentation to confirm the conformance with the Arca Continental Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by Arca Continental with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Arca Continental.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Arca Continental's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Arca Continental Green Bond Framework. Arca Continental has disclosed to Sustainalytics that 56% the proceeds of the green bond were fully allocated as of May 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Arca Continental Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Arca Continental Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Location	Green Projects Financed	Environmental Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (Mexican Pesos)
Renewable Energy	Northpoint Combo	Solar power panels installation in Northpoint facility	This project led to a 734904.432 MJ savings, equal to 78.4 tons of CO ₂ , which is a 2% reduction in Northpoint's total emissions for scope 2 compared to 2020.	\$5,430,702
	All Operations	Purchase of energy from renewable sources	Percent of electricity consumption from renewable sources in 2021 was 39%, in 2020 and 2019 it was 34%	\$589,336,038
Energy Efficiency	México	Saving Refrigerators (Low Energy Consumption)	Reduction in energy consumption of 42% vs. the equipment that Arca Continental is replacing, derived from the new technologies of variable motors, variable compressors and controllers.	\$512,000,000
	Ecuador	(i) Change of Mixers in Filling Machines Lines 5 and 7 Santo Domingo (ii) Migration to Smart Lamps LEED 2023 to 2025 in 3 Plants (\$250KUSD) -Reduction of energy consumption	(i) 47.3% reduction in energy consumption of the refrigeration system. Line 5 - Energy saving by refrigeration 39 (Kw/h). Line 7 - Energy savings for refrigeration 117 (Kw/h) (ii) Improved Energy gauge by 22% reduction in energy consumption compared to previous lamps (2100 kWh/month)	(i) \$8,974,406 (ii) \$288,421
	Mexicali	Updating of the Filling System for high-temperature bottling (Reduced refrigeration needs) Bottled at 12°C vs 4°C (deltaT 8°)	Bottled at 12°C vs 4°C (deltaT 8°) Energy savings of 513,566 kWh	\$35,588,205.00
	All Plants	LED Lighting & Motion Sensor - Energy Efficiency Project	This project was exclusively carried out in CCSWB (production facilities and distribution centers). The 16 MM MJ is equal to 1,799 tons of CO ₂ . This represents a 4% emission reduction for CCSWB total scope 2 emissions compared to the 2020 baseline.	\$18,231,071

Pollution Prevention & Control	Ecuador	(i) Saving Refrigerators (Low Energy Consumption) (ii) Acquisition of Trucks and Forklifts 10 trucks in 2021	(i) The average energy savings over the last three years is 13%, which is equivalent to an average of 27,000 MWh/year (1,068,000 tons of CO ² /year) (ii) There were EURO II engines having an impact on emissions of up to 500 PPM (particles per million). With the renewal of the fleet, EURO III engines were implemented, having an impact on emissions of up to 300 PPM. The improvement or innovation from EURO II to EURO III gives Arca Continental 40% from 2018 to 2021, equivalent to 8.4 tons of CO ² /month.	(i) \$29,607,177 (ii) \$14,986,650
	All Plants	Zero Landfill / Waste-To-Energy	CCSWB increased its recycled/generated waste ratio from 74% in 2020 to 85% in 2021.	\$2,567,423
Clean Transportation	México	Purchase of electric vehicles (3 units), 2 more for 2021, 5 for 2022 and 2023	For the distribution unit, the consumption of 3,521 liters of Diesel was avoided, avoiding the emission of 6,502 kg of CO ₂ in 13,381 km traveled. In the case of the utility vehicle, the consumption of 1,549 liters of Gasoline was avoided, avoiding the emission of 12,476 kg of CO ₂ in 17,038 km traveled.	\$6,000,000
Sustainable Water and Wastewater Management	Ecuador	Santo Domingo Plant: Increase in Water Clarification Capacity in 2021	Reduction in water consumption of 2.66%	\$1,526,868
Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	All Operations	Purchase of recycled resin	% Of food grade recycled PET and BioPET in the Company's packaging in 2021: 27.8%, 2020: 26.9%	\$1,395,664,945
Total				\$2,620,201,906

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