

GREEN BOND



ANNUAL REPORT 2022



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1. SUSTAINABILITY AS A BUSINESS STRATEGY

Sustainability is part of Arca Continental's corporate vision and mission. For us, is essential to conducting business, and we incorporate it into how we think and how we act.

THEREFORE, WE INCLUDE IT IN THE COMPANY'S GLOBAL STRATEGY VIA FOUR PILLARS ILLUSTRATED IN THE FOLLOWING FIGURE:



We integrate the management of environmental, social and corporate governance aspects into our business objectives, aiming to be a sustainable company that strengthens the communities we serve.

OUR ESG STRATEGY CAN BE SUMMARIZED IN THE FOLLOWING AREAS:



ENVIRONMENTAL

- Design sustainable packaging and adopt the circular economy as a competitive advantage
- Make the most efficient use of water resources to protect our water sources and promote access to clean water.
- Continuously improve the efficiency of our processes to reduce our carbon footprint.



SOCIAL

- To be the best business partner for our customers and the clear choice to meet the consumers preferences.
- Attract, develop and retain the best talent under competitive labor markets.
- Actively participate as positive agents of change in our communities.



CORPORATE GOVERNANCE

- Responsibly create and distribute economic value to our interest groups.
- Comply with regulations and adopt the best practices and international benchmarks.
- Maintain relationships based on solid ethical principles with zero tolerance when it comes to corruption.

We rely on the commitment of the highest level of our organization to manage sustainability, starting with the Board of Directors, who, through their Human Capital and Sustainability Committee, oversee and monitor the global results of our strategy through the Executive Committee on Sustainability.



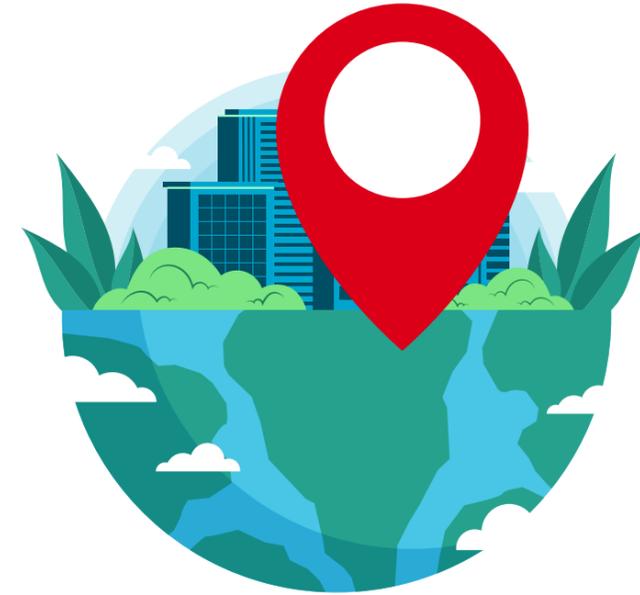
HUMAN CAPITAL AND SUSTAINABILITY COMMITTEE

MEMBERS OF THE BOARD



SUSTAINABILITY STEERING COMMITTEE

MANAGEMENT TEAM



COUNTRY AND BUSINESS SUSTAINABILITY COMMITTEES

COUNTRY AND BUSINESS LEADERS

**COORDINATION AND ALIGNMENT:
CORPORATE AFFAIRS AND SUSTAINABILITY**

The Sustainability Committee, which our Executive Directors are part of, facilitates the implementation of the sustainability strategy and the corporate plans while overseeing the objectives and key performance indicators, under the coordination of the Executive Office of Public Affairs, Communication and Sustainability.

In 2021, we expanded the Sustainability Committee structure, strengthening the governance of these issues at all levels of the organization, by implementing Sustainability Committees in each country, whose main function is to assure the implementation of projects and reassure the continuous execution of the goals and initiatives of the company.

2. CHARACTERISTICS AND DESCRIPTION OF THE GREEN BOND

**IN 2021,
WE ISSUED
PS. 4,650 MILLION
IN LOCAL
GREEN BONDS**

The bond is among the first issued in pesos by a Mexican beverage company. The placement consisted of two tranches; one for Ps. 3,000 million with a 7-year term at a fixed rate of 6.75%, and another for Ps. 1,650 million with a 4-year term at a variable rate equal to TIIE plus seven basis points.

The transaction attracted strong interest from a diverse investor base and was over-subscribed by almost 4.3 times. Both issues obtained the “mxAAA” rating by S&P and “AAA(mex)” by Fitch Ratings, which are Mexico’s highest credit ratings, above the country’s sovereign debt rating.

We developed a Framework where we defined the use of proceeds parameters for these financial instruments.

The Framework aims to promote transparency and integrity of this type of financing and is aligned with the Green Bond Principles, published by the International Capital Markets Association (ICMA).

During the period, we allocated a total of Ps. 2,620.2 million to projects and investments that meet our objectives, representing 56% of the total resources from the green bond.



PetStar, the largest food grade PET recycling plant in the world.



CHARACTERISTICS

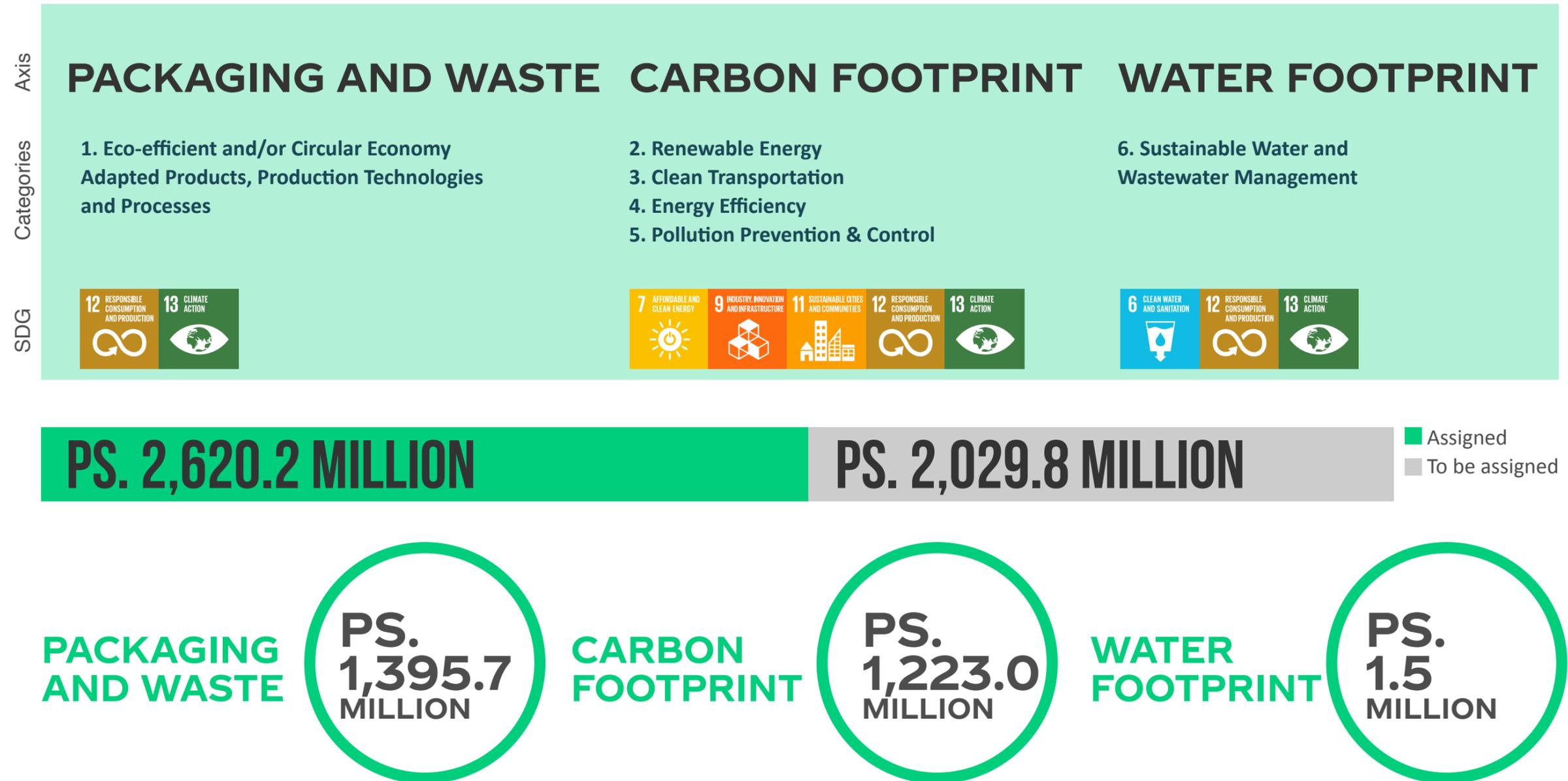
On May 7, 2021,
Arca Continental
issued a green
bond through its
subsidiary AC
Bebidas

Issuer	AC Bebidas, S. de R.L. de C.V.
Format	Local green bonds "Certificados Bursátiles"
Issue Date	May 7, 2021
Currency	MXN
Issued Amount	Ps. 4,650 million
Ratings	"mxAAA" by S&P and "AAA(mex)" by Fitch
Use of Proceeds	Proceeds will be allocated to finance or refinance Eligible Green Projects that promote the transition to a low-carbon economy and comply with the four core components of the Green Bond Principles.

3. USE OF PROCEEDS BY CATEGORY

Through the issuance of our first green bond, and as part of our sustainability vision, we reiterate our commitment, conserving the environment and contributing significantly to achieving the UN's Sustainable Development Goals.

At the end of 2021, we allocated Ps. 2,620.2 million in proceeds from our first green bond to projects corresponding to six of the categories in our Framework. This represented 56% of the total proceeds and includes investments in three main categories: packaging and waste, carbon footprint and water footprint. The investments went towards projects that were deployed in the five countries where we operate.



PACKAGING AND WASTE

Fundamental to our strategy is promoting the circular economy by seeking sustainability in packaging, focusing on the following lines of action:

1. SUSTAINABLE PACKAGING DESIGN.
2. INCREASE RECYCLING CAPACITY IN ALLIANCE WITH ORGANIZATIONS IN TERRITORIES WHERE WE OPERATE.
3. REDUCE THE AMOUNT OF WASTE WE GENERATE.

IN 2018, THE COCA-COLA SYSTEM ANNOUNCED THE FOLLOWING WORLD WITHOUT WASTE GOALS FOR THE YEAR 2030:



1.

PACKAGING WILL BE

100%
RECYCLABLE.

2.

PACKAGING SHALL CONTAIN AT LEAST

50%
RECYCLED MATERIAL.

3.

WE WILL ENCOURAGE THE COLLECTION OF

100%
OF THE PACKAGING WE PLACE IN THE MARKET.

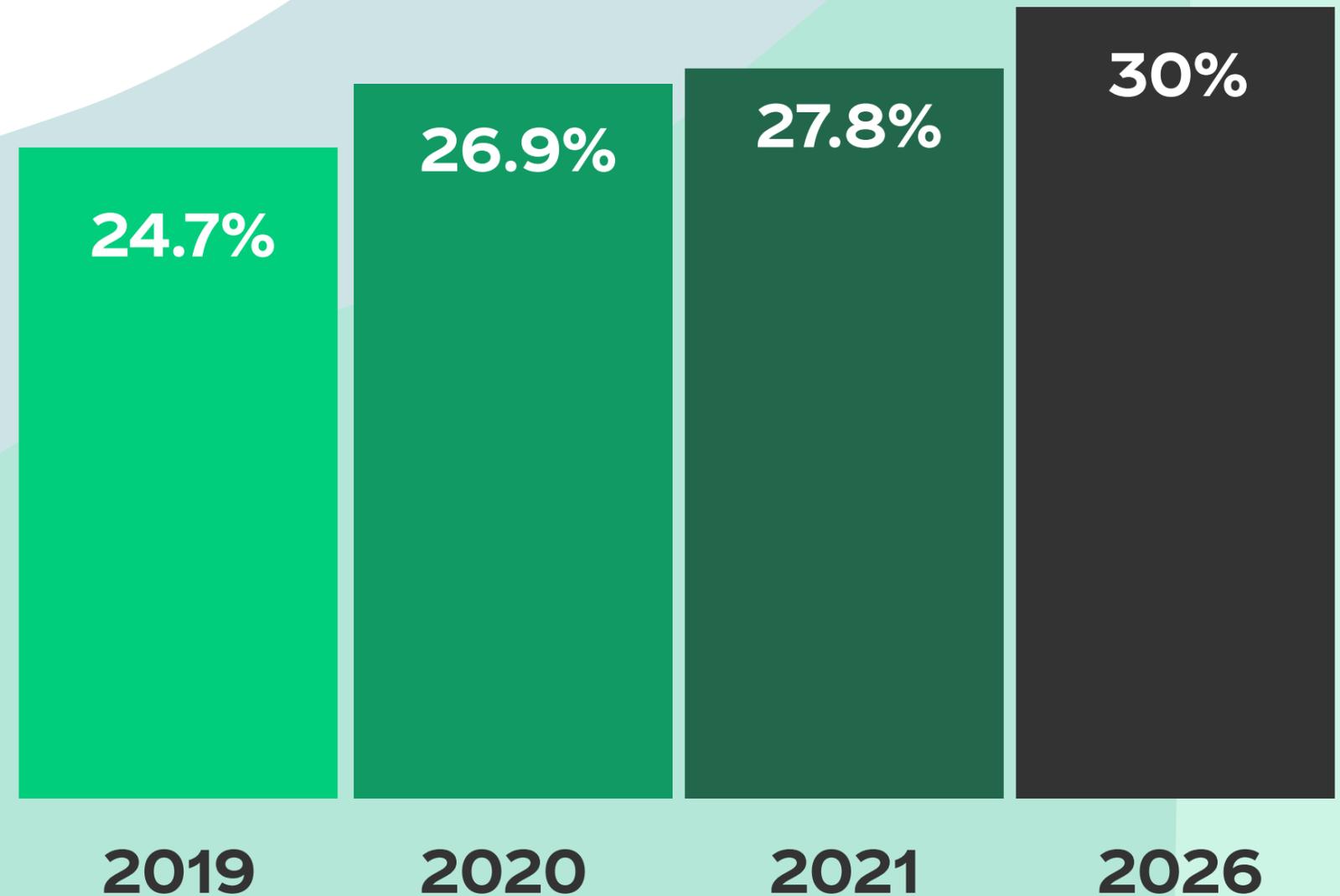
The proceeds allocated during this period enabled us to purchase food-grade recycled PET (rPET) to increase the percentage in our packages. As of 2021 the percentage of rPET and BioPET in our packaging was 27.8%

Furthermore, we took the following important actions and investments to reincorporate packaging into the value chain in the countries in which we operate:

- In Mexico, we announced investments of Ps. 11,000 million in collaboration with other bottlers in the Mexican Coca-Cola System to strengthen PetStar’s capacity, and increased collections by 50% thanks to new centers in Mexicali, La Paz and Los Cabos.
- With the new 390.3 ml presentation, the U.S. joined operations in Mexico and Peru by offering bottles made 100% from recycled bottles.
- Arca Continental Coca-Cola Southwest Beverages was the first Coca-Cola bottler in the U.S. to reach an average of 50% recycled PET content its entire plastic portfolio.

THANKS TO THESE EFFORTS, TODAY ARCA CONTINENTAL IS ONE OF THE MOST ADVANCED BOTTLERS IN THE COCA-COLA SYSTEM WHEN IT COMES TO PACKAGING AND WASTE TARGETS.

RECYCLED PET IN OUR PACKAGING (%)



CARBON FOOTPRINT

In response to the climate crisis, we promote the development of a low-carbon based economy through two main courses of action:

- 1. REDUCE OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS.**
- 2. INCREASE OUR USE OF RENEWABLE ENERGY.**

One of our objectives related to the reduction of energy usage and CO2 emissions was to acquire 30% of electricity from renewable sources in 2020.

We met this target in 2020 and for 2021 reached 33% of energy consumption from renewable sources.



REACHING THIS OBJECTIVE MEANT SIGNIFICANT INVESTMENTS AND SAVINGS. TO MEET THE AMBITIOUS GOALS WE SET FOR OURSELVES FOR THE NEXT FEW YEARS, WE ESTABLISHED TWO STRATEGIES: INVEST IN INCREASING THE USE OF RENEWABLE ENERGY AND EXPLORE ALTERNATIVES TO GENERATE RENEWABLE ENERGY IN SOUTH AMERICA.

THE PROJECTS TO WHICH WE ASSIGNED THE PROCEEDS OF THE GREEN BOND FOCUSED ON THE FOLLOWING CATEGORIES:



1. RENEWABLE ENERGY

We installed solar panels at the Northpoint facility and acquired energy from renewable sources for the operations in Mexico, the U.S. and Ecuador.

2. CLEAN TRANSPORTATION

We replaced part of our distribution and customer service fleet with electrical units which prevented the consumption of 3,521 liters of diesel fuel and the emission of 6.5 tCO₂ over 13,381 Km traveled; we also acquired an electric utility vehicle that saved the use of 1,549 liters of gasoline and the emission of 12.5 tCO₂ over 17,038 Km traveled.

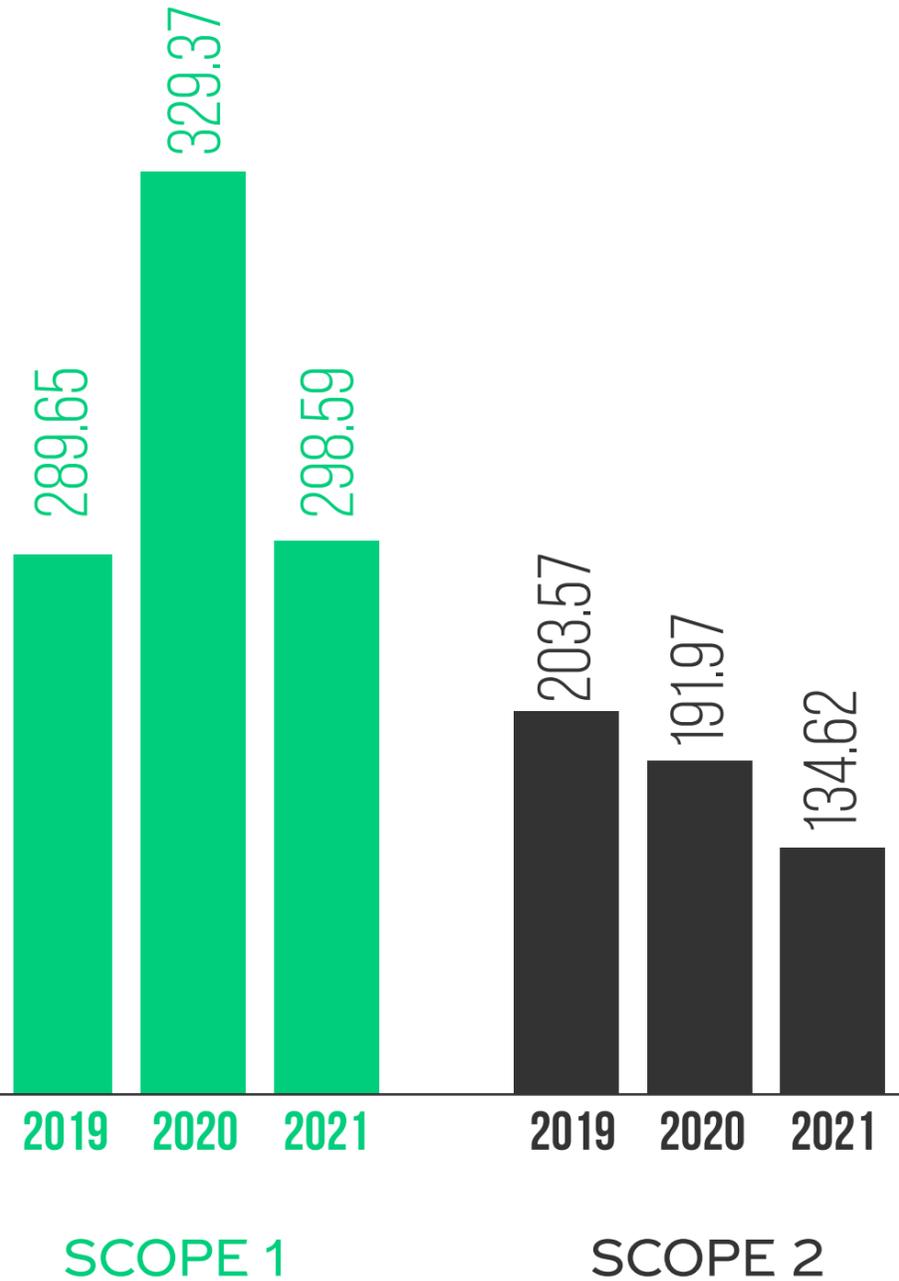
3. ENERGY EFFICIENCY

In Mexico we introduced low energy use coolers which translated into a 42% reduction in electricity. We updated several bottle filling systems in Ecuador with more efficient ones requiring less refrigeration, which enabled us to reduce our refrigeration system energy by 47.3%. In Mexico, we updated our bottle filling systems with more efficient versions that require less refrigeration allowed which saved 513MWh. Similarly, we changed our lighting to more efficient LED models in several sites in Ecuador and the U.S. in order to improve energy consumption efficiency.

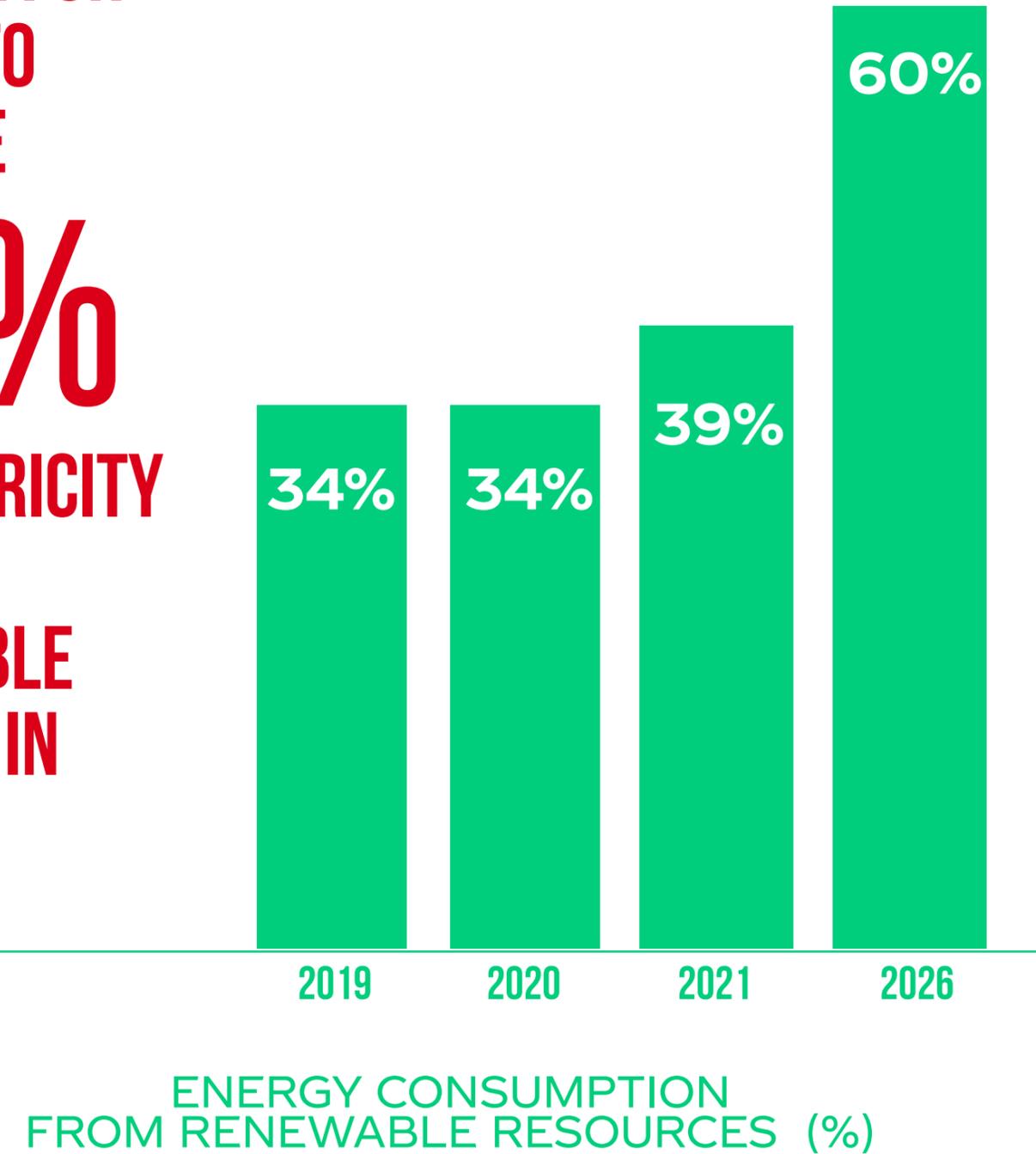
4. POLLUTION PREVENTION AND CONTROL

We reduced pollution by replacing obsolete transportation units with more efficient ones. In the U.S., through the Waste-to-Energy Program, we reduced the amount of residual waste.

GREENHOUSE GAS EMISSIONS (GEI) SCOPE 1 AND SCOPE 2 (TCO₂E)

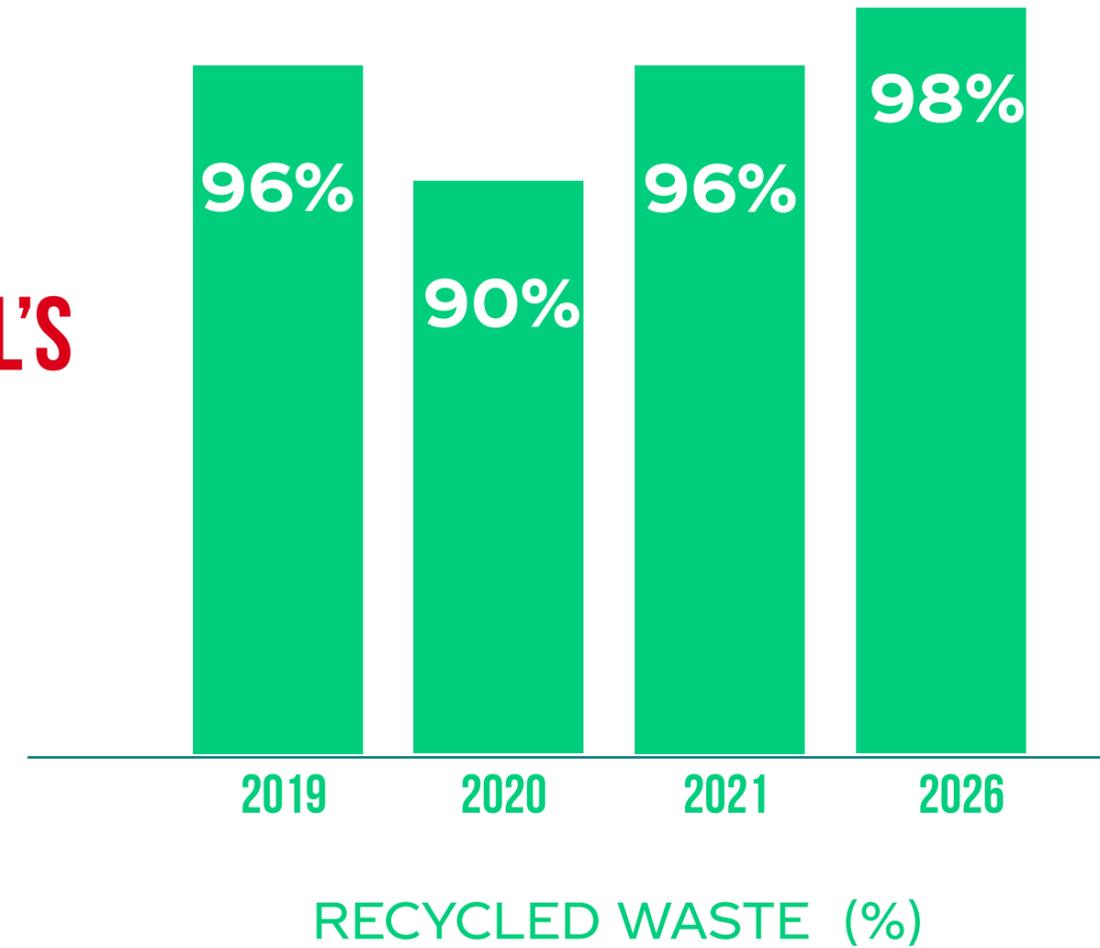


OUR GOAL FOR 2026 IS TO CONSUME 60% OF ELECTRICITY FROM RENEWABLE SOURCES IN MEXICO





% RECYCLED RESIDUAL WASTE IN ARCA CONTINENTAL'S OPERATIONS



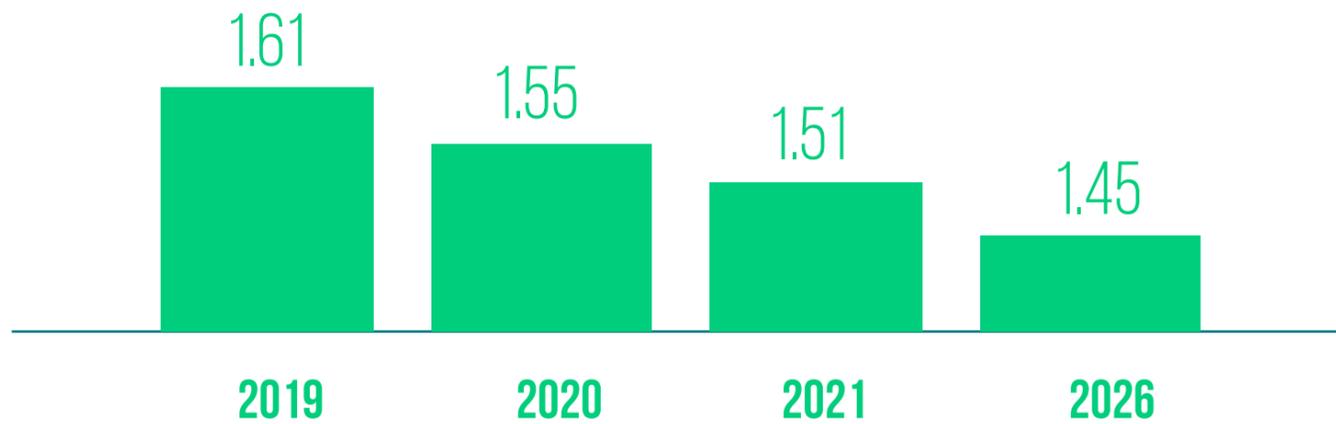
WATER FOOTPRINT

Water is essential for life on the planet and a fundamental raw material for our products, which is why we promote strategic lines of action to ensure its proper management through the following objectives:

1. CONSERVING WATER SOURCES
2. MAKING WATER USE MORE EFFICIENT
3. REUSING AND TREATING WATER

Part of the allocation of the green bond in the first year corresponded to projects related to sustainable water and wastewater management. We invested in a project to reduce the consumption of water at one of our plants in Ecuador.

These initiatives contributed significantly to meeting our company target of increasing the efficiency of water use, reaching 1.45 liters of water for every liter of beverage produced by 2026.



WATER EFFICIENCY
(LITERS OF WATER / LITERS OF BEVERAGE)

WE MAINTAIN OUR COMMITMENT TO RETURN TO NATURE MORE THAN 100% OF THE WATER WE USE IN OUR PRODUCTION PROCESSES.

4. DESCRIPTION OF INDEPENDENT OPINION AND VERIFICATION

ARCA CONTINENTAL WILL KEEP A REGISTER OF ELIGIBLE PROJECTS TO 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.



INDEPENDENT OPINION

In 2020, we obtained the Second Party Opinion (SPO) of Sustainalytics, which considered our Framework to have a positive impact, and is aligned with the four main components of the Green Bond Principles published by the International Capital Markets Association (ICMA) in 2018.

**INVESTMENTS
IN THE ELIGIBLE
CATEGORIES WILL HAVE
POSITIVE ENVIRONMENTAL
IMPACTS AND PROMOTE
THE UN'S SUSTAINABLE
DEVELOPMENT
GOALS.**



VERIFICATION

The report includes the verification of an independent third party that evaluated and verified the proper allocation of resources from the green bond based on the eligibility criteria and the performance indicators for every criterion described in Arca Continental's Framework.



**CORPORATE AFFAIRS
AND SUSTAINABILITY**

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