



# Green Bond

F R A M E W O R K

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# Introduction

Coca-Cola FEMSA is the largest franchise bottler of Coca-Cola trademark beverages in the world by sales volume. We operate 49 bottling plants and serve nearly 2 million points of sales through 268 distribution centers. We are present in nine countries and we serve more than 261 million people.

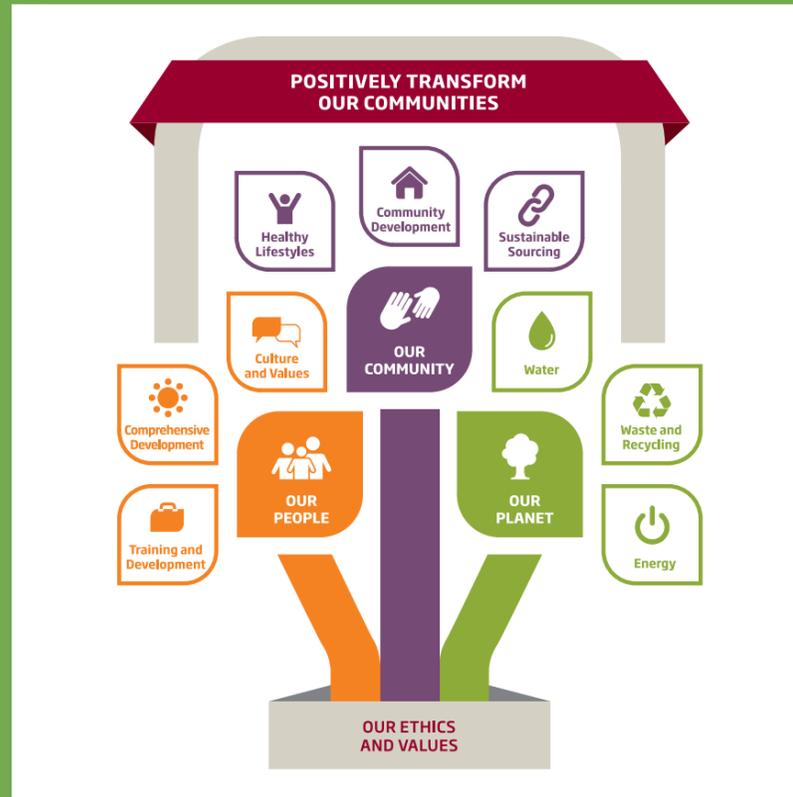
Our stated purpose is to create economic, social and environmental value for all of our stakeholders and the communities we serve, considering actions to minimize and mitigate environmental impacts across our value chain: from our suppliers to our customers and consumers, and even on packages collection initiatives.

Guided by our obsessive consumer focus, we are consolidating a winning total beverage portfolio to satisfy evolving tastes and lifestyles. We are fostering sparkling beverage growth by leveraging portfolio innovation and affordability, while driving our low or no-sugar beverage portfolio ahead of consumer trends. Additionally, we are improving our competitive position in still beverages, and expanding our water portfolio to establish consistent leadership across this growing category.



# APPROACH TO Sustainability

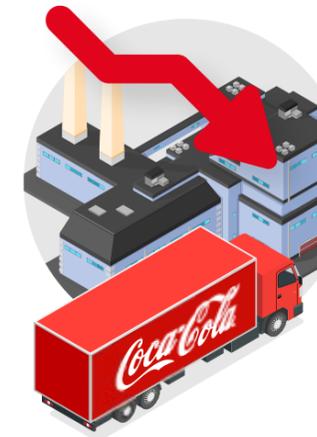
In Coca-Cola FEMSA we are committed to achieving our sustainability mission of positively transforming the communities where we operate, supported by ethics and values. Our sustainability goals guide us to measure our progress on each of the topics that have an impact on the long-term sustainability strategy of our business.



Climate change is a strategic risk for us and it will be managed through our new 2030 Emissions Reduction Plan. Our strategy is oriented to drive a positive environmental change across the entire value chain including suppliers, operations, customers and consumers. To move towards a low-carbon operation we adopted the *Science Based Targets Initiative* (SBTi) approach aligned with the goal of the Paris Agreement to limit a global temperature rise to well below 2° C. Consequently, during 2019, we embarked on the process of getting our targets approved by the SBTi, a collaboration between CDP (formerly the Carbon Disclosure Project), World Resources Institute, the UN Global Compact, and the World Wide Fund for Nature, becoming the first Mexican company and the third in LATAM to achieve this validation. This company-wide effort is designed to measure and account for the carbon footprint of our value chain and the adoption of science-based targets for emissions reduction that reflect our commitment to a low carbon economy. As such, we are committed to:



**Reduce 50% of absolute scope 1 and 2 greenhouse gas (GHG) emissions by 2030 as compared to 2015 (base year).**



**Reduce 20% of absolute scope 3 GHG emissions from purchased goods and services and upstream transportation and distribution by 2030 as compared to 2015 (base year).**



**Increase annual sourcing of renewable electricity from 8.7% in 2015 to 100% by 2030.**



As a critically important aspect of our environmental strategy and aligned with The Coca-Cola Company's commitment to a "World Without Waste," we can proudly say that, in the main markets in which we operate, Mexico and Brazil, packaging collection and recycling mechanisms account for more than **50%** of the polyethylene terephthalate (PET) bottles that are sold, on track with the 2030 goal of collecting **100%** of the PET bottles placed in the market, placing us as best-in-class in the matter: a competitive advantage that is leveraged through our bottle-to-bottle circular economy approach. Furthermore, in 2019, we used an average of **23.7%** recycled content in our plastic bottles, positioning us on track to achieve our 2020 goal of **25%**; a goal that we aim to expand, to include **50%** of recycled materials in PET packaging by 2030.

We are a proud member of the New Plastics Economy Global Commitment<sup>1</sup> led by the Ellen MacArthur Foundation<sup>2</sup> to eradicate plastic waste at the source and establish a circular economy for the material. As a member of the initiative 'A line in the sand'<sup>3</sup>, we are committed to develop actions to reduce unnecessary



plastic, innovate and increase recycling with targets reviewed every 18 months, and become increasingly ambitious in our goals moving forward.

In 2019, 22 of our bottling plants earned Zero Waste to Landfill certification. Designed for our Mexican operations, this initiative establishes specific measures to improve waste management, disposal and repurposing—resulting in improved waste efficiency per liter of beverage produced.

We aimed to recycle at least 90% of our waste in each of our bottling plants. At the end of 2019, 90% of our plants successfully achieved this goal. Importantly, in Mexico, our plants recycled 100% of the waste generated in our production processes. Overall, we recycled 95.7% or approximately 114,000 tons of manufacturing waste generated, surpassing our original commitment. Furthermore, we plan to increase the scope and ambition of our Zero Waste to Landfill commitment across all the countries where we operate in the following years, specifically in our Brazilian operations.



Water is a key resource for our communities and operations; therefore, we are committed to the efficient use of this natural resource in our bottling operations—returning to the environment and communities the same amount of water used in our beverages, while safeguarding it not only for us to use, but also for our communities to enjoy now and into the future. From 2010 through 2019, we significantly improved our water use ratio by **22%** to reach 1.52 liters of water per liter of beverage produced, representing savings of more than 10.5 billion liters. We currently give back to the environment more than **100%** of the water we use in the production of beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Brazil and Argentina.

<sup>1</sup> <https://www.newplasticseconomy.org/projects/global-commitment>

<sup>2</sup> <https://www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy>

<sup>3</sup> <https://www.unenvironment.org/news-and-stories/press-release/line-sand-global-commitment-eliminate-plastic-pollution-source>

A close-up photograph of a person's hand holding a crushed, clear plastic bottle with a blue cap on a sandy beach. The background is blurred, showing waves and other people in the distance. The image is part of a larger document layout.

## RATIONALE FOR *Issuance*

Our sustainability strategy and environmental commitments are the cornerstone for the issuance of our Green Bonds. We aim to finance our transition towards low-carbon operations, strengthen our resilience and minimize our exposure to environmental risks while being environmentally conscious and restorative, through investments and expenditures that ensure the sustainability of our business model, and committing with emission reduction targets that meet the goals of the Paris Agreement and limit global warming to well-below 2°C, thus aligning with current best practices in these matters.

## ALIGNMENT WITH THE *Green Bond* PRINCIPLES

The Green Bond Principles, 2018 (GBP), as administered by the International Capital Market Association are voluntary process guidelines for best practices when issuing Green Bonds. The GBP recommend transparency, disclosure and promote integrity in the green bond market. The Coca-Cola FEMSA Green Bond Framework is aligned with the four core components of the GBP.



## USE OF PROCEEDS

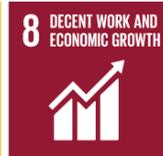
An amount equal to the net proceeds from the sale of our Green Bonds is expected to refinance or finance, in whole or in part, one or more new or existing “Eligible Green Projects,” which are defined as investments and expenditures to be made by us after the issuance date of our Green Bonds or made by us in the 24 months prior to such date, in eligible Green Projects as defined in and aligned with the four core components of the GBP, which recommend transparency and disclosure and promote integrity with respect to “sustainable” bonds. We expect that each of our Eligible Green Projects meets or will meet one or more of the eligibility criteria described below.

We aim for our Green Bonds to support Coca-Cola FEMSA’s input to the achievement of the United Nations Sustainable Development Goals (SDG) noted below.

We have identified Eligible Green Projects in three main categories. These projects are in service of our carbon footprint reduction strategy and the strategic areas where we believe we can make the most positive environmental impact:

- Climate change risks mitigation and adaptation for our operations
- Efficient use of water resources and hydrological safety in the territories where we have presence
- Waste management and recycling of PET plastic bottles

The eligibility criteria are outlined below:

GBP Eligible Project Category	Eligibility Criteria and Example Projects	SDG Alignment <sup>4</sup>
<b>Climate Change Adaptation</b>	Expenditures related to procurement and usage of climate change module software that will allow us to accurately measure our carbon footprint in a systematized manner and track progress against our science-based targets.	 
<b>Clean and Mass Transportation</b>	Expenditures related to our own- and third-party transportation fleet such as: <ul style="list-style-type: none"> <li>• Fully electric trucks and utility vehicles.</li> <li>• Electric vehicle infrastructure including charging stations.</li> </ul>	 
<b>Energy Efficiency</b>	Expenditures related to energy-efficiency projects including equipment, systems, operational improvements and maintenance. Examples include: <ul style="list-style-type: none"> <li>• Expenditures to improve and maintain energy efficiency including as it relates to heating, ventilation and air conditioning upgrades, LED lighting upgrades, variable-speed drives and motion detector conveyor systems that may result in a potential increase in energy efficiency of 45% and GHG emissions reduction of approximately 14% compared to the systems they are replacing.</li> <li>• Refrigeration system optimization: upgrading refrigeration equipment to improve energy efficiency and electricity consumption of cooling and vending equipment.</li> </ul>	   
<b>Renewable Energy</b>	Expenditures related to the construction, development, acquisition, maintenance, and operation of renewable energy including solar, wind, geothermal with direct emissions of less than 100 g CO2/kWh and hydropower generation ( $\leq 25$ MW). Examples include: <ul style="list-style-type: none"> <li>• On-site (manufacturing and distribution centers) renewable energy projects such as solar rooftop panels.</li> <li>• Sourcing expenditures pursuant to long-term (<math>\geq 5</math> years), project-tied power purchase agreements (PPAs) that were entered into prior to the issuance of our Green Bonds.</li> </ul>	   

GBP Eligible Project Category	Eligibility Criteria and Example Projects	SDG Alignment <sup>4</sup>
<p><b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b></p>	<p>Expenditures related to preservation and reforestation initiatives in the countries where we have presence.</p>	
<p><b>Sustainable Water and Wastewater Management</b></p>	<p>Expenditures related to water efficiency projects, such as efficiency in water used at our bottling plants, installation of new efficient water-related equipment, water replenishment, wastewater management and water treatment.</p>	
<p><b>Pollution Prevention and Control</b></p>	<p>Expenditures related to the production, construction, maintenance, operation, improvements and infrastructure of zero waste facilities and industrial and post-consumption waste management processes, including:</p> <ul style="list-style-type: none"> <li>• Collection and recycling facilities, sorting centers and equipment for post-consumption plastic materials such as PET and/or glass collection</li> </ul>	
<p><b>Eco-efficient and/or circular economy adapted products, production technologies and processes</b></p>	<p>Expenditures related to the procurement of recycled PET resin (rPET) procurement to increase the rPET content of our one-way PET packaging to achieve up to 50% of rPET in these products</p>	

## PROCESS FOR PROJECT EVALUATION AND SELECTION

Our sustainability team will identify, evaluate and select Eligible Green Projects based on the criteria described in Section 4.1 above and up to the amount of the net proceeds from the sale of Green Bonds. Final approval will be made jointly by the Chief Financial Officer, the Supply Chain and Engineering Officer and the Corporate Affairs Officer.



## MANAGEMENT OF PROCEEDS

Coca-Cola FEMSA's sustainability and finance teams will monitor and track the net proceeds from the sale of our Green Bonds. We will disclose the allocation of the net proceeds and progress on the environmental and sustainability commitments in a Green Bond Report, which will be part of our Integrated Annual Report. Pending the full allocation of the net proceeds to one or more Eligible Green Projects, we may invest an amount equal to the balance pending application of the net proceeds in cash, cash equivalents or liquid securities in accordance with our investment policy. As

proceeds are applied to Eligible Green Projects, the amount of proceeds invested in cash, cash equivalents or liquid securities in accordance with our investment policy will be reduced accordingly.

In the event that an Eligible Green Project is cancelled or no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects. Payment of principal and interest on our Green Bonds will not be linked to the performance of any Eligible Green Project.



## REPORTING

Annually, until all the proceeds have been fully allocated, and on a timely basis in case of material developments, we will publish a Green Bond Report within our Integrated Annual Report, on our website (<https://coca-colafemsa.com/en/investor-relations/reports-and-results/>), which will include (i) the amount of net proceeds allocated to each Eligible Green Project; (ii) expected impact metrics, where feasible; (iii) a selection of brief project descriptions; and (iv) the outstanding amount of net proceeds to be allocated to Eligible Green Projects at the end of the reporting period.

Examples of expected impact metrics may include, where feasible:



### GBP Eligible Project Category

### Example Expected Impact Metrics

#### Climate Change Adaptation

- % reduction in GHG emissions
- Renewable energy use

#### Clean and Mass Transportation

- % reduction in GHG emissions

#### Energy Efficiency

- % reduction in GHG emissions
- % reduction in electricity usage in our operations (MWh saved)

#### Renewable Energy

- % reduction in GHG emissions
- Renewable energy use

#### Environmentally Sustainable Management of Living Natural Resources and Land Use

- Ha. (acres) reforested / preserved

#### Sustainable Water and Wastewater Management

- % improvement in water use efficiency in our manufacturing operations
- Water replenished (m<sup>3</sup>)

#### Pollution Prevention and Control

- Tons of waste recycled / properly disposed of via our operations
- % of post-consumer primary packages collected as a result of waste management initiatives

#### Eco-efficient and/or circular economy adapted products, production technologies and processes

- % of rPET included in our PET bottles
- Tons of rPET purchased

## EXTERNAL

# Review

## SECOND PARTY OPINION

We will obtain and make publicly available a Second Party Opinion (SPO) from an independent consultant with recognized environmental and social expertise to provide an opinion on the environmental benefits of Coca-Cola FEMSA's Green Bond Framework as well as the alignment to GBP. The SPO will be available on the SPO provider's website and on our website (<https://www.coca-colafemsa.com/investors.html>).

## ASSURANCE

Starting in 2021, the Green Bond Report which will be part of our Integrated Annual Report, will also include (i) assertions by management as to the amount of the net proceeds from the sale of our Green Bonds that have been allocated to one or more Eligible Green Projects, and (ii) a report from an independent third-party who will examine and verify our management of the net proceeds from the sale of our Green Bonds.





## DISCLAIMER

The information and opinions contained in this Coca-Cola FEMSA Green Bond Framework (the "Framework") are provided as of the date of this Framework and are subject to change without notice. None of Coca-Cola FEMSA or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Coca-Cola FEMSA's 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 Coca-Cola FEMSA and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Coca-Cola FEMSA as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently 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 to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds 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 should be based upon such investigation as it deems necessary. Coca-Cola FEMSA 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 Coca-Cola FEMSA's Green Bonds. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by Coca-Cola FEMSA in any green bonds that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against Coca-Cola FEMSA; any such legally enforceable obligations relating to any green bonds are limited to those expressly set forth in the indenture and notes governing such green bonds. Therefore, unless expressly set forth in the indenture and the notes governing such green bonds, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if Coca-Cola FEMSA 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 of Coca-Cola FEMSA or any member of Coca-Cola FEMSA. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by Coca-Cola FEMSA or any member of Coca-Cola FEMSA. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.