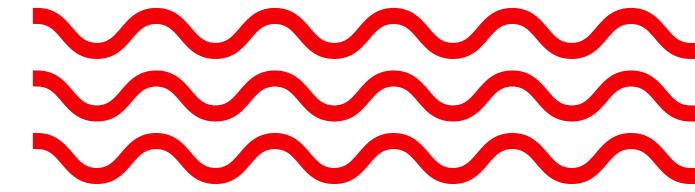


At Coca-Cola FEMSA, our strategic growth and industry leadership is driven by our purpose to refresh the world anytime, anywhere—always finding the most efficient and sustainable way to put our consumers' drink of choice in their hands whenever and wherever they want it.

Guided by our purpose, our aspiration is to become an integrated commercial beverage platform that works seamlessly and in real time to deliver on four strategic priorities: Build a portfolio for every occasion, Enable an overall digital transformation, Ensure business sustainability, and Foster a collaborative culture.

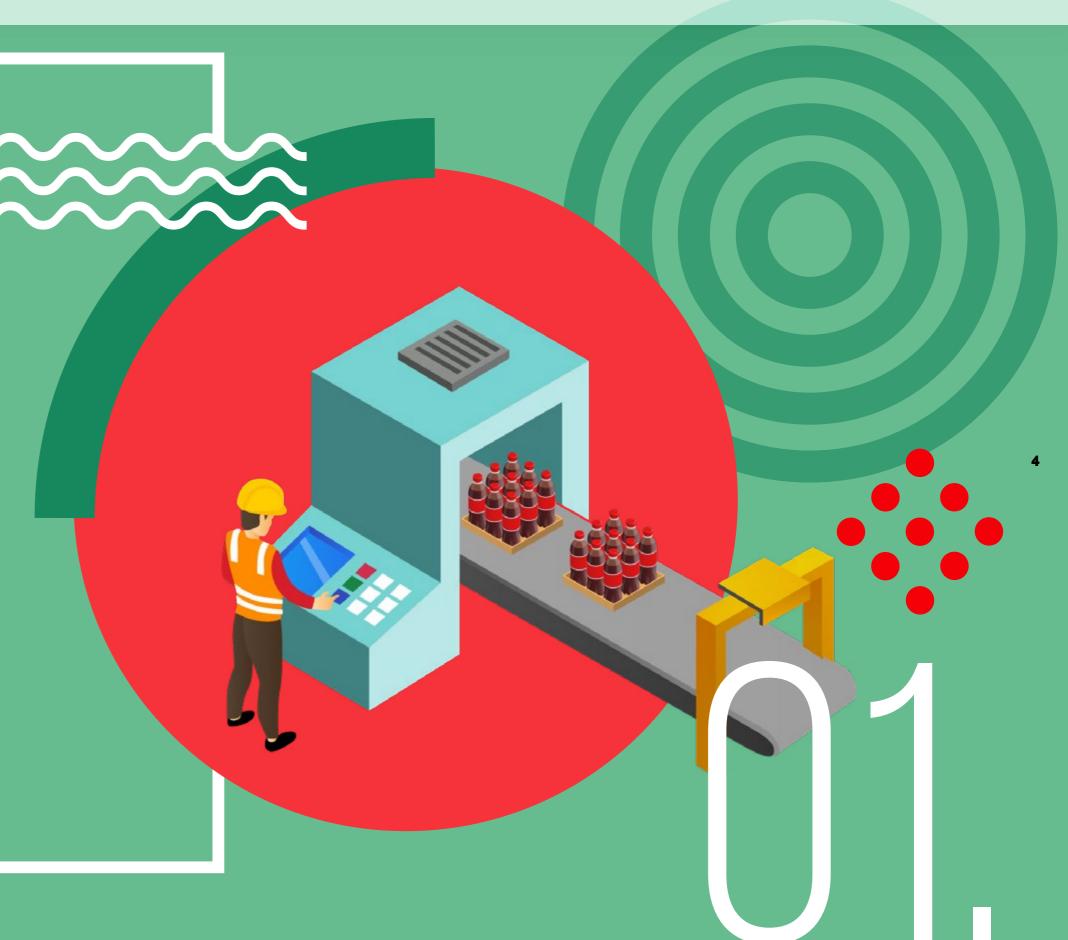






**Green Bond Issuance** 

**Our Value Chain** 



**Chairman's and CEO's Letter to Stakeholders** 

## DEAR FELLOW STAKEHOLDERS

This year, in the face of the COVID-19 pandemic, we were able to navigate the storm and come out stronger than before. Above anything, our greatest achievement for the year was the ability to rapidly protect the safety and wellbeing of our people—our most important asset.

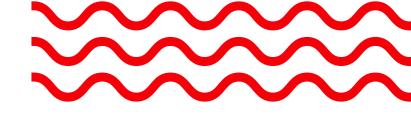


We want to recognize all of our company's employees for their unwavering dedication."

Indeed, we want to recognize all of our company's employees for their unwavering dedication. Our people rose to the challenge and delivered outstanding service to our customers and consumers, ensuring business continuity and product supply, accelerating transformational initiatives, while supporting communities in need through beverage donation, communication of prevention measures, distribution of medical supplies, and expansion of hospital capacity.

Beyond operating continuity, we maintained unmatched market execution, gaining total share of the non-alcoholic-ready-

to-drink (NARTD) industry across our key markets. We ensured our cash flow liquidity, enabling us to not only continue with disciplined capital investment in key projects, but also pay increased dividends to our shareholders. We tapped the international capital markets to further strengthen our solid financial position, marked by the issuance of our first ever Green Bond—the largest for a Latin American corporation and a first for the Coca-Cola System.



#### **Our Priorities**

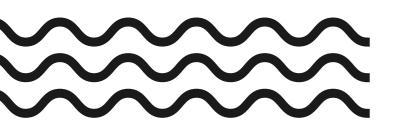
As we move forward, our company's strategic growth and leadership is driven by our purpose to refresh the world—always finding the most efficient and sustainable way to put our consumers' drink of choice in their hands whenever and wherever they want it.

With this in mind, our vision is to become an integrated commercial beverage platform that works seamlessly and in real time to deliver on four strategic priorities that guide our transformation and growth: Build a consumer-centric portfolio for every occasion; Enable an overall digital transformation; Ensure business sustainability; and Foster a collaborative, inclusive, and diverse culture.

Aligned with these priorities, we're consolidating our industry leadership by developing a winning total beverage portfolio that satisfies consumers' evolving tastes and lifestyles. Affordability, coupled with our growing low- and no-sugar beverage portfolio, remained an important engine for our sparkling beverage growth. With the universal bottle's launch, we're successfully expanding our returnable platform beyond colas to flavored sparkling and still beverages. We also captured market share across emerging still beverage categories-including hydration, nutrition, and energy-while selectively exploring new categories, exemplified by the Coca-Cola system's entry into the alcoholic ready-todrink space in Latin America with the successful launch of Topo Chico Hard Seltzer.



We increased the use of recycled materials in our PET packaging to 29%."



To fulfill our vision of becoming a fully digital, interconnected platform, we're driving a digital transformation across every function. From omnichannel order taking and customer care capabilities to evolving route-to-market and logistics models to automated financial planning and human resources processes. This transformation continued to progress at tremendous speed. To give you a sense, our chatbot-enabled Business WhatsApp platform grew to 270 thousand active customers in one year, with up to 15,000 orders placed daily, and growing.

Importantly, we're ensuring our business sustainability. Thanks to our efforts, we achieved our key 2020 sustainability

goals. We improved our water use ratio to an average of 1.49 liters of water per liter of beverage produced, an industry benchmark. We increased the use of recycled materials in our PET packaging to 29%, exceeding our 2020 goal of 25%. An impressive 80% of our bottling operations' power came from clean energy sources, up almost nine times since 2014. We collected more than 50% of the bottles that we put into key markets, well positioned to achieve our 2030 commitment of collecting 100%. Furthermore, we became the first Mexican company and the third in Latin America to achieve official validation of our 2030 emissions reduction targets by the Science Based Targets initiative, reflecting our commitment to a low-carbon economy. Our sustainability performance enabled us to be part of the top 15% of public companies included in the S&P Global Sustainability Yearbook 2021.

Underpinned by KOF DNA, we're building a customer and consumer focused culture, founded on operational excellence, agile decision-making, owners' mentality, and a people-first mindset with a focus on inclusion and diversity. Indeed, this is the third consecutive year that Coca-Cola FEMSA is part of the Bloomberg Gender-Equality Index. Driven by these core values, we are changing our ways of working and reinforcing the behaviors necessary to emerge a stronger, leaner, and more agile company—empowered to achieve our purpose and vision.





#### **Our Performance**

Our resilient business—coupled with our proactive market strategies and comeback plans—enabled us to deliver better than expected results in the face of unprecedented challenges. For the year, our total sales volume declined 2.5% to 3.28 billion unit cases. Total revenues decreased 5.6% to Ps. 183.6 billion. Operating income declined 0.7% to Ps. 25.2 billion. Operating cash flow increased 0.5% to Ps. 37.3 billion, while our operating cash flow margin expanded to 20.3%. Controlling net income reached Ps. 10.3 billion for earnings per share of Ps. 0.61 and per unit of Ps. 4.91 (Ps. 49.06 per ADS). Notably, our net-

debt-to-EBITDA ratio closed the year at 1.1 times, while our cash position was more than Ps. 43 billion, reflecting our strong balance sheet.

As we move ahead, one of our key strengths is our mutually beneficial business relationship with The Coca-Cola Company. Working together, we not only reacted rapidly and forcefully to the pandemic, but also remained focused on driving the system and our company forward.

Against the backdrop of a complex, dynamic environment, we're encouraged by

our resilience, our underlying operating trends, and our people's unwavering devotion in the face of adversity. Guided by our shared purpose of refreshing the world anytime, anywhere, we're taking the right steps to emerge a stronger companycreating key avenues for growth and value creation for years to come.

On behalf of our employees, we thank you for your continued confidence in our ability to deliver economic value and to generate social and environmental wellbeing for you all.

#### COVID-19

RISING TO THE CHALLENGE

We focused our actions on five key areas to ensure our business continuity

The unpredictable, uncertain, and complex environment that emerged with the COVID-19 pandemic brought out the best in us and in our collective humanity.

We would like to offer our sincere condolences to everyone who lost a loved one. In particular, we would like to take a moment to remember our colleagues who sadly lost the battle to this virus.

We further express our deepest appreciation and gratitude to all of the healthcare workers, first responders, emergency professionals, and other essential workers on the frontline of this pandemic that allowed us to sustain some sense of normality amid these troubling times.

This pandemic has demanded a great deal from all of us, but as we reflect on this challenging moment in time, we can see the light ahead. Nonetheless, this is not the time to let our guard down, but to remain patient and do what is best for our society.

Coca-Cola FEMSA has overcome crises before, demonstrating the ability to successfully adapt to and capitalize on dynamic environments to emerge a stronger company.

This year, we acted swiftly to develop a comprehensive management framework to guide our COVID-19 prevention actions and comeback plans and to protect our short-term results while fostering our long-term goals. As part of this framework, we focused our actions on five key areas to ensure our business continuity:







**BEVERAGE DONATION** 



Contribute to expanded hospital capacity."



**MEDICAL SUPPLIES** 

Use trucks and marketing spaces to amplify preventive measures."



**DISTRIBUTION & LOGISTICS** 

Hiters of beverages donated

26분 60 분 tests donated masks and gowns medical supplies delivered

#### **Interview With Our CFO**

Constantino Spas, our company's **Chief Financial Officer, reflects on** our company's ability to navigate an exceptionally challenging environment and emerge even stronger. He further discusses our business' resilient performance, significant progress on his five key priorities, steps to strengthen our balance sheet, the Coca-Cola System's first-ever green bond, our Fuel for Growth program, debt-refinancing strategy, and disciplined capital allocation.





## Constantino, how did you and your team progress on your five key priorities over the course of the year?

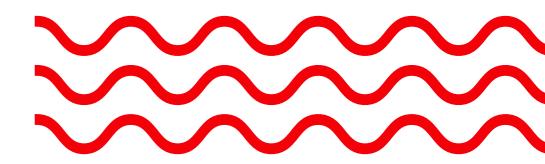
This year, we successfully navigated an exceptionally challenging environment to emerge an even stronger company. Against this backdrop, we made significant progress on the five key priorities that we set when I assumed the CFO position a couple of years ago.

- 1. Maintain our solid financial foundation to improve our return on invested capital (ROIC) Aligned with our comprehensive management framework, we acted rapidly and efficiently to fortify our cash position, protect our cash flow and liquidity, reprioritize CAPEX across our operations, and aggressively target cost savings and efficiencies, while strengthening our balance sheet. This enabled us to finish the year with a very solid financial foundation to improve our ROIC year over year.
- 2. Continue evolving our finance function to drive top- and bottom-line results and maximize shareholder value This year, we proved ourselves to be a true partner to our broader business operations. Among our actions, we supported our operations by taking the lead in driving cost and expense containment; we acted quickly to tap the internation-

al capital markets before, during, and after the pandemic hit; and we maintained our capital investment in priority projects. In this way, we worked to ensure operating continuity and product supply, expand our returnable portfolio, and accelerate the rollout of transformational initiatives—from our omnichannel strategy to our home delivery routes. We further increased our annual dividend, delivering on our commitment to maximize value for our shareholders.

- 3. Guarantee that we will continue attracting and developing our talent base for our finance function Aligned with our DNA, we continue to attract and develop our growing base of talent—infused with the right behaviors, attributes, and capabilities—across our operations' diverse finance functions. Indeed, as part of our talent development platform, we continued to move and promote finance leaders around our organization, providing valuable opportunities for professional growth.
- 4. Continue our approach of transparency, fair disclosure, and continuous communication with our stakeholders
  This year, we doubled down on our

- engagement with the financial markets, investors, and analysts, proactively gathering feedback from and providing feedback to the market—always maintaining this essential two-way communication with our stakeholders.
- 5. Finally, in my role as CFO, I continue to take important steps to support John and our senior leadership team on their journey of cultural transformation, reinforcing our DNA by taking an active role in the implementation of our multi-year Fuel for Growth program and other strategic initiatives that we established together as a team.

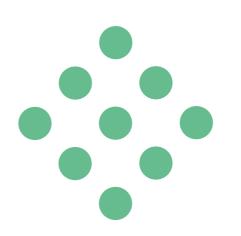




Could you expand on the proactive actions taken to protect the company's cash flow and liquidity—while strengthening the company's balance sheet—in the face of the COVID-19 pandemic?

Certainly, as part of our comprehensive management framework, we focused heavily on effective cash management and further strengthening our balance sheet. As I previously noted, we proactively tapped the market to successfully refinance debt and take on short-term credit to solidify our company's cash position and protect our liquidity. Working hand in hand with our operators, we aggressively targeted savings, and we quickly reevaluated and prioritized CAPEX—ensuring investments in key projects across our operations.

Importantly, our cash control towers enabled us to improve cash from operations by 12% year on year, driven by cost and expense controls, as well as disciplined working capital management. These towers or nerve centers utilize an iterative process to periodically update all of our forecasting and to provide clarity to every single operation on their financial needs on a rolling basis for a 13-week period. Over the coming year, we look to convert our cost and expense containment into reduction, while implementing our zero-based budgeting program.

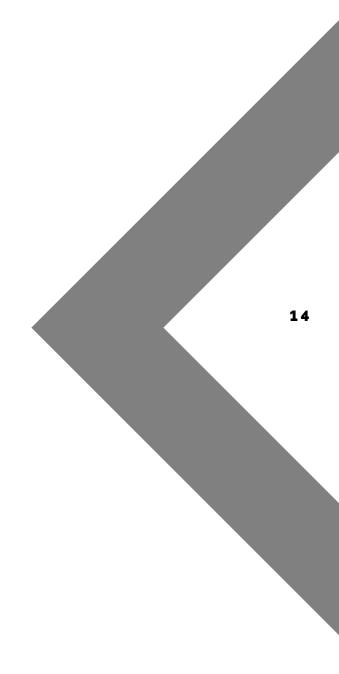


In light of those actions, how would you reflect on the company's overall performance for the

2020 underscored our company's strength and resilience. Our robust business—coupled with our rapid deployment of market strategies and comeback plans—enabled us to navigate an extraordinarily challenging environment to deliver better than expected financial results, and most importantly, to continue to take significant steps towards our long-term strategic goals. To this end, we took tremendous strides to enable our overall digital transformation, ensure business sustainability, foster a collaborative organization, and reinforce our consumer-centric portfolio.

Notably, our affordable and diverse portfolio, together with relentless point-of-sale execution, enabled us to gain market share across the non-alcoholic-ready-to-drink (NARTD) space in all of our key territories. This growth reflects our long-term strategic focus on winning during tough times while positioning our business to emerge even stronger during the recovery.

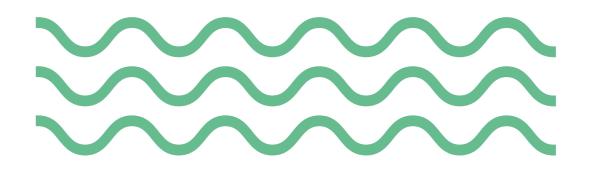
Indeed, thanks to our efforts, our netdebt-to-EBITDA ratio closed the year at a healthy 1.1 times, while our cash position was more than Ps. 43.4 billion, underscoring our strong balance sheet and liquidity position moving forward.



## Could you expand on the company's successful green bond issuance in the international capital markets?

Consistent with our ongoing financial discipline and commitment to sustainability, we issued our first-ever green bond in the international capital markets on September 1, 2020. The successful public offering of US\$705 million principal amount of notes due 2032 was priced at US Treasury + 120 basis points and a coupon of 1.85%.

This transaction is the largest ever green bond for a Latin American corporation and received broad participation from investment-grade dedicated investors, confirming Coca-Cola FEMSA's strong credit profile and ambitious sustainability agenda. We expect this bond will enable us to achieve our environmental targets in areas such as climate action, water stewardship, and a circular economy, while acting as an incentive to push even harder on the sustainability front.

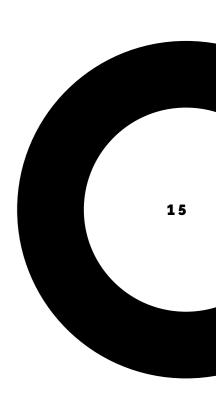


During the year,
the company
undertook other
debt refinancing
transactions. Could
you briefly elaborate
on this strategy and
the company's plans
for additional debt
refinancing?

Consistent with our financial discipline, we completed our liability management strategies before COVID-19 became a global pandemic, reflecting our conservative profile and prudent approach to debt under all circumstances. During January and February 2020, we took advantage of favorable market conditions to complete debt-refinancing transactions in the U.S. dollar and Mexican peso debt markets by issuing an aggregate of US\$1.5 billion.

These transactions provide us with a very manageable debt maturity profile. Specifically, we extended the average life of our debt from seven to approximately nine years, while reducing our average interest rate. Moreover, we continued to adhere to our policy of a maximum of zero net debt exposure to U.S. dollars.

Today, we enjoy a comfortable and conservative debt profile, with more than 80% of our debt maturing beyond 2025.



Our Fuel for Growth efficiency program enabled us to emerge from the pandemic as an even leaner, more agile organization fully focused on our clients and consumers.

Could you further update us on the company's Fuel for Growth program and its savings?

Our Fuel for Growth efficiency program, which we began to roll out in 2019, enabled us to not only face, but also emerge from the pandemic as an even leaner, more agile organization fully focused on our clients and consumers.

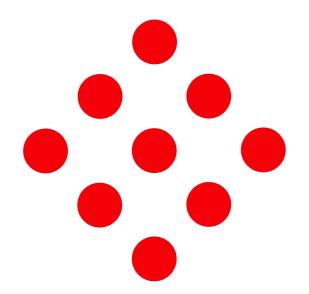
Beyond delivering more than US\$416 million in savings during 2020, this multi-year program is focused on a series of ambitious productivity and efficiency initiatives designed to strengthen our organization through new ways of working, eliminating redundancies, and leveraging digital enablers to streamline our cost base, while generating funds to support our strategic initiatives and reinvest in our business to fuel our top- and bottom-line growth.

Among our initiatives, we look to implement our zero-based budgeting (ZBB) program over the coming year. Through ZBB, we aim to achieve more flexible budgets, focused operations, lower costs, and even more disciplined execution.

Finally, could you briefly describe Coca-Cola FEMSA's view on capital allocation, especially with respect to mergers and acquisitions going forward?

At this point, we are well positioned financially and operationally to take selective advantage of any compelling inorganic business opportunities that may arise. We enjoy the benefits of not only a strong balance sheet, but also outstanding operational capabilities to smoothly integrate and extract synergies from newly acquired assets.

With that in mind, we will leverage our disciplined approach to capital allocation as we evaluate inorganic opportunities for growth from both a strategic and value standpoint. Among our criteria, as exemplified by our recent transactions, we look to pay a correct valuation, including clearly identifiable synergies; to scale our business, while providing liquidity to our shareholders; to diversify our operations across geographies and currencies; and to expand our portfolio into promising beverage categories.



#### **Interview With Our CAO**

José Ramón Martínez, Corporate Affairs Officer, discusses our updated sustainability strategy. Among other topics, he talks about our main sustainability achievements, environmental stewardship, and strengthening of our local communities.





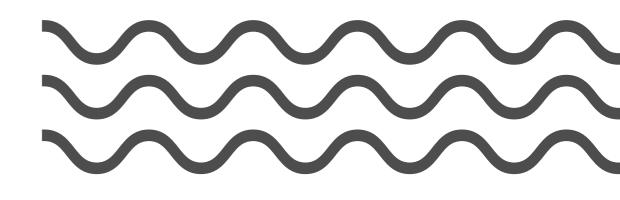
### What would you say were Coca-Cola FEMSA's main sustainability achievements during 2020?

2020 was a very challenging year from both a societal and business context, impacted by one of the most severe pandemics in modern human history. At Coca-Cola FEMSA, we understand this, and we empathize with the families of those who have suffered and regretfully lost the battle against COVID-19.

Because of the important role that we play to keep the economy moving and to hydrate and nourish the communities we have the privilege to serve, we were designated an "essential business," a classification that we do not take lightly. Driven by our purpose to refresh the world, we carried on operating safely with our workforce—committed to always find the most efficient and sustainable way to put the drink of choice in our consumers' hands anytime, anywhere.

Under this business environment, we continued to focus on our sustainability strategy. As we concluded our 2020 Sustainability Framework, the year proved a successful story of key targets achieved; new ambitions set for years to come under our updated Framework; and important achievements. Notably, we became the first Mexican company to receive official approval from the Science Based Targets Initiative (SBTi) for our 2030 emissions reduction targets, aligned with a well-below 2°C global temperature rise pathway. We further issued the Coca-Cola System's first-ever green bond, currently the largest for a Latin American corporation.

How would you describe Coca-Cola FEMSA's increasing integration of sustainability, and its Framework, into the company's business priorities?

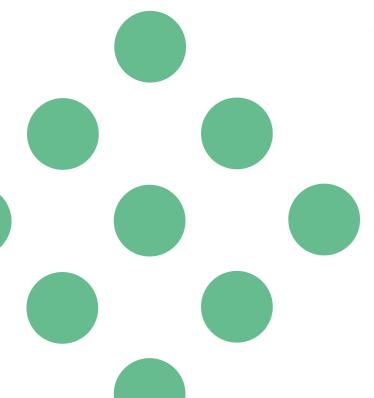


In 2020 we reached a milestone by completing our 2020 goals, and to give continuity to our strategy, we conducted a materiality analysis to ensure that our sustainability priorities are aligned with stakeholders' expectations and what the business needs to thrive in the coming years. Through this analysis, we developed a new set of priorities that:

- Helped Coca-Cola FEMSA to understand its position as part of an entire value chain
- Position Coca-Cola FEMSA's value chain within a society that has expectations to be met
- Understand the role that both the company and society play in respecting environmental boundaries.

As a result of this process, we identified a set of 45 material topics that, when viewed in its entirety, determined specific lines of action across Coca-Cola FEMSA's value chain to ensure the sustainability of our business, business partners, and the communities in which we operate.

We further kept the three axes that have guided us since the creation of our first sustainability strategy in 2013—Our People, Our Planet, and Our Communities. They are now invigorated with a new value chain approach, focusing on societal expectations, stakeholder engagement, and continuous efforts to care for the environment and, simultaneously, create economic and social value in collaboration with our stakeholders.



#### What is Coca-Cola FEMSA's strategic approach to water resource management?

#### What do you think is the role of Coca-Cola FEMSA in the face of climate change?

First and foremost, we recognize that climate change is a real, imminent threat to the way that we are accustomed to live. With this in mind, we are convinced that a science-based, multi-stakeholder effort is required for humanity to address this urgent threat, and at Coca-Cola FEMSA, we are committed to doing our part.

Speaking of commitments, we exceeded our 2020 target of using clean energy to supply 85% of our Mexican manufacturing operations' power needs, satisfying 96% of these operations' electricity requirements with clean energy sources in December, 2020. Additionally, aligned with the call to action to limit global warming to well-below 2°C above pre-industrial levels, we are increasing our ambition to reduce

emissions from the value chain, along with other commitments under Coca-Cola FEMSA's Climate Change Strategy. Specifically, our new 2030 commitments (with a 2015 baseline) are to:

- Reduce absolute GHG emissions from our operations (scopes 1 and 2) by 50%
- Reduce absolute GHG emissions from the value chain (covering purchased goods and services and upstream transportation and distribution) by 20%
- Achieve 100% renewable electricity in our operations.

Importantly, when we talk about "absolute emissions," we are decoupling business growth from GHG emissions, and actually acknowledging that no matter the size of the business in 2030, we will still make it less emissions intensive than 2015.

We are committed to the efficient use of this natural resource in our bottling operations and to 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 2020, we significantly improved our water use ratio by an impressive 24% to reach 1.49 liters of water per liter of beverage produced, achieving our 2020 goal. Additionally, we currently give back to the environment more than 100% of the water we use in the production of our beverages in Brazil, Colombia, Mexico, Central America, and Argentina.

Consistent with our commitment to water conservation, in collaboration with FEM-SA Foundation, we carry out projects designed to improve communities' quality of life by helping to provide them with safe water, improved sanitation, and hygiene education. We further work to strengthen water funds and conserve water basins through sustainable initiatives involving partnerships with several stakeholders.

Building on our conservation efforts, this year we launched in Mexico the "Cauce Bajío" water fund in collaboration with the Latin American Water Funds Alliance, comprised of FEMSA Foundation, the Inter-American Development Bank (IDB), the Global Environment Facility, The Nature Conservancy, and the International Climate Initiative.



#### What is Coca-Cola **FEMSA's strategic** approach to proper waste management?

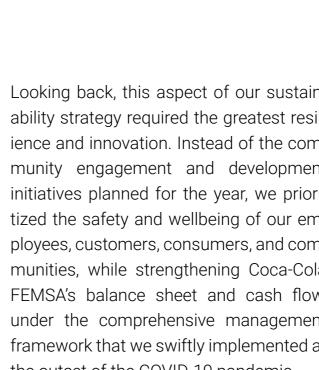
We are convinced that the best way to tackle this challenge is through a collaborative multi-stakeholder, market-based approach to the circular economy, which requires each party responsible for waste generation to do their part. Consistent with this approach, we are doing everything possible to be part of the solution.

Continuing our long-term commitment to collectively address the challenge of waste management 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, collection and recycling mechanisms account for more than 50% of the PET bottles that we sell, putting us well on track to our 2030 goal of collecting 100%

of the PET bottles we place in the market. While this is a challenging task, we are confident that, with the support and co-responsibility of all of the actors in the value chain, we will fulfill this goal. Importantly, we undertake this concerted effort in conjunction with our ongoing initiatives to lighten the weight of our packages, optimize the use of PET, and incorporate recycled content into our bottles.

In 2020, we used an average of 29% recycled content in our plastic bottles, exceeding our 2020 goal of 25%; a goal that we aim to expand to include 50% of recycled materials in our PET packaging by 2030. We further advanced on our Zero Waste program, with two thirds of our 49 bottling facilities earning this certification.

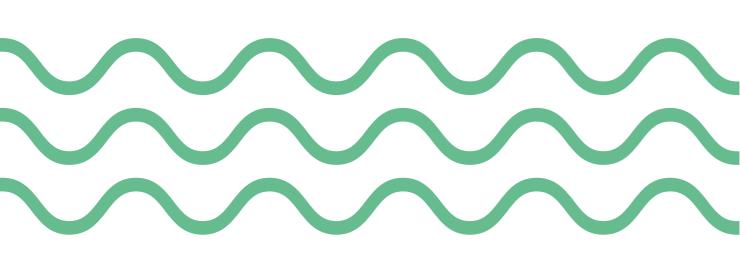
**How did Coca-Cola FEMSA's focus** on community development, particularly in the face of the COVID-19 pandemic?

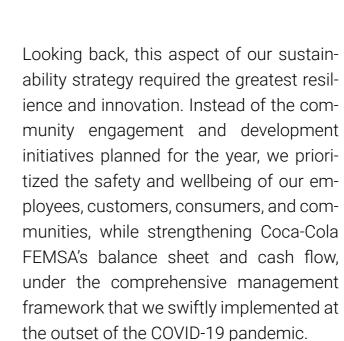


As a leading beverage company, we have made our resources available to build on the actions of the communities where we operate. In solidarity with our communities and in collaboration with health pro-

fessionals at the front line of the COVID-19 health emergency, we have offered our company's support through the donation of over 3.8 million liters of beverages to medical centers and vulnerable communities, the communication of prevention measures, the expansion of hospital capacity, and the distribution of 1.9 million medical supplies.

By prioritizing the health and safety of our employees and focusing on the needs of our customers, consumers, and communities, we reinforced Coca-Cola FEMSA's commitment to delivering economic value, while generating social and environmental wellbeing.







## OUR EXPERIENCED MANAGEMENT TEAM

Guided by our purpose to refresh the world anytime, anywhere, our experienced management team enables us to rise to the challenges of our times and to emerge from them even stronger. Together, they work to deliver economic and social value while generating environmental wellbeing for our stakeholders year after year.

Underpinned by KOF DNA, they leverage our strengths to not only guide our business transformation and growth, but also achieve our long-term strategic priorities. Empowered by their example, we strive to consolidate our leadership position in the global beverage industry, capturing key avenues for growth and value creation well into the future.

As of January 1, 2021, Mr. Ignacio Echevarria assumed the position of Chief Information Officer, reporting directly to our CEO. Mr. Echevarria assumed the IT responsibilities that were previously overseen by Mr. Suárez, who will continue to focus his role in transformation and commercial development.



John Santa Maria Otazua
CHIEF EXECUTIVE OFFICER

Mr. Santa Maria joined Coca-Cola FEMSA in 1995 and was appointed to his current position in 2014. With 38 years of experience in the beverage industry, he previously served in several senior management positions in our organization, including Chief Operating Officer of the South America Division, the Mexico Division, and other C-suite roles such as Strategic Planning, Commercial Development, and Mergers & Acquisitions. He is a member of the Boards of Compartamos Banco, the American School Foundation, Coca-Cola FFMSA and FFMSA Foundation, Mr. Santa Maria earned a Bachelor's degree and an MBA with a major in Finance from Southern Methodist University.



Constantino Spas Montesinos
CHIEF FINANCIAL OFFICER

Mr. Spas joined Coca-Cola FEMSA in 2018 as Strategic Planning Officer and was appointed to his current position in 2019. He has over 25 years of experience in the food and beverage sector in Latin America with a demonstrated track record in companies such as Bacardi, Kraft Foods, SAB Miller, Grupo Mavesa, and Empresas Polar. Mr. Spas earned a Bachelor's degree in Business Administration from Universidad Metropolitana in Caracas, Venezuela, and an MBA from Emory University Goizueta Business School in Atlanta, Georgia.



Karina Awad Pérez
CHIEF HUMAN RESOURCES OFFICER

Ms. Awad joined Coca-Cola FEMSA in 2018 and was appointed to her current position in the same year. With almost 29 years of experience in the human resources field, she previously served as Senior Vice President of Human Resources for Walmart Mexico and Central America, and Vice President of Human Resources for Walmart Chile. As of 2021, Ms. Awad is partner of the International Women Forum in Mexico and has received multiple recognitions for her female leadership role and her human resources influence in Latin America. Ms. Awad earned a Bachelor's degree in Psychology from Pontifical Catholic University of Chile and an MBA from the Adolfo Ibáñez School of Management in Miami. She is also a certified Executive Coach from Newfield Co.



Rafael Suárez Olaguíbel
CHIEF TRANSFORMATION, IT
AND COMMERCIAL DEVELOPMENT
OFFICER

Mr. Suárez began his career in the beverage industry in 1981 with The Coca-Cola Company. In 1986, he joined Coca-Cola FEMSA and was appointed to his current position in 2018. With almost 40 years of experience in the beverage industry, he previously served in several senior management positions, including head of our Argentina, Colombia, Costa Rica, Guatemala, Nicaragua, Panama, and Venezuela operations, New Business Director of Coca-Cola FEMSA, Chief Operating Officer of Latin Centro Region, Commercial Planning and Strategic Development Director of Coca-Cola FEMSA, and Chief Operating Officer of Mexico. Mr. Suárez earned a Bachelor's degree in Economics from ITESM and an MBA from the EGADE Business School of ITESM.1



Rafael Ramos Casas
CHIEF SUPPLY CHAIN
& ENGINEERING OFFICER

Mr. Ramos joined Coca-Cola FEMSA in 1999 and was appointed to his current position in 2018. With over 30 years of experience in the beverage industry, he previously served in several senior management positions, including Manufacturing Director for the Southeast of Mexico, Manufacturing and Logistics Director, Supply Chain Director for Mexico and Central America, and Supply Chain Director of FEMSA Comercio. Mr. Ramos earned a Bachelor's degree in Biochemical Engineering and an MBA in Agribusiness from the EGADE Business School of ITESM.



José Ramón Martínez Alonso
CORPORATE AFFAIRS OFFICER

Mr. Martínez joined Coca-Cola FEMSA in 2012 and was appointed to his current position in 2016. With 34 years of experience in the Coca-Cola system, he previously served in several senior management positions, including Chief Operating Officer of Brazil Division, Strategic Planning Director of South America Division, and Corporate Affairs Director of the Mexico and Central America Division. Mr. Martínez earned a Bachelor's degree in Chemical Engineering from Universidad La Salle and completed postgraduate studies in Production Administration at Georgia Institute of Technology, Strategic Planning at Stanford University, Finance at the John E. Anderson Graduate School of Management at UCLA, and Business Management at the Instituto Panamericano de Alta Dirección de Empresas (IPADE).



Fabricio Ponce Garcia
CHIEF OPERATING OFFICER
Mexico Division

Mr. Ponce joined Coca-Cola FEMSA in 1998 and was appointed to his current position in 2019. With over 22 years of experience in the beverage industry, he previously served in several senior management positions, including Chief Operating Officer of the Philippines, Managing Director of Central America, Argentina, and Colombia, and Director of Planning for Latin America Region. Before joining Coca-Cola FEMSA, he served as Managing Director for Heineken in Brazil and Senior Consultant in Bain & Company. An agricultural engineer, Mr. Ponce earned a Master's degree in Economics from INCAE Business School in Costa Rica.



lan M. Craig Garcia
CHIEF OPERATING OFFICER
Brazil Division

Mr. Craig joined Coca-Cola FEMSA in 2003 and was appointed to his current position in 2016. With over 26 years of experience in the beverage industry, he previously served in several senior management positions, including Chief Operating Officer of Argentina, CFO and Strategic Planning Director of South America Division, CFO, Planning and Corporate Affairs Director of Mercosur Region, and Corporate Finance and Treasury Director of Coca-Cola FEM-SA. Mr. Craig earned a Bachelor's degree in Industrial Engineering from ITESM, an MBA from the University of Chicago Booth School of Business, and a Master's degree in International Commercial Law from ITFSM.



Eduardo G. Hernández Peña
CHIEF OPERATING OFFICER
LATAM Division

Mr. Hernández joined Coca-Cola FEMSA in 2015 and was appointed to his current position in 2018. With over 31 years of experience in the beverage industry, he previously served in several senior management positions, including Strategic Planning Director and New Business Director of Coca-Cola FEMSA. Before joining Coca-Cola FEMSA, he served as CEO of Gloria Alimentos and Beer Business Director in Empresas Polar in Venezuela. Mr. Hernandez earned a Bachelor's degree in Business Administration from Universidad Metropilitana in Caracas, Venezuela, and an MBA from the Kellogg School of Management at Northwestern University.

#### OUR **FOOTPRINT**

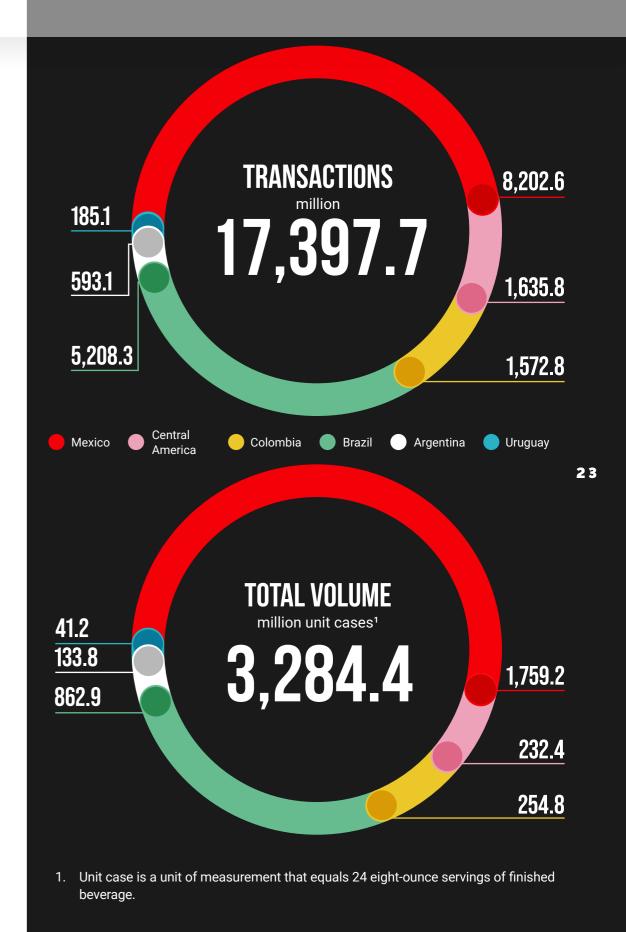
We have the privilege to serve more than 265 million people through 1.9 million points of sale in 9 markets of Latin America with a wide portfolio of leading brands in 10 beverage categories.











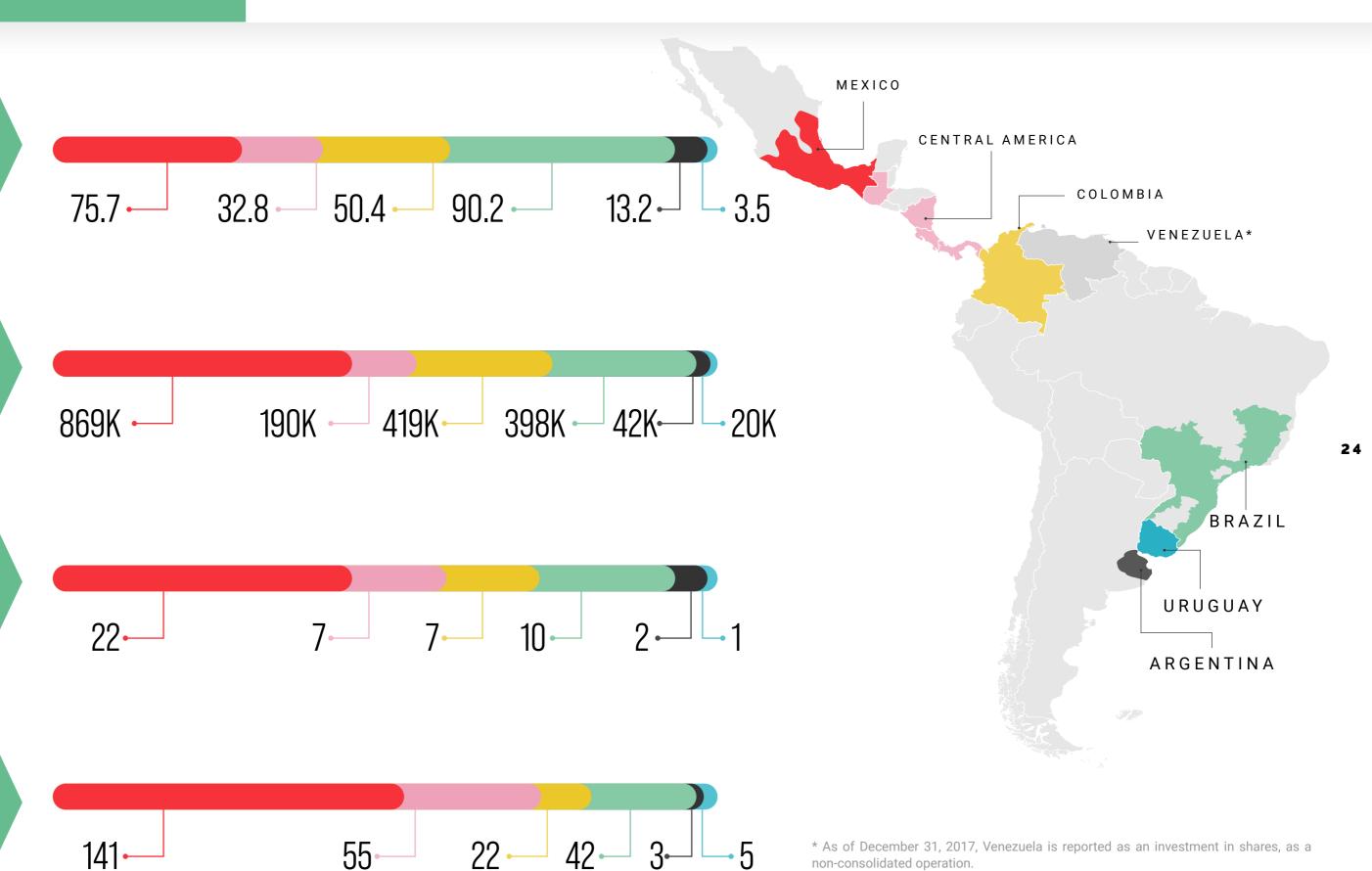








141



<sup>\*</sup> As of December 31, 2017, Venezuela is reported as an investment in shares, as a

# NON-RETURNABLE

## MEXICO 58% CENTRAL AMERICA 59% COLOMBIA 80% BRAZIL 73% URUGUAY 70% ARGENTINA 78%



42%

41%

20%

27%

30%

22%



#### **Product mix by size**

## 

₹235 ml

CENTRAL AMERICA	
40%	
COLOMBIA	
20%	
BRAZIL	
19%	
JRUGUAY	
11%	

#### ca Coli

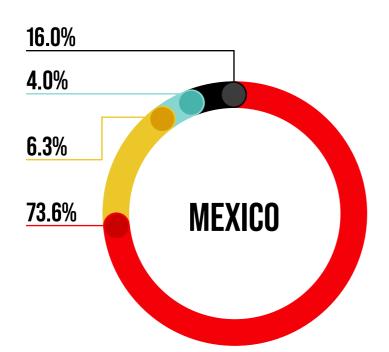
#### SPARKLING

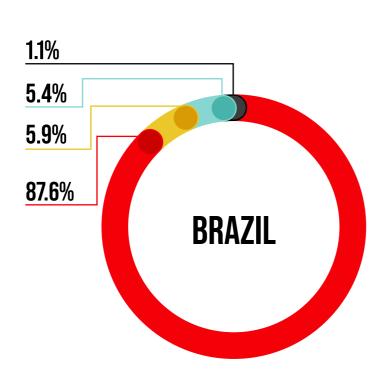


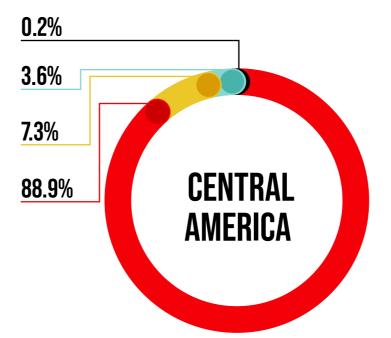


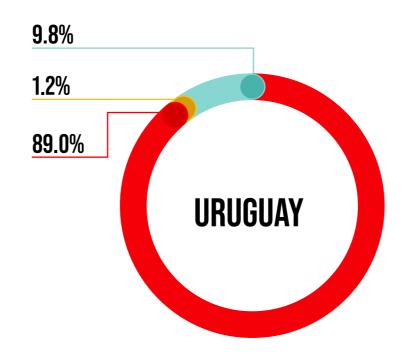


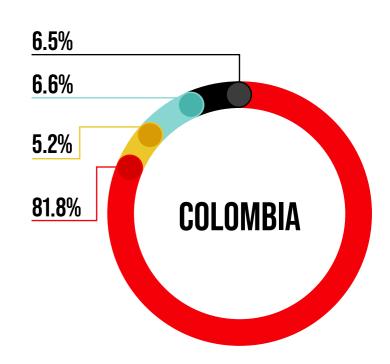
# PRODUCT MIX BY CATEGORY

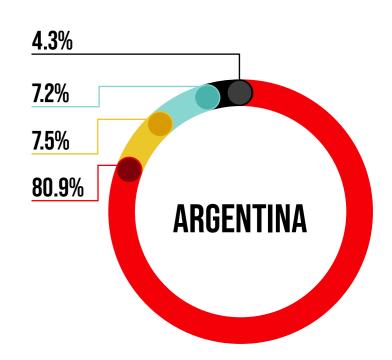










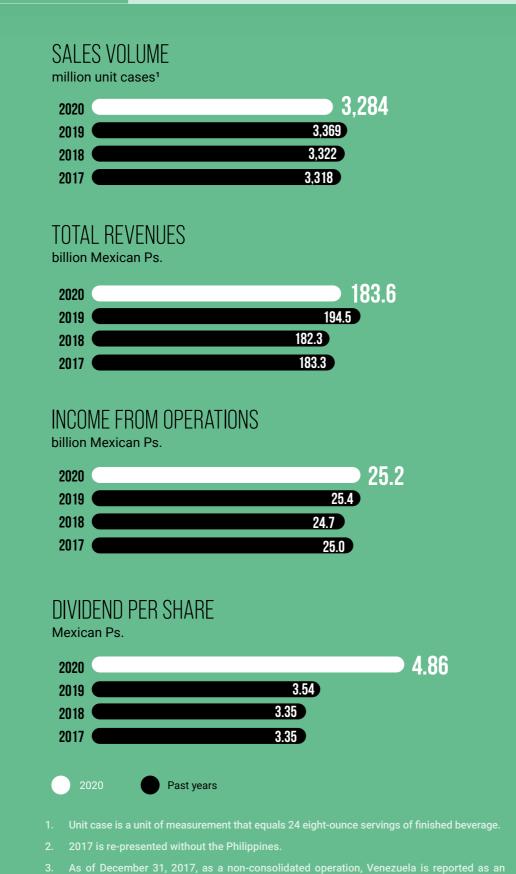


As certain figures in this integrated annual report are rounded, totals may not precisely equal the sum of the numbers presented.

<sup>1.</sup> Excludes still bottled water in presentations of 5.0 Lt. or larger. Includes flavored water.

<sup>2.</sup> Bulk water - still water in presentations of 5.0 Lt. or larger. Includes flavored water.

Despite the significant challenges posed by the COVID-19 pandemic, 2020 was a year of resilience and continuous transformation for Coca-Cola FEMSA. We addressed the pandemic with operating excellence and continued to move aggressively on all strategic and digital fronts.



	USD <sup>1</sup>
Sales Volume (million unit cases)	3,284.4
Total Revenues	9,231
Income from Operations	1,269
Controlling Interest Net Income <sup>2</sup>	518
Total Assets	13,225
Long-Term Bank Loans and Notes Payable	4,145
Controlling Interest	5,875
Capital Expenditures	521
Book value per share <sup>3</sup>	0.35

ept volume and per share data). Results under International Financial

2020

2019

MXN

3,368.9

194,471

25,423

12,101

257,839

58.492

122,934

11,465

7.31

2020

MXN

3,284.4

183,615

25.243

10.307

263,066

82,461

116.874

10.354

6.95

% Change

-2.5%

-5.6%

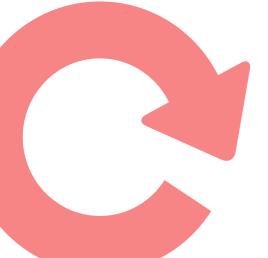
41.0%

-9.7%

-4.9%

27

- 1. U.S. dollar figures are converted from Mexican pesos using the exchange rate for Mexican pesos published by the U.S. Federal Reserve Board on December 31, 2020, which exchange rate was Ps. 19.89 to U.S.\$1.00.
- 2. As of December 31, 2017, the Company changed the method for reporting Coca-Cola FEMSA Venezuela to Fair Value. Due to this change, a recorded foreign currency translation charge in equity has been reclassified as a noncash one-time item to the other non-operative expenses line of the Income Statement in accordance with IFRS.
- 3. Based on 16,806.7 million outstanding ordinary shares as of December 31, 2020 and 2019.



In 2020, we distributed to the economies in which we do business over US\$7.2 billion in payments to suppliers, wages and benefits for our employees, capital investments in long-term assets, dividends paid to shareholders, income taxes paid to governments, and community investment and donations.

02

+US\$20∰

invested and donated to communities and institutions.



03

**+7.2** ▮

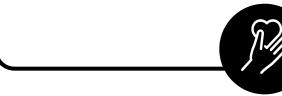
beneficiaries of our healthy lifestyle initiatives.



04

2.17

volunteer hours accumulated since 2015.



05

**1.49** §

of water per liter of beverage produced.



**06** 

**17** 8

liters of water saved since 2015.



**07** 

29%

recycled PET used on average across our plastic bottle presentations.





08

98%

of post-industrial waste recycled or properly disposed.



09

2/3

of our 49 manufacturing facilities have Zero Waste certification.



10

80%

of our electricity requirements across our manufacturing operations come from clean sources.

11

Mexican Company to secure approval of the Science Based Targets initiative (SBTi) for our GHG emissions reduction targets.

12

US\$705 \{\bar{2}}

Currently the largest Green Bond issuance for a Latin American Corporation and 1<sup>st</sup> within the Coca-Cola System. 13 3.8

liters of beverage donated to vulnerable population, health professionals, and front-line workers amidst the COVID-19 pandemic.

14

WE'RE IN THE TOP

15%

of companies leading the Sustainability agenda according to the S&P Global Sustainability Yearbook 2021. 15

Consecutive year of inclusion in the Bloomberg Gender-Equality Index.



#### **Summary of Offering Terms**

Issuer	Coca Cola FEMSA SAB de CV
Format	Senior Unsecured Green Bond
Ratings	A2 (Moody's) / A- (Fitch)
Size	US\$705MM
Pricing	August 26, 2020
Maturity	September 1, 2032
Coupon/ Yield & Spread	1.850% / 1.887% UST10Y+120bps
Issuance Price	99.604%
Optional Redemption	3-month par call, MWC

#### A Transaction of many "Firsts"

- KOF's first-ever Green Bond issuance
- Largest-ever Green Bond issued by a Latin American corporate
- A first for the Coca-Cola System
- First Mexican corporate to issue a Green Bond
- Lowest 10+ year coupon for any Latin American issuer

## SS STORY

**KOF ISSUES LARGEST GREEN BOND** BY A LATIN AMERICAN CORPORATION

Our sustainability strategy and environmental commitments are the cornerstone of the way we conduct business. Issuing a Green bond is consistent with our drive to maximize the impact of our Green initiatives, to achieve our sustainability goals and to contribute to the achievement of the United Nations Sustainable Development Goals (UN SDGs).

In September 2020, we successfully issued our first-ever Green Bond 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 in 3 main strategic areas where we can make the most positive environmental impact:



**Climate Change** 

Mitigating its risks and adaptating our operations to climate-related impacts

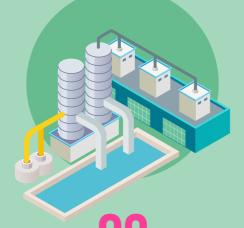












OL ator Stowards

#### **Water Stewardship**

Promoting the efficient use of water resources and fostering hydrological safety in the territories where we operate









03

#### **Circular Economy**

To "close the loop" of PET plastic bottles lifecycle





For further information, please review:

Our Green Bond Framework
Sustainalytics' Second-Party Opinion (SPO)
Our First Green Bond Report. Available in 2Q21

#### VALUE **CHAIN**

#### 1. Ingredients

We work with our suppliers to have the best raw materials.

#### 2. Manufacturing

Enabled by our Digital Manufacturing Platform 2.0, we produce high-quality beverages in our facilities, with an efficient use of water and energy.

#### 3. Primary Distribution

From our manufacturing facilities, we ship beverages to our 268 distribution centers.

#### 4. Distribution Center

In our automated warehouses, we integrate pre-sale with secondary distribution processes.

#### 5. Pre-Sale

Powered by the KOF Digital Platform, we serve our clients in the traditional and modern channels, offering a winning portfolio of leading brands in 10 beverage categories.

#### 6. Secondary Distribution

Once a pre-sale order is placed, we use our Digital Distribution Platform to define an optimal Route-To-Market operation.

#### 7. Points Of Sale

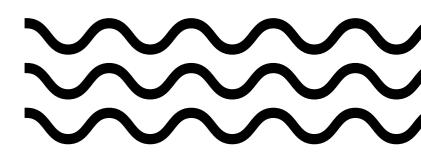
We reach more than 1.9 million points of sale with targeted commercial initiatives, and we use Market Analytics to maximize the value proposition for each client.

#### 8. Consumption

We serve more than 265 million people, offering a total portfolio, including 10 beverage categories with choices for every lifestyle.

#### 9. Recycling

We encourage and help consumers to properly dispose and recycle all packages from our beverages.





**Strategy** 

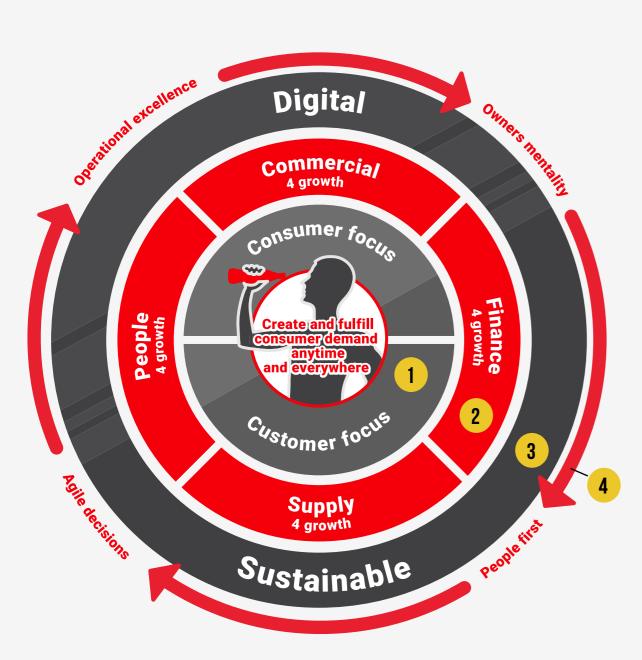
Sustainability

Materiality Matrix
Sustainability Framework
2020 Goals
United Nations Sustainable

United Nations Sustainable Development Goals



#### STRATEGY



1 ONE We must be obsessive about our consumers.

> We must maximize value for our customers.

3 ONE FUTURE We must deploy digital tools and enablers to transform the organization.

> We must ensure we have a license to operate.

2 ONE PLATFORM We must evolve the way we work.

We must strive for more efficiency and productivity.

We must continue to develop and deploy best-in-class capabilities.

4 OUR

Our DNA is the foundation of everything we do. Our DNA is the

> It includes fundamental beliefs and behaviors that govern our daily actions.

33

#### SUSTAINABILITY

#### MATERIALITY MATRIX

With our company's achievement of key 2020 sustainability targets, we conducted a comprehensive materiality study to ensure that our sustainability priorities are aligned with stakeholder expectations and what our business needs to thrive over the coming years. Through this analysis, we developed an updated set of priorities that:

- Clarify our company's position as part of our overall value chain
- · Position our company's value chain within the context of society's expectations
- Allow us to understand the role that we and our society play with respect to environmental care and respect of planetary boundaries.

As a result of this study, we identified 45 material topics and 17 priorities that will drive strategic lines of action across our value chain to ensure the sustainability of our business, our business partners, and the communities in which we operate.

**Using the results** of our study, we generated an updated materiality matrix, mapping the 17 identified priorities across the three axes of our sustainability strategy.



#### **ENVIRONMENT**

Environmental boundaries and restoration

Business continuity linked to our communities' expectations

SOCIETY

#### **Suppliers**

- Ingredients Processes
- Cold Drink Equipment
- Packaging (primary and secondary)

#### Coca-Cola **FEMSA Operations**

- Bottling
- Logistics and Distribution
- Commercial

#### **Customers**

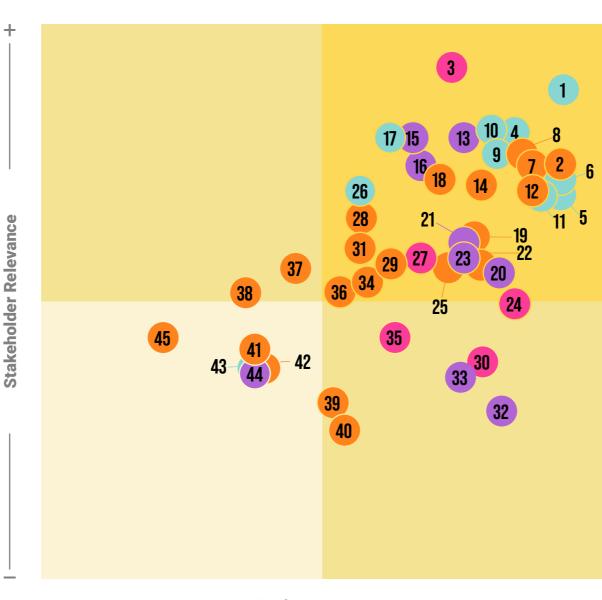
Distributors

Retailers

#### **Consumers**

Portfolio

Consistent with our sustainability framework, we maintained the three axes—
Our People, Our Planet, and Our Communities—that have guided us since the inception of our strategy, while reinvigorating these axes with a differentiated approach to sustainability focusing on ten strategic corridors throughout our value chain.



**Business Success** 



#### OUR PLANET

- 1 Packaging Circular Economy
- 4 GHG Emissions Reduction
- 5 Sustainable Mobility
- 6 Climate Change Adaptation
- 9 Energy Management: Renewables & Efficiency

- 10 WASH (Water Access, Sanitation, and Hygiene)
- 11 Context-Based Hydrological Safety
- 17 Water Efficiency
- 26 Industrial Waste Circular Economy
- 43 Environmentally Responsible Dairy Farming

#### OUR COMMUNITY

- 13 Human and Labor Rights
- 15 Diversity and Inclusion
- 16 Safety, Health, and Wellness
- 20 Culture, Ethics, and Values
- 21 Labor Relations

- 23 Standards for Contractors
- 32 Talent Attraction
- 33 Compensation and Benefits
- 44 Training and Development

#### OUR PEOPLE

- 2 Nutritional Attributes of Product Portfolio
- 7 Product Portfolio Diversification
- Relationship with Government
- 12 Consumer Engagement for Circular Economy
- 14 Supporting Small Businesses
- 18 Advertising & Commercial Practices
- 19 Women's Empowerment
- 22 Local Community Relationships
- 25 Information Security & Cybersecurity
- 28 GMOs / Traceability of Ingredients
- 29 Digitalization in Customers

- Promotion of Healthy Habits
- 34 Customer Engagement for Circular Economy
- 36 Support of Local Supply Chains
- 37 Road Safety
- 38 Information & Quality of Products
- 39 Customer Satisfaction Measurement
- 40 Quality of Service for Customers
- 41 Supplier Relationship T&Cs
- Management
- 42 Mechanism for Consumers to Raise Concerns
- 4E Opportunities for Va
- 45 Opportunities for Youth

#### CORPORATE GOVERNANCE

- Global Integrity & Compliance
- 24 Best-in-Class Board Practices
- Partnerships for Sustainability
- 30 Comprehensive Risk Management
- 35 Code of Conduct

Aligned with societal expectations, stakeholder engagement, and respect for environmental boundaries, our refreshed approach to sustainability aims to simultaneously create economic and social value across our value chain in collaboration with all of our stakeholders.

Our differentiated approach to sustainability focuses on ten strategic corridors throughout the company's value chain.

	SUPPLIERS	KOF OPERATIONS	CUSTOMERS	CONSUMERS/COMMUNITIES	
		Packaging Circ	cular Economy		
CIRCULAR ECONOMY	Industrial Waste Circular Economy		Customer Engagement for Circular Economy	Consumer Engagement for Circular Economy	
		GHG Emissions Reduction			
	Sustainable Mobility  Climate Change Adaptation				
CLIMATE ACTION					
	Energ				
WATER STEWARDSHIP	Safety	Context-based Hydrological Safety		WASH (Water Access, Sanitation, and Hygiene)	
WATER OTEWARDON		Water Efficiency			
PRODUCT PORTFOLIO	GMO's/ Traceability of Ingredients	Nutritional Attributes of Product Portfolio		Information & Quality of Products	
THOSE TOTAL OLD		Product Portfolio Diversification			
RELATIONSHIP WITH GOVERNMENT		Relationship with Governments			
MARKETING & ADVERTISING	Д		dvertising & Commercial Practice	es	
SUPPORTING SMALL BUSINESSES			Development of Capabilities		
FUNDAMENTAL WORKING	Human & Labor Rights				
CONDITIONS		Safety, Health & Wellness			
ENHANCED CULTURAL ELEMENTS		Diversity & Inclusion			
CORPORATE GOVERNANCE	Global Integrity & Compliance				
OUR PLANET OUR COMMUNITY OUR PEOPLE CORPORATE GOVERNANCE					

### SUSTAINABILITY FRAMEWORK

Our sustainability strategy provides us with the guidelines to achieve our mission to positively transform the communities where we operate, supported by our ethics and values.





38

#### **2020** GOALS

Our sustainability goals enable us to measure our progress on topics that impact the long-term sustainability of the business. Thanks to our efforts, we achieved key 2020 targets across the three axes of the sustainability framework.

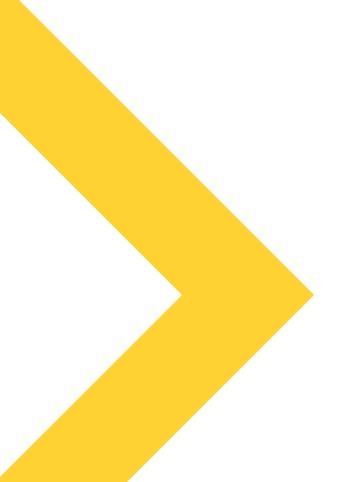






96%

of the enery used in December 2020 in manufacturing in Mexico came from clean energy sources, achieving our goal of 85%



people benefited with our nutrition and physical activation programs and initiatives, surpassing our goal of 5 million

217 hours of volunteer work, exceeding our goal of 1 million

29% of recycled materials in our PET packaging, surpassing our goal of 25% 149
liters of water per liter of beverage produced, an industry benchmark

39

#### UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We are committed to contributing to the achievement of the United Nations Sustainable Development Goals (SDGs). While many of our actions contribute to the 17 SDGs, we are convinced that we can have a larger impact on the following nine goals through our strategic framework and initiatives.



We aim to achieve sustainable economic growth through efficient resource utililization, promote a work environment that offers comprehensive professional development, create jobs in emerging markets, and apply sustainable sourcing principles.

#### 2 ZERO HUNGER

Several of our initiatives are focused on healthy habits for our communities, such as proper nutrition and social programs for early childhood development with FEMSA Foundation.



#### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We continually work to foster industry innovation, develop local suppliers, and improve our environmental performance, while reducing our carbon footprint across our value chain.



#### **3** GOOD HEALTH AND WELL-BEING

We are committed to promoting healthy habits. To date, we have already benefited over 7 million people through our nutrition and physical activation programs. In addition, we offer a total beverage portfolio, and we carry out responsible marketing strategies for our products.



#### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We communicate our sustainability results annually through our Integrated Report, and we established goals to ensure responsible consumption of raw materials, achieve greater production efficiency, and encourage post-consumption collection and recycling.

#### 6 CLEAN WATER AND SANITATION

Our production processes ensure efficient water use and wastewater treatment. We are committed to return to nature all of the water used to produce our beverages. We also develop water access, sanitation, and hygiene (WASH) programs in alliance with FEMSA Foundation.



Our corporate governance and the way we conduct our business is in full compliance with applicable regulations in all countries where we conduct our operations and with our Code of Ethics as compass.

#### 7 AFFORDABLE AND CLEAN ENERGY

We satisfied 85% of our Mexico operations power needs with clean sources, achieving our 2020 goal, and we continue to introduce clean energy across all of our operating countries, reaching an 80% share of our global bottling operations' electricity requirements.

#### 17 PARTNERSHIPS FOR THE GOALS

We recognize that complex, ever-changing challenges require innovative solutions that can only be achieved and put into action together. We embrace this reality, and we partner with other companies, governments, NGOs, and institutions to maximize our impact.



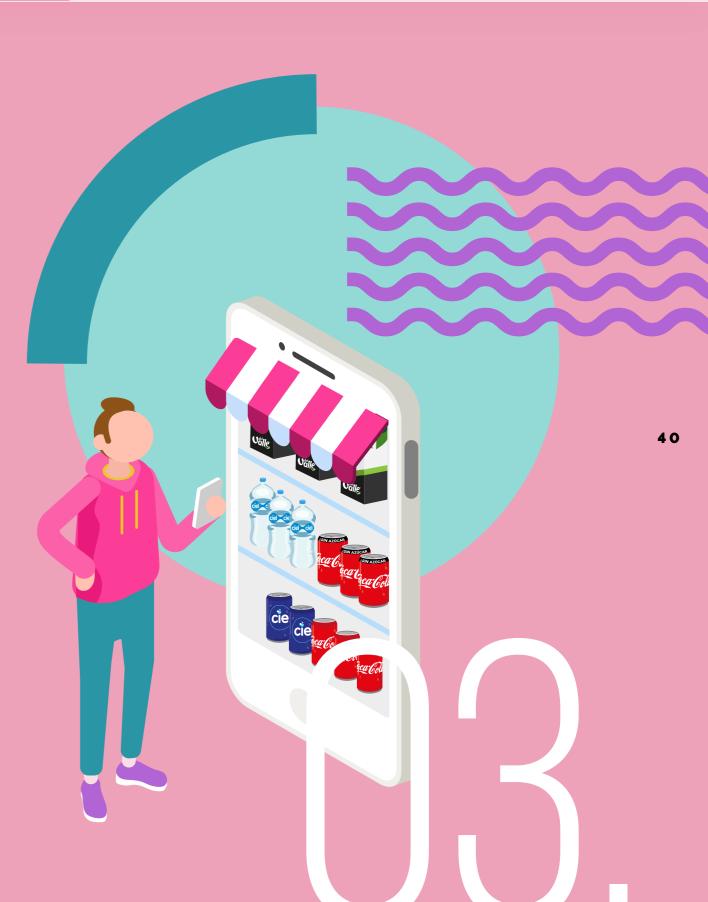
# STRATEGIC PRIORITIES

Build a Portfolio for Every Occasion

**Drive Overall Digital Transformation** 

**Ensure Business Sustainability** 

Foster a Collaborative Culture





Driven by our obsessive focus on our consumers and customers, we are consolidating a leading total beverage portfolio with options for every consumer taste and lifestyle, while promoting healthy habits—prioritizing the safety and wellbeing of our employees, customers, consumers, and communities throughout the course of the COVID-19 pandemic.



## **CONSUMER-CENTRIC**PORTFOLIO

Our strategy aims to build a winning consumer-centric portfolio for every occasion by leveraging affordability to drive sustainable sparkling beverage growth; capturing new consumption occasions and preferences through portfolio innovation; and consolidating our market leadership in emerging beverage categories, such as hydration, nutrition, and energy, while exploring new categories with discipline.

Our customers and consumers are at the center of everything we do. By deeply understanding their changing tastes and buying habits, we act faster than competitors to adapt our portfolio, product promotion, and packaging to evolving consumer behavior.

By deeply understanding our shoppers and consumers' changing tastes and buying habits, we act faster than our competitors to adapt our portfolio to satisfy their everchanging needs.



## SUCCESS STORIES

FULFILLING CONSUMERS' ESSENTIAL NEEDS

To fulfill our Brazilian consumers' essential needs, we leveraged our market coverage to expand our compelling cross-category combos of Brazilian food staples products—such as rice, beans, and pasta—with our core sparkling beverage brands across the modern trade channel. Because of these succesful actions, we have rolled out a specific end of year promotion, in which buying a 2-liters Coca-Cola and a turkey, the consumer would get a 2-liters Fanta for free.



#### SCALING DIGITAL CONSUMER EXPERIENCE

As consumers reshape their online purchasing patterns and preferences, we're accelerating our growth and first mover advantage across the digital channel, from pure players to grocery and food aggregators to e-retailers. In Mexico, we scaled our digital consumer experience—including a growing array of convenient single-serve multipacks—to generate revenue growth of 137% across the digital trade channel year over year.

#### EXPANDING CONVENIENT HOME DELIVERY

As at-home consumption occasions and preferences change, we continue to expand our home delivery routes, while broadening our portfolio strategies and promotions, to serve the evolving needs of more than 550 thousand households across Mexico City. Thanks to our increasing routes, technological advancements, and portfolio initiatives, we generated 20% total portfolio revenue growth in the home delivery channel—led by a 30.0% increase in our non-jug-water portfolio—in Mexico City this year.

# LEVERAGE AFFORDABILITY TO DRIVE SUSTAINABLE SPARKLING BEVERAGE GROWTH

Throughout the year, affordability remained an important engine for our sparkling beverage growth. Our agile affordable packaging strategies gained even greater relevance as our cost-conscious consumers adapted their purchasing patterns and preferences across our operating countries.



## SUCCESS STORIES

CAPTURING GROWTH AND MARKET SHARE GAINS

Through our multi-serve returnable affordability strategy, we captured market share gains and consolidated our competitive advantage across the sparkling beverage category—achieving more than 19% growth in our returnable 2-liter presentations. This year, we continued to capitalize on the increasing popularity of our convenient, affordable dual packs of Coke and our core flavored sparkling beverage brands in our 2-liter, family-size, non-returnable presentations. Harnessing the power of brand Coca-Cola to increase our competitive position in flavors, our dual packs volume grew over 130% year over year, while capturing our share of sales at our points of sale across the modern and traditional trade channels.

#### EXPANDING AFFORDABLE PORTFOLIO

In Mexico, our portfolio of affordable multiserve returnable presentations continued to gain ground in an exceptionally challenging consumer environment, achieving 15% volume growth and 3.8% share of sales growth in the traditional trade channel. Among our strategic initiatives, we began to roll out our multi-serve returnable presentations beyond the traditional trade channel to the modern trade channel, including approximately 100 supermarkets across the country. In Mexico City, we further launched a new affordable 1.35-liter one-way PET presentation of brand Coca-Cola at 20 pesos and our flavored sparkling brands at 15 pesos in the traditional trade channel.





BOTTLE

ARGENTINA & CENTRAL AMERICA GROWING AFFORDABILITY IN THE MIX

To regain share and reconnect with our consumers, we reshaped our portfolio to include a growing proportion of affordable, family-size returnable presentations in Argentina and Central America. By the end of 2020, our mix of refillable multi-serve presentations increased to almost 9% of our portfolio in Argentina, 18% of our portfolio in Cost Rica, over 6% of our portfolio in Guatemala, and nearly 10% of our portfolio in Nicaragua. Indeed, thanks to our market segmentation strategy, we were able to offer the right product at the right price across diverse socioeconomic segments of our Argentina franchise territory.

This year, we successfully launched our new universal multi-serve returnable PET bottle in Argentina, Colombia, Mexico, and Uruguay. Expanding our returnable reach beyond brand Coca-Cola, this transformational bottling technology enables us to launch returnable PET presentations of our flavored sparkling beverage, juice, and tea brands to compete more effectively and profitably in the market. During 2020, we launched our 2.5-liter universal returnable bottle for almost 10 of our flavored sparkling beverages and juices in the Valley of Mexico, with almost 50% of our sales coming from our Mundet and Valle Frut brands. Similarly, we rolled out our 1-liter universal returnable bottle for our core Coca-Cola, Fanta, and Sprite brands across the traditional trade channel in Argentina, Colombia, and Uruguay.



# CAPTURE NEW CONSUMPTION OCCASIONS THROUGH PORTFOLIO INNOVATION

Through ongoing portfolio innovation, we continue to focus on improving our competitive position and capturing the most value from our sparkling beverage brands by closely aligning our portfolio with consumers' tastes and preferences. Among our initiatives, we continue to drive the development of our no- and low-sugar portfolio of sparkling beverages to satisfy and stimulate demand for our products, while adapting our portfolio to evolving consumer behavior.



## SUCCESS STORIES





# MX & LATAN

SOUTH AMERICA: NEW FORMULA
OFFERS GREAT TASTE, LESS
SUGAR

MEXICO, CENTRAL AMERICA &

This year, we continued the rollout of our original Coca-Cola and flavored sparkling beverage brand recipes with reduced sugar content across our Argentina, Central America, Colombia, and Mexico franchise territories. In Mexico, we finished the rollout of our original brand recipes with reduced sugar content across our portfolio of multi-serve one-way presentations, while we're wrapping up our rollout of these innovative new brand formulas across our multi-serve returnable presentations.





REFRESHING, SUGAR-FREE SCHWEPPES GRAPEFRUIT SPURS CATEGORY GROWTH

Building on our successful launch of sugar-free Schweppes naturally flavored grapefruit sparkling soda, we not only gained market share, but also expanded the country's no-sugar beverage category. Thanks to the popularity of this refreshing sugar-free alternative, coupled with our superior market execution, we significantly increased our share of sales in Uruguay's sparkling beverage category, while achieving market leadership in the country's no-sugar beverage category.

# 3RAZII

BUILDING ON THE POPULARITY OF COCA-COLA SEM AÇÚCAR

This year, we managed to build on the popularity of Coca-Cola Sem Açúcar through our attractive 2-liter multi-serve presentation across our Brazilian franchise territories, despite the challenges faced by the on-premise channel due to COVID-19. Driven by our unmatched market execution, this convenient and affordable consumer choice generated 6.4% volume growth on sales of 31.8 million unit cases for the year.

4/

We continue to capture market share across emerging beverage categories—from hydration to nutrition, and energy—while exploring new categories with discipline. Among our strategies we continue to grow our innovative water portfolio to refresh and rehydrate our consumers throughout their day, while developing our broader portfolio to seize value share leadership across the still beverage category.

Succesful launch of Topo Chico Hard **Seltzer, the Coca-Cola** system's entry into the alcoholic ready-todrink space in Latin America



# OLOMBIA

SUCCESS STORIES

CARBONATE SOFT DRINKS &
JUICES GROWTH, DRIVEN BY NEW
CLIENT ACQUISITION PLANS AND
AVAILABILITY INITIATIVES

In Colombia, we gained market share and achieved volume growth in Carbonate Soft Drinks by increasing the number of clients served and improving point of sales execution. We continued satisfying a growing demand for refreshing juice beverages through the launch of Del Valle new flavors in order to complement our existing portfolio. During this year portfolio expansion among other strategic initiatives were key to reach record number of customers, which enhanced our competitive position in the country's challenging juice environment.

IORA

TIENE 8% DE FRUTA

MEXICO

LAUNCHING PREMIUM SPARKLING MINERAL WATER

The power of portfolio innovation and expansion is exemplified by our successful launch of Topo Chico brand sparkling mineral water in Mexico. Already growing at an impressive pace, this naturally sourced mineral water complements our portfolio as a superb premium offering. After its launch in the modern trade channel in early 2020, we're expanding Topo Chico mineral water's rollout to the traditional trade channel. We're further capitalizing on Topo Chico's brand strength in Mexico with our recent launch of Topo Chico Twist with lemon and grapefruit flavored sparkling water during the fourth quarter.





CONTINUING NUTRITIOUS DAIRY GROWTH

This year, we continued to accelerate growth across the value-added dairy category. Under our joint venture with The Coca-Cola Company, we satisfied growing consumer demand for our portfolio of wholesome Santa Clara brand UHT whole milk, specialized milk, and flavored milk products. Thanks to our efforts, we increased our volume growth by almost 20% year over year across the traditional trade channel.

#### BRAZIL & MEXICO: ENERGIZING GROWTH AND LEADERSHIP

Bolstered by our popular Monster brand, we have become Brazil's energy category leader in volume and share of sales—both important industry benchmarks. Moreover, in Mexico, we have successfully launched Predator, a more affordable value brand from the Monster family, which complements our energy portfolio across sales channels, while enabling us to capture significant incremental share of sales in this attractive, emerging beverage category.

MEXICO & COSTA RICA: INTRODUCTING TOPO CHICO HARD SELTZER

This year, together with the Coca-Cola system, we took our first step into the alcoholic ready-to-drink space with the launch of Topo Chico Hard Seltzer across selected cities in Mexico and full country Costa Rica. Currently available in three tantalizing flavors—Tangy Lemon Lime, Pineapple Twist, and Strawberry Guava—this brand is primarily focused on convenience stores and the modern trade channel. We are excited for the growth potential that this new category represents for the system.



#### CAPITALIZING ON THREE-TIER WATER STRATEGY

We continued to build on our three-tier water strategy to increase our share of sales across our Brazilian franchise territories. In the mainstream water segment, we repositioned our Crystal mineral water brand with a sustainability edge by rolling out our 100% recycled blue PET bottles across the traditional and modern trade channels. In the enhanced water segment, we continued to capitalize on the momentum of our naturally flavored Crystal sparkling water, achieving double-digit volume growth year over year. We further navigated an exceptionally challenging environment for our premium Smartwater brand. As a result of this strategy, we significantly grew our share of sales across the country's emerging water category.

#### TANTALIZING TEA GROWTH

We capitalized on our reformulated portfolio to cater to our Brazilian consumers' growing demand for refreshing teas. Strategically, the combination of our new cold-fill formula together with the rollout of GuaraLeão and Green Tea enabled us to increase our share of sales by over 7.3 pp for the year, significantly expanding our share of this fast-growing beverage category.



50





#### **HEALTHY** HABITS

As leaders in the beverage industry, we continue to meet the changing lifestyles of our consumers and the communities we serve. Among our actions, we carry on driving the development of our low-or no-sugar portfolio across our markets ahead of consumer demand. We also strive to promote healthy habits in our communities through multi-sector coalitions and local initiatives focused on fostering healthy habits, proper nutrition, and physical activity.

Surpassing our2020 goal by 2million people

#### PRIORITIZING CUSTOMER & CONSUMER SAFETY



Aligned with our DNA, we obsessively focus on our customers and consumers. Accordingly, throughout the course of the COVID-19 pandemic, we continue to concentrate on their needs, their safety, and their wellbeing, providing them with the best service and assuring their health and economic security, while emphasizing that our commitment to healthcare flows in both directions.

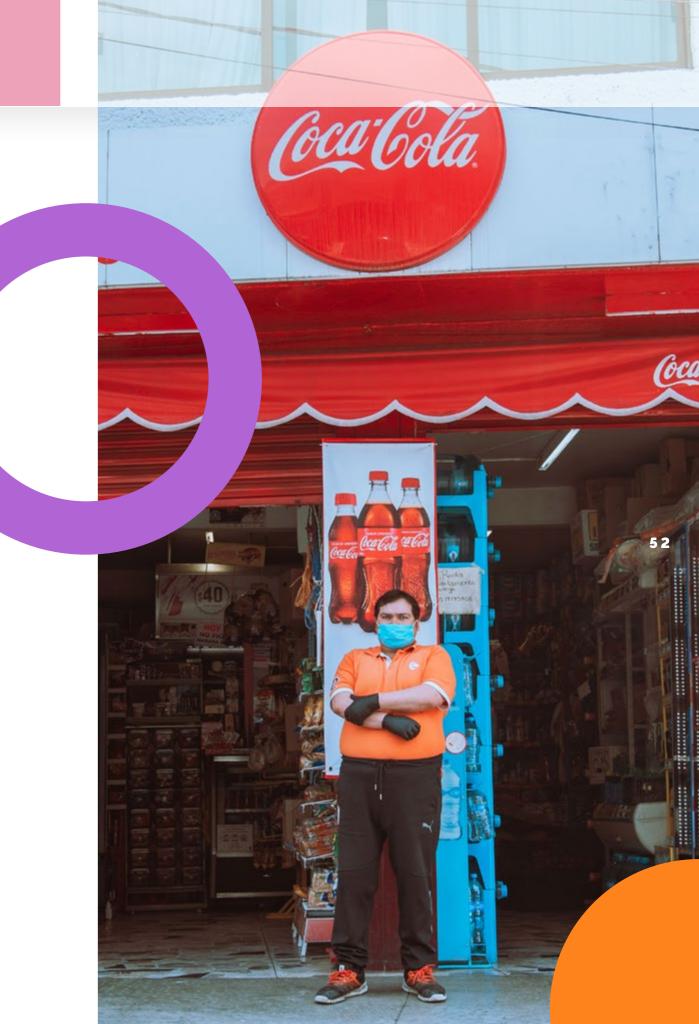
To this end, we strengthened our health protocols and activated initiatives for proportional protection that enable our customers to offer essential consumer products to our communities. Notably, our digital initiatives—from our omnichannel platforms to our digital route-to-market models—enabled us to maintain frequent

Through the "Mi tienda segura" (My safe store) program, we helped more than 50 thousand of our most vulnerable customers to reopen safely by extending protective measures, promotions and commercial initiatives.

contact with our customers while reducing physical exposure, ensuring our clients could remain open for business in a safe and healthy way.

Through the "Mi tienda segura" (My safe store) program, we helped more than 50 thousand of our most vulnerable customers to reopen safely by extending protective measures, promotions and commercial initiatives. Among our initiatives, we

displayed COVID-19 Warning Alert Banners on our delivery trucks; we printed 28 million labels with prevention messages; and we delivered 26 thousand protective screens, masks and safety kits to our clients in the traditional trade channel—helping them to keep their doors open and to provide basic consumer goods to families in the region.



#### RESPONSIBLE MARKETING

At Coca-Cola FEMSA, our consumers are at the center of our decisions and actions. Therefore, transparency, fact-based information, and a high sense of responsibility are the guiding principles for our marketing practices.

#### 01 Informed nutritional decisions

To enable our consumers to make healthy informed choices across every one of our operations, our upfront product labels include clear, easy-to-find nutritional content information, including the nutrients, fats, sugar, and sodium in each of our products. Our nutritional labeling strategy is based on providing consumers with clear and complete information in full compliance with applicable regulations in each of the countries we serve. Our aim is to ensure that our consumers are provided with high-quality information; therefore, we are always willing to take part in any regulatory changes. Importantly, during 2020, we adopted a new labeling model and nutrient profile according to changes in regulation in Mexico.



#### 02 Responsible marketing

As part of our commitment to the well-being of our consumers, our advertising adheres to The Coca-Cola Company's Responsible Marketing Policy and Global School Beverage Guidelines. For instance, as part of the Coca-Cola system, we diligently follow and enforce The Coca-Cola Company's Responsible Marketing Policy, and we do not market products in channels with an audience predominantly of children under 12. In this and other ways, we underscore our devotion to the healthy habits of our consumers.

#### 03 Highest quality

Our production processes fulfill the highest quality standards; our ingredients comply with each of our operations' local regulations and international standards of other regulatory agencies, including CODEX, FDA, JEFCA, and EFSA. Our processes are performed in state-of-the-art bottling facilities within the global beverage industry—all FSSC 22000 certified—thus guaranteeing only the best quality products for our consumers.



# DRIVE OVERALL DIGITAL TRANSFORMATION

Our vision is to develop a fully digital, interconnected, agile, and flexible customer- and consumer-centric platform—deploying capabilities across our commercial, supply chain, finance, and human resources functions.

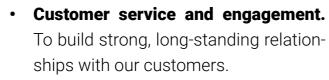


### COMMERCIAL

Aligned with our vision, our Commercial Center of Excellence enhances our company's commercial processes, while strengthening our commercial capabilities:

- Market segmentation. To provide the best value proposition to our customers, shoppers, and consumers.
- **Revenue growth management**, including our portfolio, pricing, and promotions.
- **Demand planning.** To guarantee fulfillment of our products in the markets we serve.
- Commercial execution. To ensure our product portfolio is presented in the best way possible to shoppers.
- Route-to-market. To better serve our customers in the most efficient and profitable way according to their service needs.

To further develop our commercial capabilities, over the course of the year, we focused on three digital priorties:



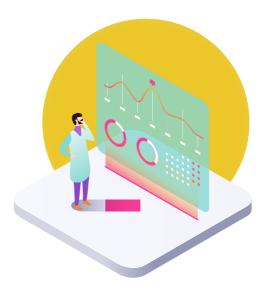
- Commercial analytics and data management. To generate powerful insights and transform them into winning strategies.
- Digital technologies and enablers.
   To develop the most innovative, cutting-edge solutions to support our operations and enhance our customer and consumer's experience.



advanced commercial analytics platform



business-to-business (B2B) and business-to-consumer (B2C) commercial platforms



03
digital trade channel capabilities

# ADVANCED COMMERCIAL ANALYTICS PLATFORM

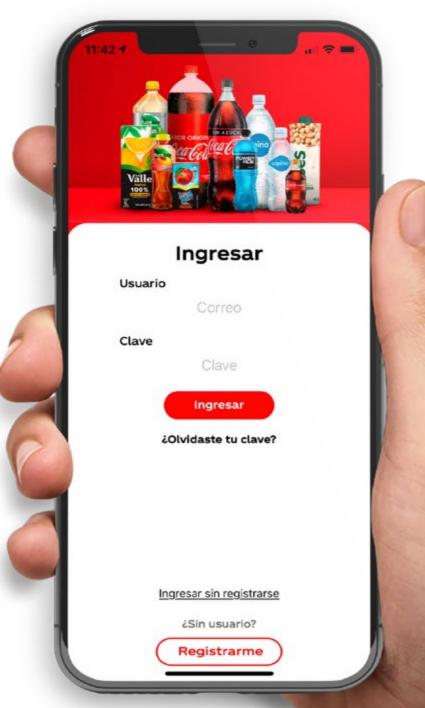
Already live in Mexico, Colombia, and Brazil, our advanced commercial analytics platform enables our operations to extract greater value by improving their pricing, portfolio, promotion optimization, demand forecasting, and market segmentation capabilities. Moreover, to leverage the insights, skills, and abilities acquired from the development of our commercial analytics platform, we are rolling out internal engines to offer specific capabilities—such as pricing and promotion optimization—to other operations such as Argentina, Costa Rica, and Guatemala. Furthermore, we fully rolled out Victoria, our machine learning prescriptive analytical engine, across our Mexico operations this year, significantly enhancing demand forecast accuracy.



Consistent with our vision of becoming a digitally driven, interconnected commercial beverage platform, we are accelerating the development and deployment of our customer-centric omnichannel solution, connecting every point of contact in real time—from pre-sellers and contact centers to digital touch points such as direct messaging, web portals, mobile apps, and electronic data interchange (EDI).

To this end, our omnichannel strategy focuses on leveraging state-of-the-art digital enablers to enhance our customers' experience when they contact and interact with us, intensifying our market presence while taking advantage of real-time fully integrated platforms and information. Currently, we are rolling out three major enablers:

an advanced chatbot-enabled order-taking platform that leverages WhatsApp mobile messaging; an e-commerce platform for digital order entry and customer engagement via an app or a web portal; and developing order tracking capabilities. These digital enablers—which are all fully integrated into our transactional system-allow for seamless order taking with an enhanced customer experience and a lower cost to serve. Through these B2B initiatives, we expect to increase sales by expanding customers' service window to 24/7, improve their value offer and customer experience, while enhancing our efficiency and productivity. To complement our B2B platforms, we designed our direct-to-consumer omnichannel strategy, which we will begin to deploy over the coming year.



**5 7** 



Juan has been our client for some years. Today, as every Monday, Juan is visited by Mario, his usual pre-seller.

While Juan is busy taking care of his business, he asks Mario to place his weekly order.

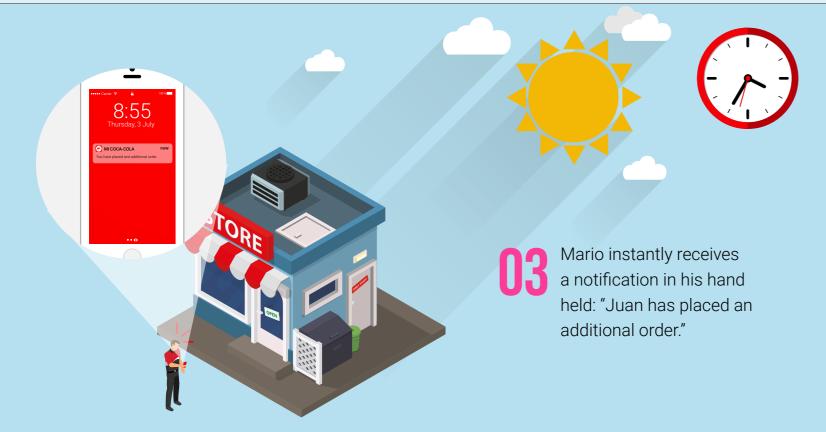






Hours later, Juan realizes that he forgot to order a specific product, but it is too late. Mario will visit him again in a few days.

Juan then uses KOF's WhatsApp chatbot to place an additional order, including the specific product he had forgotten.



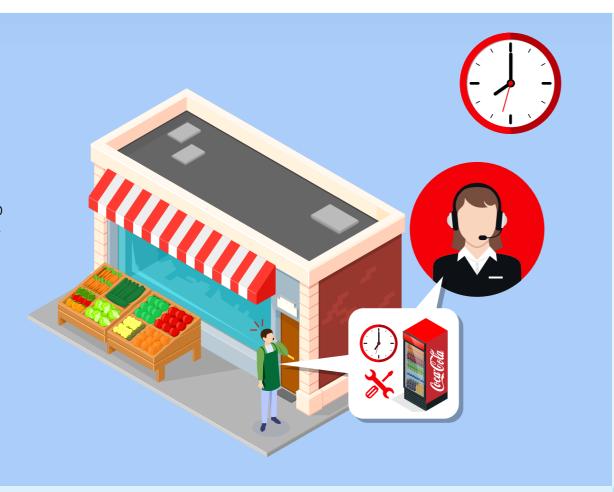




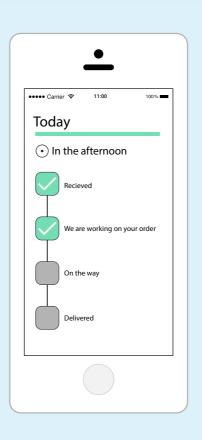
Overnight, Juan's cooler malfunctioned.

Using his cellphone, Juan accesses KOF's mobile app and creates a service order to evaluate and repair his cooler.

Juan receives a call from the Contact Center: "A technician will visit you in the next few hours."













## SUCCESS STORIES

### DYNAMIC DIGITAL TRADE CHANNELS

During 2020, we continued to accelerate our first mover advantage across digital trade channels. Capitalizing on our market segmentation capabilities, we put in place agile teams throughout all of our operations to manage, measure, and execute clear strategies for each of these digital customer relationships-from pure players to grocery and food aggregators to e-retailers. Consequently, our company's gross merchandize value flowing through digital trade channels grew four times or almost 400% year over year, while we continued to win market share and improve commercial execution.



#### ADVANCED COMMERCIAL ANALYTICS PLATFORM

As part of our day-to-day operation in Mexico, we are significantly improving our commercial capabilities-from pricing to promotion optimization—with our advanced commercial analytics platform. Among this platform's benefits, we have optimized our promotional return on investment by 16% year-over-year and by more than 90% over the past five years. In Mexico's traditional trade channel, we have also increased our average price ahead of inflation while gaining market share every year for the last three years.

#### ARTIFICIAL INTELLIGENCE

This year, we fully rolled out Victoria, our machine learning prescriptive analytical engine, across our Mexico operations. With Victoria, we've significantly improved demand forecast accuracy, while generating inventory and transportation savings, throughout our Mexico operations. Indeed, it took Victoria only four weeks to understand and adjust our demand forecasting for the impact of COVID-19.

Our digital channels grew triple digits.

S 178 E total sales in digital channels during 2020



BRAZIL, MEXICO: CHATBOT-ENABLED WHATSAPP B2B PLATFORM

As part of our omnichannel strategy, we completed an accelerated rollout of our advanced chatbot-enabled order-taking platform to 200 thousand active customers across our Brazilian operations, as well as 70 thousand active customers in Mexico. Enabling up to 15,000 daily orders in Brazil, this advanced digital platform complements pre-sellers personal client visits, offering a 24/7 customer service window while significantly lowering cost to serve. During 2020, customers placed 800 thousand orders, and generated sales of 23 million unit cases on this WhatsApp-based B2B platform.

ARGENTINA, BRAZIL: B2B CUSTOMER ENGAGEMENT PLATFORM

In combination with our WhatsApp platform, we rolled out the full version of our B2B customer engagement web portal and app in Brazil and Argentina, serving 20 thousand registered customers. We further deployed a light version of this platform in only six weeks across Colombia, Costa Rica, Panama, and Uruguay, serving another 20 thousand registered customers. Beyond placing orders, our platform offers a growing array of over 25 client functionalities, from order tracking to promotions, service orders, and customer care capabilities. During 2020, clients placed 70 thousand orders, and generated sales of 3 million unit cases on this platform.

#### COMPANYWIDE: DIGITAL TRADE CHANNELS

We are rapidly building on our first mover advantage across digital trade channels, designing clear commercial strategies for pure players, e-retailers, and grocery and food aggregators. As a result, we have been consistently winning market share in these customer segments and improving market execution—enjoying triple digit growth in the number of digital clients as compared to 2019—resulting in sales of US\$178 million and volume growth of over 380% from these digital channels for 2020.

## CUSTOMER-CENTRIC ROUTE-TO-MARKET MODELS

This year, we capitalized on our expanding digital capabilities to accelerate the evolution of our customer-centric direct and indirect route-to-market (RTM) models. Through the right combination of direct and indirect RTM models, we continue to improve productivity, maximize customer value creation, and optimize cost to serve.

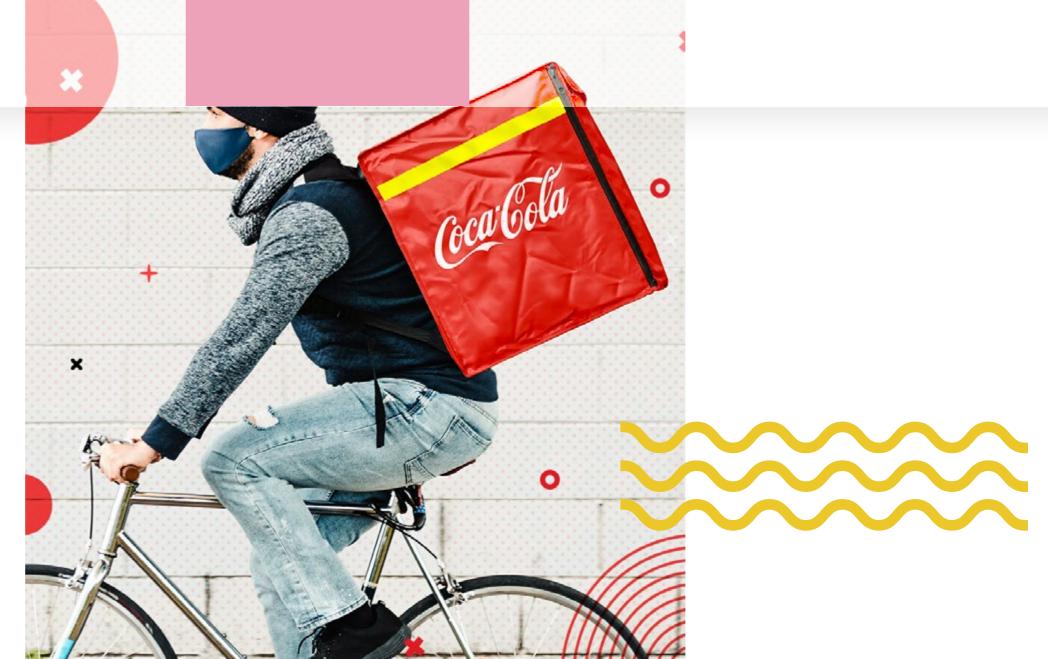
Harnessing our customer-centric market segmentation, we are scaling and deploying our flexible indirect RTM platform to better serve clients across select territories, sales channels, and beverage categories. Through this platform, we not only prospect and identify the market opportunity, but also pinpoint the right partner, providing them with the appropriate business model and digital (ERP) solution to expand their commercial capabilities. Cur-

rently, we are rolling out our indirect RTM platform in Costa Rica, Nicaragua, and Mexico, significantly increasing market reach, improving customer service, and expanding portfolio availability to foster volume growth.

To achieve our vision of becoming a fully digital, interconnected platform, we are merging our digital omnichannel solutions with our physical commercial resources—from pre-sellers to supervisors and call centers—to transform our direct route-to-market models. Through our evolving Commercial Control Tower, we aim to monitor and manage our entire commercial operation, enabling both real-time and dynamic routing. With real-time routing, we adapt our delivery processes—from pre-sellers' visits to digital apps—to un-

planned daily events. For example, our Commercial Control Tower activates "wingman," a feature that enables pre-sellers to complete a missed visit virtually, allowing us to recover approximately 25% of otherwise lost sales. With dynamic routing, we will design, adjust, and move our commercial resources dynamically, depending on daily, weekly, and monthly market developments.

To achieve our vision of becoming a fully digital, interconnected platform, we are merging our digital omnichannel solutions with our physical commercial resources.



# STORIE SUCCESS

INCREASING OUR AVAILABILITY AND PROFITABILITY THROUGH AN INDIRECT RTM MODEL

Building on our successful pilot, we began to selectively deploy our indirect RTM model to better serve smaller and specialized clients in urban areas. Complementing our direct pre-sale model, we are working with wholesalers and distributors to expand market reach and to improve service for small clients, including specific routes for categories such as dairy, orangeades, and soy beverages. Consequently, we're not only enlarging our client and consumer base, but also expanding our portfolio's availability to capture significant volume growth.

#### HOME DELIVERY ROUTES

productivity per route.

#### COSTA RICA & NICARAGUA: INDIRECT DISTRIBUTORS MODEL

We continued the rollout of our sustainable distributors model in Costa Rica and Nicaragua, optimizing the productivity of our secondary distribution fleet through an approved network of distributors. Aligned with our market execution standards, this model is enabling us to not only increase market execution, but also reduce cost to serve, while improving client service, volume growth, and return on invested capital.



#### KOF EDGE PLATFORM

In Brazil, we successfully deployed our KOF EDGE omnichannel platform to literally and figuratively connect all of the dotsfrom omnichannel order entry to real-time routing and delivery traceability to alternative payment solutions. Notably, our chatbot-enabled WhatsApp platform allowed us to develop our hybrid "Face&Bot" RTM model, allowing us to capture increased revenue from higher drop-size customers due to higher frequency of interactions and an improved sales conversion and to reduce cost to serve for lower drop-size clients.



In the Valley of Mexico, our home delivery routes generated 20% total portfolio revenue growth led by an over 30% increase for the year in our non-jug-water portfolio. During the year, we added 50 new routes in Mexico City and the surrounding metropolitan area for a total of 982 routes serving more than 550 thousand households. We further deployed our digital (ERP) solution across more than 300 routes, significantly improving our

### SUPPLY CHAIN

Closely aligned with our company's strategy and DNA, the supply chain function's vision focuses on six main pillars:

Aligned with our supply chain vision, we continued to implement our Supply Chain Reinvention initiative to collaboratively and systemically share, adopt, and devise best practices and processes, bolster talent, and capture productivity opportunities throughout our company's supply chain. As part of this four-year reinvention, we are undertaking end-to-end portfolio analysis and network optimization; maximizing asset utilization and direct material allocation; optimizing primary transportation and load sharing; and designing manufacturing, warehouse, and distribution operations of tomorrow-catering to our business' future needs.

#### 01

Define, embed, and maintain high levels of quality, safety, and environmental stewardship across our operations

#### 02

Continuously raise the bar on our operational excellence standards and continuous end-to-end improvement

#### 03

Support our operations as a reliable business partner, consistently meeting our business' key performance indicators (KPIs) and enabling our marketing strategy and commercial plans

04

Embrace a systemic approach that actively advances a demand-driven, customer-centric supply chain

**05** 

Maximize our return
on invested capital
through a robust
capital and operational
expense allocation and
management process for
all of our strategic assets

06

Ensure we enjoy the best talent, culture, and behavior (KOF DNA) as the primary pillars to achieve our vision



#### DIGITAL **DISTRIBUTION**

This year, we continued the evolution of our Digital Distribution 2.0 platform with the rollout of real-time routing across 2,900 of our Brazilian operation's secondary distribution routes, serving 38,000 clients per day. With real-time routing, we adapt our delivery process to unplanned daily events—constantly integrating and analyzing traffic, road, climate, and other conditions—to define the most efficient delivery sequence and route, thereby fulfilling our sales promise while improving customer service and engagement.

Aligned with our omnichannel strategy, we developed our order-tracking platform to enable customers to track their orders created on any commercial channel from the

moment of shipment to delivery. Already deployed in Brazil and Argentina, we plan to develop this digital tool for our other operations over the coming year.

Building on its successful deployment in Brazil and Mexico, we implemented our Digital Distribution 1.0 platform, including a web-based app, mobile delivery devices, and vehicle telemetry equipment, across our Colombia, Panama, and Uruguay operations during 2020. Moving forward, we will continue our evolving digital distribution journey throughout our operations.



#### KOF LOGISTICS SERVICES (KLS) SUPPLY CHAIN PLANNING PLATFORM

After the successful implementation of KOF Logistics Services (KLS) Supply Chain Planning platform across 100% of our operations last year, we worked together with the Jugos del Valle and Santa Clara teams to implement this platform for our juices and milk joint ventures' logistics planning during 2020. Using this new model, we are already capturing significant savings—from improvements to the supply matrix to decreased production batches.





# MEXICC

#### DIGITAL DISTRIBUTION 2.0

Building on the successful deployment of our Digital Distribution 2.0 platform throughout our Brazilian operations, we implemented this platform across 32 operating units and 631 routes in Mexico over the course of 2020. Addressing the entire strategic and tactical planning cycle of our secondary distribution process—from analytics to delivery route planning and execution—this enhanced platform features route traceability, a new web-based app for supervisors, end-to-end supply chain network analysis, and digital real-time control of our distribution operation.

# MX & LATAM

#### BRAZIL & MEXICO: DELIVERY SUPERVISOR APP

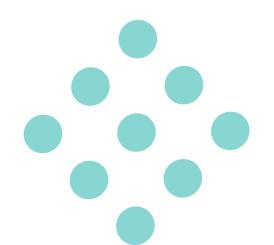
Aligned with the deployment of our Digital Distribution 2.0 platform, we implemented our new web-based Delivery Supervisor App to better enable delivery supervisors to manage their teams in Brazil and Mexico. By connecting our route monitoring tools and telemetry equipment, this app allows managers to not only make quick inquiries about routes, drivers, and customers, but also to act swiftly to account for any incidents or deviations during the execution of delivery routes.



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#### BRAZIL, COLOMBIA & MEXICO: SUPPLY CHAIN CONTROL TOWER

This year, we completed the deployment of our centralized Supply Chain Control Tower in Brazil, Colombia, and Mexico. The tower houses all of our capabilities and utilizes a data lake to store our growing quantity of business intelligence data. The tower not only monitors, but also provides visibility across all of our supply chain activities.



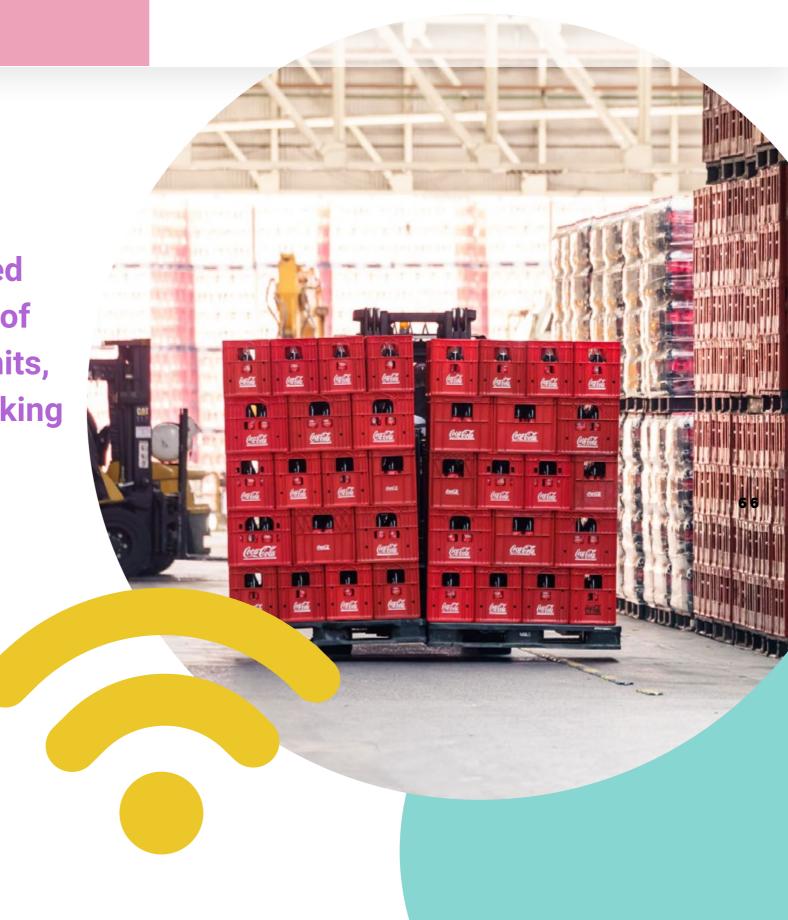


# WAREHOUSE OPTIMIZATION 8 DIGITALIZATION

During 2020, we integrated real picking across 100% of our Brazilian operating units, and rolled out optimal picking to seven operating units.

During the year, we completed the design of our new Warehouse Operating Model in collaboration with our operations. This model aims to guarantee and continuously improve warehouse service, productivity, and safety levels through the standardization and replication of best operating practices. Within this model, we further defined the key competencies for our warehouse teams' professional development, aligned with KOF DNA.

Moreover, we continued the digital transformation of our warehouses with the systematic deployment of real and optimal picking. Utilizing voice and digital images, these technological enablers improve our warehouses' level of service through the assertive assembly of mixed pallets according to client's specific needs, maximizing load and route optimization while increasing productivity. During 2020, we integrated real picking across 100% of our Brazilian operating units, and rolled out optimal picking to seven operating units.



#### TALENT **DEVELOPMENT**

Furthermore, we are reinforcing the right talent pipeline at the operational level, including a growing pool of manufacturing, distribution, and logistics managers. To this end, we worked closely with our human resources function to establish KLS Academy, a standardized learning platform designed to assure we possess the right technical competencies and functional capabilities across our operations. To complement KLS University, we are also developing functional Distribution, Manufacturing, Warehouse, and Engineering Academies to standardize and develop core capabilities, improve performance, and ensure operational excellence for years to come.



2.7 Example 1.1 The second of the second of





The ambition of our digitally driven Finance Operating Model is to serve as a business partner to our operations by delivering valuable insights for better and faster decision-making to maximize shareholder value, while ensuring compliance and transactional efficiency. To achieve this ambition, our priorities are to:

- Maximize our return on invested capital (ROIC) and shareholder value creation through disciplined capital allocation, working capital optimization, and profitability insights.
- Co-design business strategies and support our operations by delivering valuable insights for better and faster decision-making to maximize shareholder value, while ensuring compliance and transactional efficiency.
- Proactively manage risks by designing our internal control system and actively address financial, legal, and cyber-security risks.
- Prioritize efficiency for all of our transactional activities by boosting penetration and adoption of shared services and digital solutions.
- Ensure accuracy of our financial information and compliance with statutory obligations.

This year, we continued to improve our company's ROIC and shareholder value creation through proactive cost and expense containment, working capital optimization, and disciplined capital allocation. Notably, our implementation of cash control towers enabled us to not only improve cash from operations by 12% year over year, driven by cost and expense controls, but also monitor and enhance working capital management. These towers deliver greater clarity to every single operation on their financial needs on a rolling basis for a period of 13 weeks. We further leveraged our disciplined approach to capital allocation, working hand in hand with operators to reprioritize capital expenditures (CAPEX) while ensuring investments in key projects across our operations.

Importantly, we reinforced our role as a business partner to our operations over the course of this challenging year. Among our actions, we supported our operations by taking the lead in driving cost and expense savings, including significant savings from route-to-market initiatives, non-core labor costs, and efficient marketing expense and discount allocation. We acted quickly to tap the international capital markets before, during, and after



# FINANCE

the pandemic hit. In fact, thanks to our proactive debt-refinancing strategies, we extended the average life of our debt from seven to nine years, leaving our company with a comfortable debt maturity profile for the coming years. Furthermore, we maintained capital investment in key projects-from improvements to manufacturing plants and warehouse facilities to the launch of new distribution centers to the installation of returnable production lines and labelers. In this way, we worked to ensure operating continuity and product supply, expand our affordable returnable portfolio, and accelerate the rollout of transformational initiatives across our operations.

Moreover, to proactively manage our company's risks, we are currently upgrading and redesigning our internal control system. As part of this initiative, we are implementing digitally enabled controls to not only monitor, but also actively address financial, legal, and cyber-security risks.

Over the course of the year, we further accelerated the development of our digitally driven Finance Operating Model. Among our initiatives, we are transitioning to a more agile and adaptable cloud-based

Moreover, to proactively manage our company's risks, we are currently upgrading and redesigning our internal control system. As part of this initiative, we are implementing digitally enabled controls to not only monitor, but also actively address financial, legal, and cyber-security risks.

budgeting platform. Enabled by our digital planning tool, we are working closely with our operations to develop a robust online platform to facilitate financial planning, analysis, and forecasts for every country. Powered by our cloud-based software solution, we are implementing a platform to administer not only our company's CAPEX projects, but also our strategic operational expense initiatives—expediting authorization processes, sharing best practices, and delivering valuable insights for most of our operations' investment projects. Furthermore, aligned with our initiative to redefine our process architecture, we are

utilizing a range of digital tools to streamline, optimize, and integrate key financial processes—from agile record-to-report to unified order-to-cash processes.

Finally, we continued to deploy our shared financial services strategy, centralizing and consolidating our operations' transactional activities, such as data processing and reporting, within KOF Global Business Services (GBS) platform. During the year, we expanded the scale and reach of our GBS platform, integrating our Guatemala, Costa Rica, and Panama operations.





### HUMAN RESOURCES

As part of our multi-year cultural transformation journey, we defined the vision for our Human Resources (HR) organizational model for the years to come:

Aligned with this vision, we support our business growth by leading cultural change, developing the best talent, and continuing on our path to digital—accelerating the development of automated HR platforms and processes, while always prioritizing employee experience.



#### Attract and develop the best talent

Ensure our talent becomes the competitive advantage to achieve our company's strategic goals



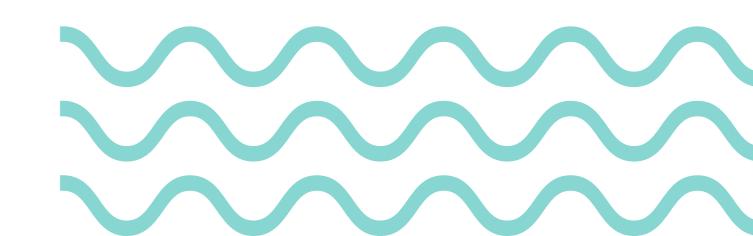
#### Enable our organizational capabilities

Adapt our company's organizational capabilities to meet evolving business needs



#### Accelerate HR process standardization and automation

Promote HR processes automation to deliver faster and better services



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### PATH **TO DIGITAL**



#### **GLOBAL TALENT PLATFORM**

Enhance talent visibility and performance management

Continued deployment of this platform to integrate, improve, and simplify leader and employee experience



#### **EMPLOYEE CENTRAL**

Transform personnel administration management

Completed implementation of this tool to promote leader empowerment and improve employee experience



#### **HR PROCESS**

**Standardization & Automation** 

Third Parties Management, Time & Attendance, and Variable Compensation

Simplification, standardization, and selection of automation tool

# **CYBERSECURITY**



The purpose of our Cybersecurity function is to enable a secure and sustainable business. This entails the challenge of strengthening security in the existing infrastructure and systems and implementing security in the digital transformation initiatives. Our vision is to add value by protecting information and our business continuity.

To address this, we have set the following strategic objectives:

- 1. Support digital transformation, embedding security by design.
- 2. Build a strong cybersecurity culture in the organization.
- 3. Build resilience to cybersecurity incidents.

- 4. Reach a cybersecurity level consistent with our industry and our business risks.
- 5. Enable secure ways of working, appropriate to the post-COVID-19 reality.

Our strategy is built on:

- · A proper governance model, with a CISO (Chief Information Security Officer) reporting to the CFO and the Audit Committee of the Board, while cybersecurity operations report to our newly appointed CIO.
- A cybersecurity framework based on international standards and the periodic assessments conducted by independent cybersecurity experts.

All of these elements, complemented with our team's expertise and technical skills. allow us to have a cybersecurity strategy for the short- and medium-term. During 2020, we implemented several initiatives that have impacted technology, processes, and people, including those to strengthen identity and access management, infrastructure protection, cloud security, internal policies and compliance, data protection and privacy, risk management, and incident response capabilities.

With this approach and keeping up to date with the evolution of the threat environment, we seek to meet the aforementioned objectives in the middle term.

We are aligning to and collaborating with The **Coca-Cola Company's** cybersecurity requirements for the system to provide an additional compliance frame of reference for continuous improvement.

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## ENSURE BUSINESS SUSTAINABILITY



As an enabler of our company's strategic growth, we ensure sustainability is fully integrated throughout our day-today decision-making processes and business operations. With the long-term sustainability of our business in mind, we strategically, proactively, and responsibly address our operations' sustainability challenges across our value chainfrom climate change to clean energy, water stewardship, waste management, community development, and safety.

7



#### CLIMATE **ACTION**

Climate change is a strategic risk that we manage through our new 2030 Emissions Reduction Plan. This strategy is designed to drive positive environmental change across the entire value chain-from suppliers to our operations, customers, and consumers.

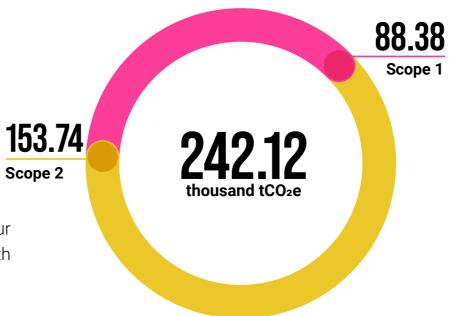
In order to become a low-carbon company, we adopted the Science Based Targets initiative (SBTi) approach, aligned with the goal of the 2015 Paris Agreement to limit global warming at well below 2°C above pre-industrial levels. Consequently, in 2020, we became the first Mexican company and the third in Latin America to achieve the official approval of our emissions reduction targets by the SBTi. Through this companywide effort, we measured and accounted for the carbon footprint of our entire value chain and adopted science-based targets for emissions reduction that reflect our commitment to

a low-carbon economy. Accordingly, our new 2030 commitments (compared with a 2015 baseline) are to:

- Reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions from our operations by 50%
- · Reduce absolute scope 3 GHG emissions from the value chain (covering purchased goods and services and upstream transportation and distribution) by 20%
- Achieve 100% renewable electricity for our operations.

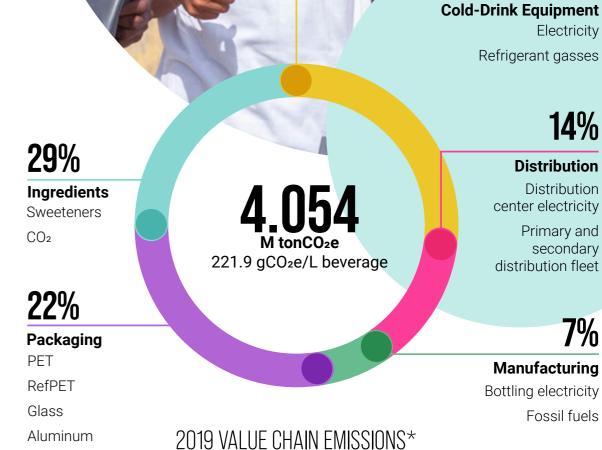
Importantly, our absolute emissions targets decouple business growth from GHG emissions. We thereby ensure that, no matter the overall size of our business in 2030, we will make our operations, along with the entire value chain, less carbon intensive than our 2015 baseline.







We are the first Mexican Company to achieve the official approval our 2030 emissions reduction goals by the Science **Based Targets initiative.** 



Electricity

14%

**Distribution** 

Distribution

Primary and

secondary

center electricity

distribution fleet

Manufacturing

Bottling electricity

Fossil fuels

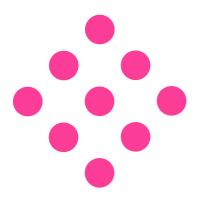
\* We report the carbon footprint of our value chain a year behind, since the inventory is made after the operating year is completed.

Others



## CLEAN ENERGY IN OUR OPERATIONS

We strive for energy efficiency across our value chain. We further integrate clean and renewable sources of energy and technologies to reduce our GHG emissions—thus contributing to climate change mitigation. Our operations' energy consumption focuses on a comprehensive strategy that encompasses our value chain.

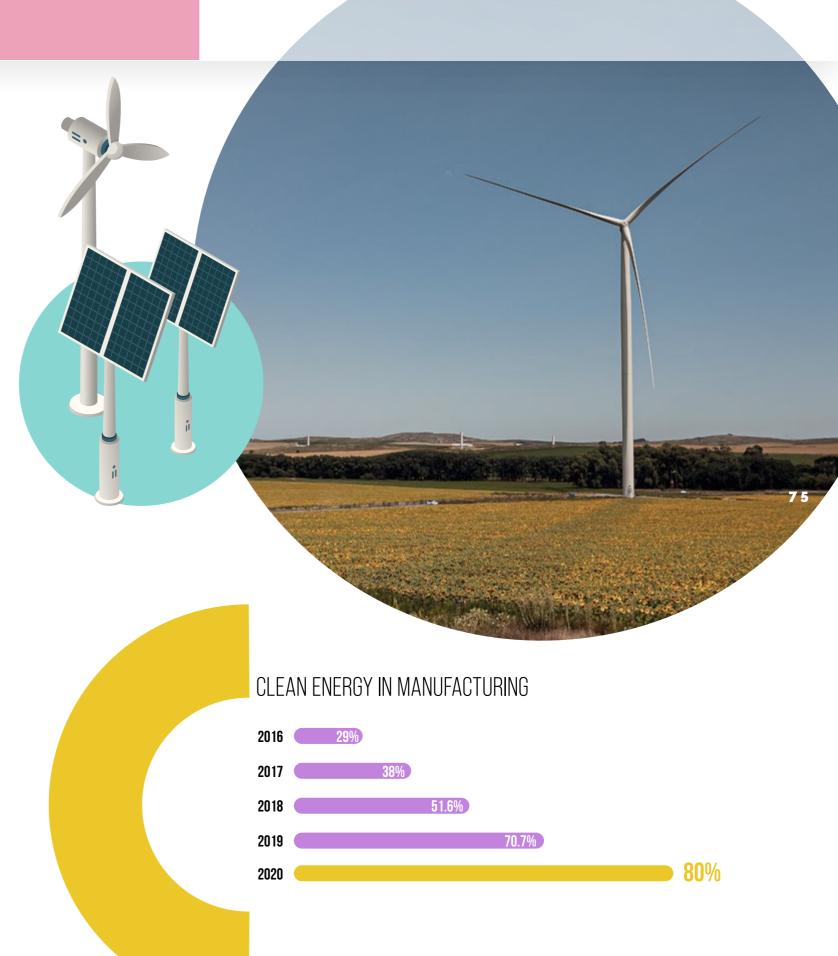


## We supplied 0/0

of our global bottling operations' electricity requirements with clean energy sources.

COCA-COLA FEMSA ACHIEVES 2020 CLEAN ENERGY GOAL

At the end of 2020, we achieved our target of supplying 85% of the energy we use for our manufacturing in Mexico from clean sources, with eight months above this threshold, and a 96% use of our Mexican clean energy by the end of the year. Beyond this goal, we supplied 80% of our global bottling operations' electricity requirements with clean energy sources. We further updated our commitment to reduce the carbon footprint of our value chain aligned with our Climate Action Strategy, and we used clean sources of energy for our manufacturing operations in Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, and Panama.



#### ENERGY EFFICIENCY, CLEAN ENERGY

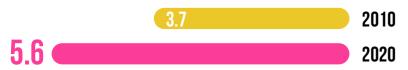
#### & EMISSIONS REDUCTION >>>>>



We aim to improve the energy efficiency of our manufacturing operations, while simultaneously reducing our GHG emissions.

We managed to increase our energy efficiency 1.52x from 2010 to 2020.

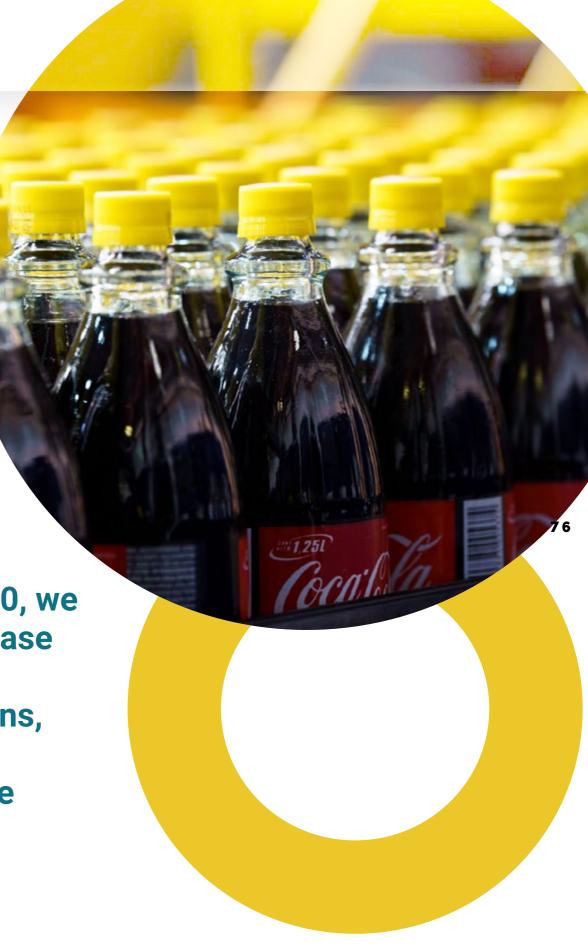
LITERS OF BEVERAGE PRODUCED PER MJ



To improve our plants' efficiency, we have implemented multiple strategic initiatives:

- Energy Training We provide annual energy training to all of our energy managers in every division, as well as all of the operators of each of our work centers.
- Energy Assessments We conduct annual energy assessments to support our operations in Argentina, Brazil, Central America, Colombia, and Mexico.
- Steam Standard We focus on the utilization of steam produced in our plants to reduce consumption, ensure safe use, recover steam condensate, and increase the life of our assets.
- Top 20 Energy Efficiency Strategies
   We implement key energy efficiency strategies to minimize each of our plants' energy consumption.

From 2015 through 2020, we achieved a 17.2% decrease in our manufacturing operations CO<sub>2</sub> emissions, reaching 13.2 grams of CO<sub>2</sub> per liter of beverage produced in 2020.



For the year, we reduced our energy consumption by 4%

\$\frac{1}{5}\frac{67}{67}\big|\$
saved as a result of our Clean Energy initiatives





### WATER STEWARDSHIP

Water is an essential ingredient in the production of our beverages. Therefore, we are committed to ensuring the efficient use of this natural resource in our bottling operations and returning to our communities and the environment the same amount of water used in our beverages, while safeguarding this resource not only for the benefit of our company, but also for the enjoyment of our communities and planet now and into the future.

#### COCA-COLA FEMSA ACHIEVES 2020 WATER USE RATIO GOAL

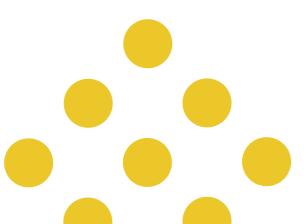
From 2010 to 2020, we significantly improved our water use ratio by an impressive 24% to reach an average of 1.49 liters of water per liter of beverage produced, while decreasing our absolute water consumption by 30.6%. We further give back to our communities and the environment more than 100% of the water we use in the production of our beverages in Argentina, Brazil, Central America, Colombia, and Mexico.

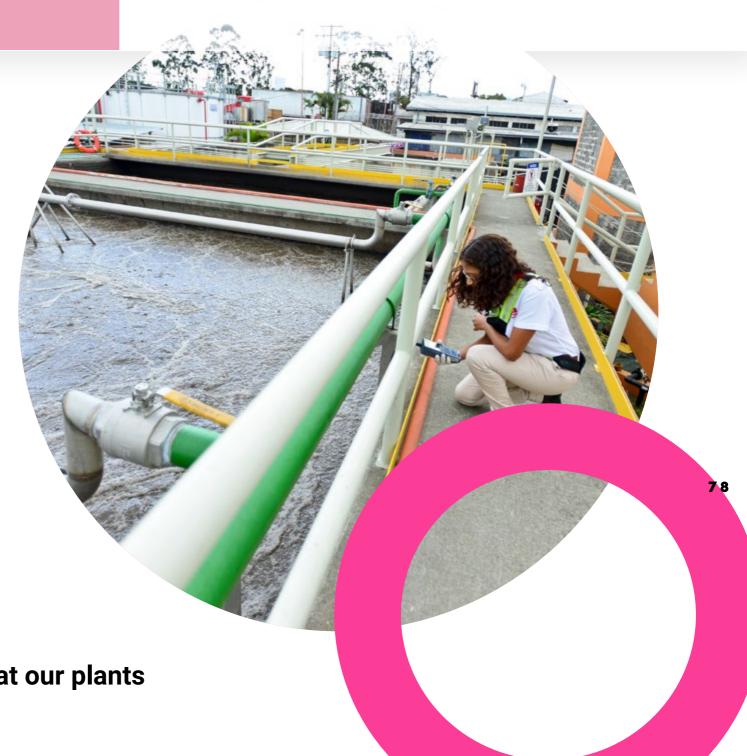
Consistent with this commitment, we have established a comprehensive water strategy, founded on three pillars:

Efficiency in water use at our plants

Facilitating access to water and sanitation in our communities

Replenishment and water funds.





#### WATER **EFFICIENCY**

As a beverage bottler, efficient water management is essential to our business, communities, and planet. At the end of 2020, we reached our goal of averaging 1.5 liters of water per liter of beverage produced with a year-end water use ratio of 1.49 —an impressive 24% improvement in our water use ratio from our 2010 baseline year. Notably, this represented savings of more than 17 billion liters from 2010 through 2020. Moreover, our water efficiency initiatives and projects generated savings of US\$1.16 million in 2020.

Through our Top 20 Water Saving Initiatives program, we foster efficient water consumption across all of our plants. To this end, we registered significant progress across our operations, focusing on 20 key measures—from our detection and elimination of leaks to optimal water use in our plants to our water recovery systems. Additionally, all of our manufacturing facilities are ISO 14001 certified.

100% of the water we discharge from our manufacturing operations is sent to wastewater treatment plants, which ensure sufficient quality to foster aquatic life.

FACILITATING OUR COMMUNITIES ACCESS TO SAFE WATER AND SANITATION

According to the World Water Council, 77 million people in Latin America lack access to safe water, and 100 million people lack access to basic sanitation services.

Consequently, in collaboration with FEM-SA Foundation, we carry out projects designed to improve communities' quality of life by helping to provide them with safe water, improved sanitation, and hygiene education. While the Foundation intervenes significantly at the outset of each project, all of these initiatives utilize the necessary elements to enable communities to adopt them in a sustainable wayenduring over the long term.



For more information about FEMSA Foundation, visit https://www.femsa.com/en/femsa-foundation/

#### WATER REPLENISHMENT & CONSERVATION

Aligned with the United Nations' Sustainable Development Goals, we recognize that water is an important and essential natural resource. Accordingly, we join efforts to provide access to potable and affordable water, as well as to protect and recover water-related ecosystems.

Our aspiration is to return to the environment and our communities the same amount of water used to produce our beverages where it matters the most. Aligned with this goal, we currently give back to the environment more than 100% of the water we use in the production of our beverages in Argentina, Brazil, Central America, Colombia, and Mexico.

Given the substantial scope, importance, and complexity of water conservation and replenishment, we further work to strengthen water funds and conserve water basins through sustainable initiatives involving partnerships with multiple stakeholders. Through the Latin American Water Funds Partnership—comprised of The Nature Conservancy (TNC), FEMSA Foundation,

We launched the Cauce Bajío water fund for the state of Guanajuato, Mexico, during 2020.

the Inter-American Development Bank (IDB), and the Global Environment Facility (GEF)—we jointly seek to achieve and sustain water security in the region, ensuring sustainable access to a sufficient quantity and quality of water to sustain human life and socioeconomic development.

In coordination with the Partnership, we launched the new Cauce Bajío water fund for the state of Guanajuato, Mexico, during 2020. To date, the Partnership has developed 27 water funds. Of these funds, 6 are in countries where we operate—Brazil, Colombia, Costa Rica, Guatemala, and Mexico. As a result, through 2020, the Partnership has worked to directly benefit approximately 215,512 people in areas near the water basins through job creation and capabilities training since the projects began.





## WASTE & RECYCLING

At Coca-Cola FEMSA, we strive to mitigate the environmental impact of our operations' processes. Over the past several years, we have led the way in the promotion of a culture of waste management throughout all of our operations and value chain.



#### KOF WASTE MANAGEMENT STRATEGY



Comprehensive and responsible post-industrial waste management



Post-consumption collection and recycling



Efficient design and integration of recycled materials in our packaging

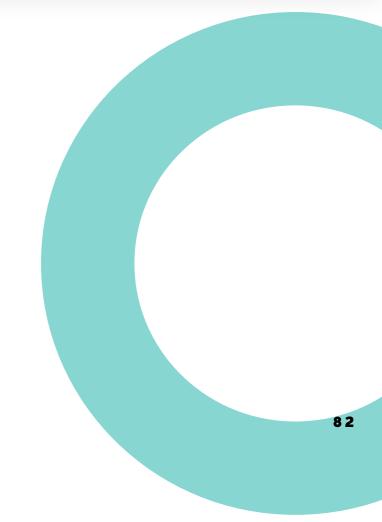
#### COCA-COLA FEMSA SURPASSES 2020 RECYCLED CONTENT TARGET

In 2020, we used an average of 29% recycled content in our PET packaging, exceeding our 2020 goal of 25%. Moreover, by the end of 2020, 100% of our bottling plants successfully achieved our 2020 goal of recycling at least 90% of the waste generated at each of their plants with a global average of 98% of proper waste recycling and disposal.

#### CONTRIBUTING TO A CIRCULAR ECONOMY: OUR 2030 GOALS

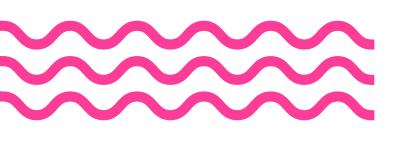
Consistent with our long-term commitment to waste management and aligned with The Coca-Cola Company's commitment to a "World Without Waste," our new 2030 goals are to:

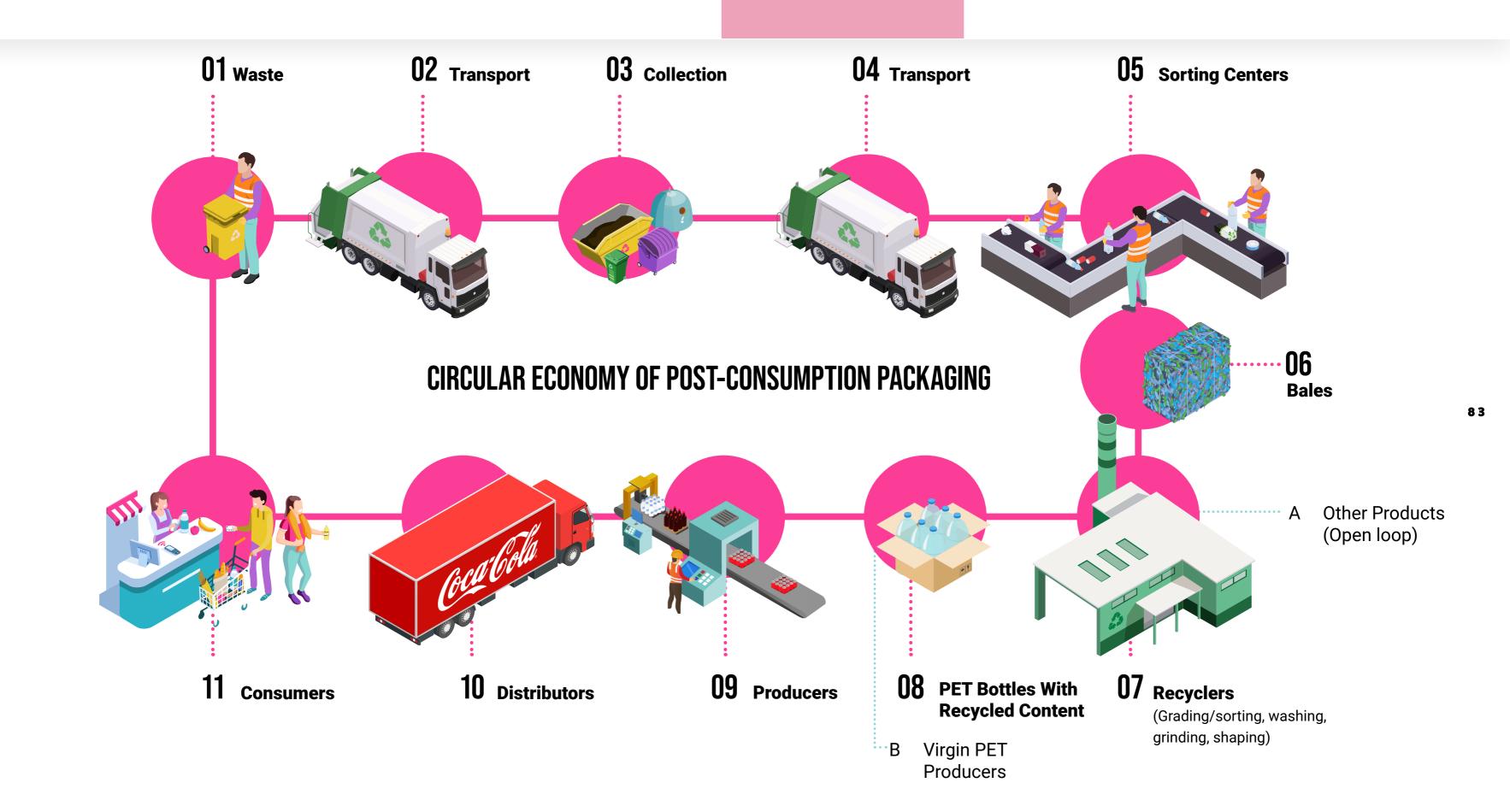
- Use at least 50% recycled material in our PET packaging
- Make all consumer packaging 100% recyclable by 2025
- Collect the equivalent of 100% of the PET bottles we place in the market
- Grow participation in marine litter prevention programs and beach cleanups



#### CIRCULAR ECONOMY OF POST-CONSUMPTION PACKAGING

At Coca-Cola FEMSA, we are confident that, with the support and co-responsibility of all of the actors in the value chain, we will fulfill our 2030 goal of collecting 100% of the PET bottles we place in the market through a concerted market-based approach to the circular economy.





#### INNOVATIVE PACKAGING

#### DEVELOPMENT

Within the beverage industry, our product packaging is mainly comprised of polyethylene terephthalate (PET), glass, and aluminum. We are committed to efficiently using our packaging materials; redesigning our packaging's components to achieve recyclability, while including a growing share of recycled content.

In 2020, we used an average of 29% recycled content in our PET packaging, exceeding our 2020 goal of 25%. Moving forward, we aim to expand this goal to include 50% of recycled materials in our PET packaging by 2030. Notably, we now provide customers and consumers with a water bottle made of 100% recycled resin for all one-way PET presentations of Brisa brand water in Colombia, Ciel brand water in Mexico, Crystal brand water in Brazil,

% RECYCLED CONTENT
2016 16.0%
2017 21.2%
2018 20.8%
2019 23.7%

and Vitale brand water in Uruguay. Moreover, we successfully launched our universal returnable bottle in Argentina, Colombia, Mexico, Brazil, and Uruguay.

Consistent with efficient resource management and optimization of packaging materials, we continued to deploy a wide-ranging light-weighting strategy for our operations' PET presentations and caps. Thanks to our efficient resource management and packaging optimization, we generated savings of approximately US\$2.2 million in 2020.

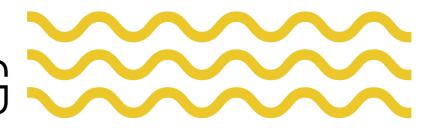
100/0
recycled resin-made
PET water bottle in
Colombia, Mexico
Brazil and Uruguay

# nueva botella 600ml sin gas hecha 100% de botellas recicladas



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## POST-CONSUMPTION COLLECTION & RECYCLING



By joining efforts, we multiply the effects of our actions. Accordingly, we partner with communities, authorities, and NGOs on different initiatives to raise awareness of post-consumer waste management, carry out collection and recycling programs within our communities, and inform consumers about the proper disposal and handling of the waste generated from our products, including marine litter prevention, debris collection, and beach cleanups.

Continuing our long-term commitment to collectively address the challenge of waste management and aligned with The Coca-Cola Company's commitment to a "World Without Waste," in the main markets in which we operate—Mexico and Brazil—packaging collection and recycling mechanisms account for more than 50% of the

PET bottles that we sell, putting us well on track to our 2030 goal of collecting 100% of the PET bottles we place in the market.

Since 2002, we have collaborated with other food and beverage companies through ECOCE, a Mexican civil association that promotes the collection of waste, the creation of a national market for recycling, and the development of recycling programs. With an impressive national collection rate of 53% in Mexico under the ECOCE model, we are at the top of collection and recycling practices in Latin America through this collaboration, with levels equivalent to the European Union.

Across Latin America, we continued to strengthen our post-consumption collection and recycling capabilities. Through

SustentaPET, a joint venture created in partnership with The Coca-Cola Company, we launched new PET collection centers in Cosmópolis on top of an existing collection center in Sao Paulo, Brazil. In Colombia, we expanded the MovimientoRE program, an industry alliance to increase PET collection rates, from the cities of Cartagena, Santa Marta, and Barranguilla to Cali through "Cali Circular." In Argentina, we continued to coordinate our collection and recycling with the industry through CADIBSA, while signing an agreement with the city of Buenos Aires to improve recycling. In Uruguay, we have an industry agreement with Crystal PET to close the PET recycling loop through the use of recycled resin. Furthermore, in Central America, we gained traction with partnerships in Guatemala with "Recíclalos;" in Costa Rica, through Misión Planeta, we In 2020, we utilized a total of 73,000 tons of recycled materials in our operations in Argentina, Brazil, Central America, Colombia, Uruguay, and Mexico. As a result of these efforts, we avoided the use of more than 400 thousand tons of virgin resin since 2010.

partnered with Geocycle to significantly scale PET collection and recycling; and in Panama, through "Recycle for Your Future" (Recicla por tu Futuro), we participate in an industry agreement to foster environmental awareness on recycling.

Importantly, we are leaders in PET bottle-to-bottle recycling in Latin America. In 2005, we joined efforts in Mexico to operate the first food-grade PET recycling plant in Latin America, called IMER (Industria Mexicana de Reciclaje or Mexican Recycling Industry). In 2020, this plant recycled 13,000 tons of PET. Overall, we have a total of 9 recycled food-grade resin suppliers across our operations network.

POST-INDUSTRIAL OPERATING

**WASTE MANAGEMENT** 

In 2020, two thirds of our 49 bottling plants earned Zero Waste to landfill certification. Originally designed for our Mexico operations, this initiative establishes specific measures to improve waste management, disposal, and repurposing—resulting in improved waste efficiency per liter of beverage produced.

At the end of 2020, 100% of our bottling plants successfully achieved our 2020 goal of recycling at least 90% of the waste generated at each of their plants. Overall, we recycled 98% or approximately 110,289 tons of manufacturing waste generated.

Currently, 18 of our plants in Mexico have obtained Clean Industry certification from the Federal Environmental Protection Agency (PROFEPA). Moreover, in 2020, 36 of our distribution centers in Mexico received air quality certifications from PRO-

TOTAL WASTE GENERATED

112.5K
TONS

FEPA, the state of Mexico's Environmental Agency, and Mexico City's Ministry Secretary of the Environment (SEDEMA). These and other recognitions confirm our commitment to the environment and overall sustainability.

To this end, we diligently work to ensure our processes comply with the highest national and international standards and with all applicable laws, avoiding sanctions and fines pertaining to environmental issues, while reaffirming our commitment to efficient operational processes, environmental performance, and competitiveness.

WASTE EFFICIENCY grams of waste per liter of beverage produced (less is better)

2016 8.3

2017 7.5

2018 6.9

2019 6.4

2020 6.2

CLARK

110.3

**Recycled Waste** 

2.2

**Waste Disposed** 



#### SAFETY COMMITMENT

Safety is a key priority, a basic principle of action, and a fundamental value for our company; it is of the utmost importance to fulfilling our purpose of always finding the most efficient and sustainable way to put the drink of choice in our consumers' hands anytime, anywhere. That is why we are committed to do everything within our control to ensure the wellbeing of our employees, contractors, and the communities we serve in order to achieve our ambition of zero work-related injuries and illnesses—based on the premise that all incidents are preventable.

OUR 2020 - 2025 SAFETY GOALS

Aligned with our 0.0 Safety Vision, our 2025 goals are to reach:

- Zero fatalities
- Lost Time Incident Rate (LTIR) of 0.4 for employees and contractors
- Total Incident Rate (TIR) of 0.8 for employees and contractors
- **Crash Rate** of 6.5 for employees and contractors



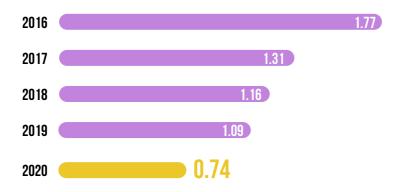
#### SAFETY **PERFORMANCE**

Our 2020 safety performance showed significant progress on several important fronts. For the year, we reported a Lost Time Incident Rate (LTIR) of 0.74 in 2020, a 32% reduction from 2019 and a 58% reduction from 2016. Notably, our manufacturing operations in Argentina, Brazil, Costa Rica, Guatemala, and Mexico already achieved an LTIR of 0.5 or below. We also achieved a Total Incident Rate (TIR) of 1.33, a 29% reduction from 2019. We further achieved a Crash Rate of 11.32 and a Major Crash Rate of 1.92, reductions of 34% and 63%, respectively, from 2019.

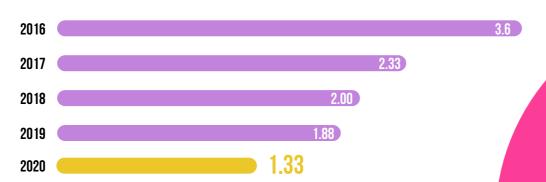
- 1. (# Accidents x 200,000)/Hours Worked.
- 2. (# Total Reportable Incidents x 200,000)/Hours Worked.

The factor of 200,000 is obtained from the estimated hours worked by 100 employees over 50 weeks at 40 hours per week. This factor allows for a comparison of the indicators as a proportionate rate.

#### LOST TIME INCIDENT RATE-LTIR<sup>1</sup> (Less is better)



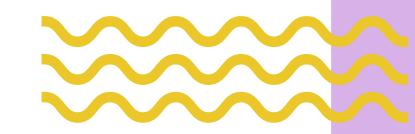
#### TOTAL INCIDENT RATE-TIR<sup>2</sup> (Less is better)





#### SAFETY **STRATEGY**

This year, we defined our 0.0 Safety Strategy, including the challenge ahead and the three main initiatives that will enable us to accomplish the goals of our 2020 - 2025 vision.



#### INITIATIVES



#### **0.0 RTM SAFETY**

Rapidly reduce road incidents and fatalities through risk management, capabilities development and management protocols, and cultural change around road safety and safe mobility with the implementation of technological enablers to ensure our Strategic Road Safety Plan within the distribution, logistics, and commercial processes



#### SAFETY OF THIRD PARTIES AND CONTRACTORS

Develop, implement, and integrate our Safety Strategy, requirements, and commitments with contractors and other third parties, making these relationships sustainable



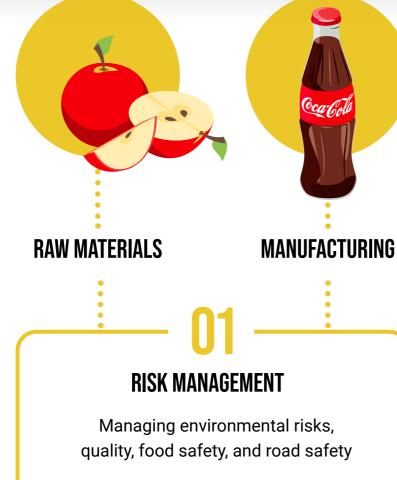
#### PREVENTION OF SERIOUS INJURIES AND FATALITIES (SIF)

Ensure ZERO FATALITIES and reduce serious injuries through incident management and systemic integration of management, culture, processes, capabilities, and technology

The Challenge: Ensure the integrity of our people and the people who interact with our operations, influencing our organizational culture, enabling business growth, and maintaining a leadership position within the Coca-Cola system and the beverage industry.











WAREHOUSING





#### MANAGEMENT, IMPROVEMENT & INNOVATION

World-class system and processes to ensure continuous QSE management, improvement, and innovation

#### **TALENT & CAPABILITY DEVELOPMENT**

Developing capabilities through the professionalization of the QSE function and experts

#### OUR COLLABORATIVE APPROACH TO SAFETY

To design and implement our 0.0 Safety Strategy, we launched three Safety Collaboration Communities—one for each strategic initiative—with the participation of over 40 key employees from across our operations.

#### **QSE TRANSFORMATION**

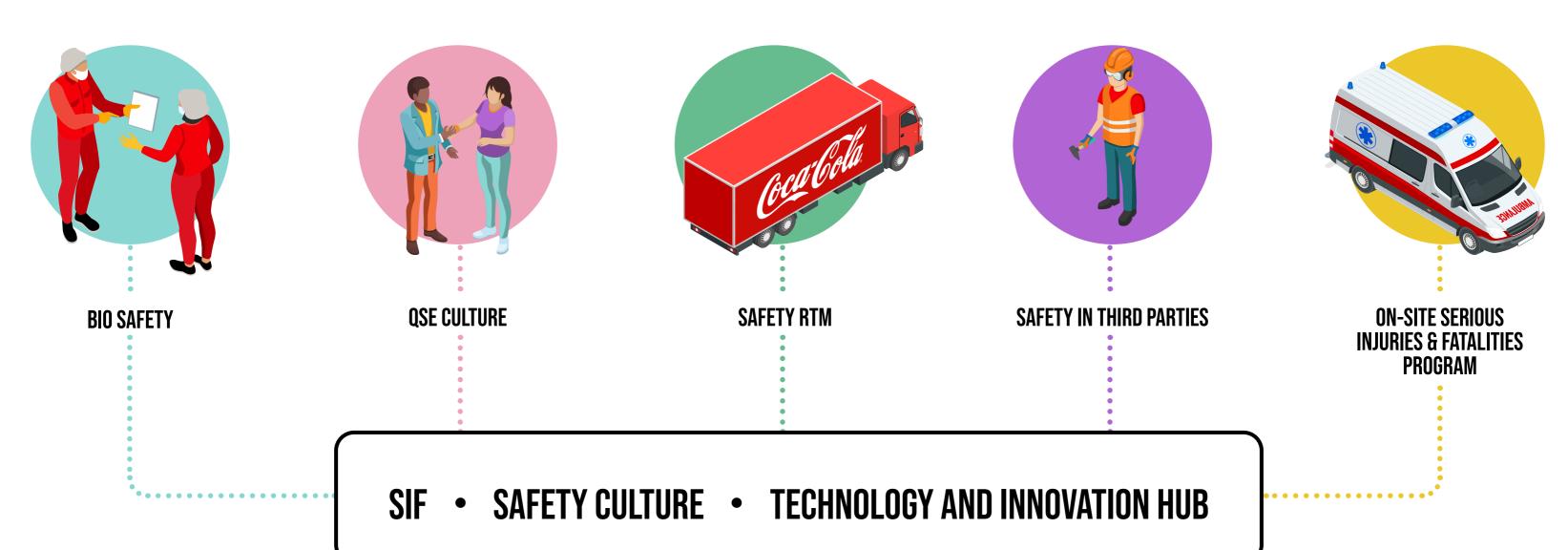
Transforming QSE to support our vision in a sustainable way along the value chain

#### TECHNOLOGY & DIGITALIZATION

Supporting our strategy through technology and digitalization to boost people's capabilities and accelerate, optimize, and standardize processes

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#### KOF SAFETY QSE COMMUNITIES





#### SAFETY ACCOUNTABILITY MODEL

#### SAFETY LEADERSHIP

"We always walk the talk, even under pressure."

#### **ACCOUNTABILITY**

"We are all accountable."

#### **EMPOWERMENT AND ENGAGEMENT**

"I can change things. I'm part of a team to improve and recognize safe behavior."

Our approach to safety is focused on collective and individual accountability, as reflected in the five key elements of our Safety Accountability Model.

#### JUSTICE AND RECOGNITION

"I'm treated consistently and fairly."

#### **DISCIPLINE**

"There are clear consequences for intentional unsafe acts or felt leadership."

#### SHARED KNOWLEDGE AND LEARNING

"We learn from every incident to avoid second errors."

# paladizos

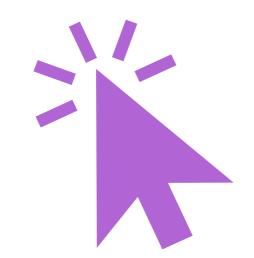
#### SAFETY **CULTURE**

This year, our Safety Cultural Transformation played a fundamental role in our operations' ability to face the COVID-19 pandemic-from their emphasis on selfcare to their reinforcement of safe habits, beliefs, and behaviors. During 2020, our transformational teams created COVID Watchers, who were responsible for promoting and enforcing safe habits and behaviors aligned with COVID-19 safety protocols. We extended the reach of our behavior-based safety approach to cover COVID-19 pandemic recommendations. We also broadened our cultural approach to factor in psychological safety, a powerful element that ensures sustainability, collaboration, and trust.

## SAFETY TECHNOLOGY 8 DIGITALIZATION

Thanks to these and other transformational initiatives, we achieved a 33% crash rate reduction compared with 2019.

Our safety technology and digitalization pipeline continues to enable our Road Safety Strategy and results. Based on three key elements—People, Organization, and Vehicles-this strategy has enabled us to significantly improve road safety by reducing the number of accidents within the organization. To support this strategy, our business units have continued to implement initiatives and innovations that have accelerated the positive performance in this critical area, focusing on the development of drivers' capabilities and the implementation of technology for road risk monitoring and management. During 2020, we developed and deployed the following key initiatives:



0.0 RTM SAFETY TRAINING, SIMULATOR AND MANAGEMENT PROGRAM (BRAZIL)

Focused on vehicle operation, functional assignments, speed and space management, decision-making, preventive and defensive management, adverse conditions, emergency maneuvers, work methods and controls, and alcohol and drug management.

#### BEHAVIOR MANAGEMENT AND TELEMETRY (BRAZIL)

All drivers' performance is continually monitored and managed through telemetry equipment installed on each truck, along with support videos, a disciplinary process, and a recognition program to encourage road incident prevention and mitigation.

#### VIRTUAL REALITY SIMULATOR (ARGENTINA & URUGUAY)

Virtual reality simulator offered training and capacities evaluation for safe handling of these operations' distribution vehicles and forklifts.

#### EVOLUTION OF ROAD CAPABILITIES TRAINING PROGRAM (BRAZIL)

Focused on defensive and preventive driving, road accident reduction, vehicle wear and tear, and fuel consumption across this operation's primary and secondary distribution fleet.

#### FORKLIFT TELEMETRY (CENTRAL AMERICA)

Installed forklift telemetry to identify, monitor, and manage behaviors and drivers.

#### SAFE MOBILITY STRATEGY (COLOMBIA)

Aligned with best corporate and Colombian road safety standards, this strategy is focused on the five key elements of institutional management, human behavior, safe vehicle, safe infrastructure, and attention to victims.

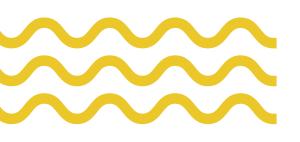
#### MOBILEYE INITIATIVE (MEXICO)

Integrated driver assistance systems, designed to reduce accident rates, monitor driving habits, and redefine working hours management based on profiles of each operator across the primary distribution fleet.

#### TTT (TREND TOPIC TRUCK) TECHNOLOGY (MEXICO)

Developed and piloted TTT technology in 20 secondary fleet distribution units to prevent and reduce the five main causes of road accidents.

## SERIOUS INJURIES AND FATALITIES MANAGEMENT



During the year, we launched phase three of our corporate safety standards for the prevention of fatalities. Thanks to these standards, 2020 was the first year that we achieved zero fatalities within our manufacturing facilities and distribution centers.

Consistent with our commitment to incident prevention, we designed and implemented our Serious Injuries and Fatalities (SIF) Management Model, composed of four key elements:

- Safety protocols standardization
- Safety incidents escalation and exposure matrix
- Key performance indicator (KPI) monitoring with a technological enabler
- Life Saving Rules, developed in collaboration with the Coca-Cola system



#### **LIFE SAVING RULES**

Do everything necessary to ensure your safety and the safety of others before you start any work.

Your life and the lives of others you work with depends on YOU. Speak up about safety risks, at-risk acts and take actions.



Confirm that you and others you are working with have the right training, qualification, skills, and authorization to perform the work safely.

Ensure contractors. vendors and visitors act and work safely at all times.



#### (authorization)

Always ensure an analysis of potential hazards has been completed, proper authorization obtained, and permit received and understood prior to the starting of work.



Protect yourself against falls when working at height.



**Ensure safety devices** such as machine guards, pressure relief valves and DFCI's/RDC's are in place and mantained to protect against hazard exposure.



Confirm "zero" energy is present and is isolated (LOTO) before working on potentially energized or pressurized equipment.

09

#### **SPACES**

Obtain appropriate authorization and confirm safety of a confined space before supervised entry.



Control flammables and ignition sources before starting any hot work.

**HAZARDOUS** 

#### **CHEMICALS**

Understand and follow the safe handling, storage, and use for all chemicals in accordance with the Safety Data Sheet and based on risk assessment.



Always position yourself in a safe zone away from exposure to hazards such as moving vehicles and equipment or overhead loads.



Operate powered moving equipment such as forklifts/lift trucks only when confirmed to be in safe condition, and only when certified and authorized to do so.



Practice safe driving rules. Vehicle safety devices and safe driving behaviors keep you and others safe.



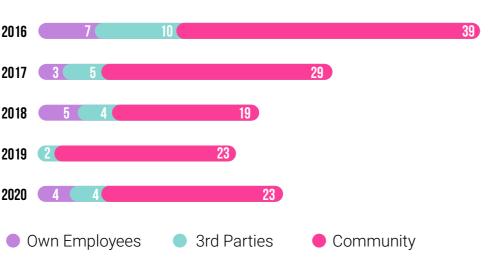
## COMMITMENT TO ZERO FATALITIES

Aligned with our 0.0 Safety Strategy, we continually research, analyze, and identify the measures required to reduce the number of injuries resulting from our operations. Despite our best efforts, we regret to report an increased number of fatalities during 2020 compared to the preceding year.

For the year, we reported a total of 31 fatalities, 94% from road accidents and 6% from public safety conditions within the countries in which we operate. Although 95% of our operations reported no fatalities, the remaining 5% is still an unacceptable number. We will not be satisfied until we fulfill our promise and commitment to zero incidents. We offer our condolences to the families and people affected by our operations, and we pledge to implement best practices to prevent any future losses.

#### TOTAL FATALITIES

Own employees + third parties + communities







#### SUSTAINABLE MOBILITY

Through our Sustainable Mobility strategy, we aim to reduce the impact of our fleet—including primary and secondary distribution trucks—and to position ourselves as the industry leader in Latin America in terms of vehicle efficiency, environmental stewardship, and safety.

We continued to execute route optimization strategies to maximize overall vehicle efficiency. With the deployment of KOF Digital Distribution 1.0 platform in Brazil, Colombia, Mexico, Panama, and Uruguay, we installed vehicle telemetry equipment on 100% of these operations' secondary distribution fleet. Thanks to each truck's telemetry data—together with the functionality of our mobile delivery devices—we enjoy the ability to identify and correct deviations in distribution route execution versus our route plan. This equipment also enables us to analyze route execution patterns in order to identify an optimal com-

bination of variables to improve our route planning process. As a result, we optimize our fleet's usage, minimizing vehicles' downtime while maximizing vehicles' uptime. Thanks to our telemetry equipment, we not only improved key road safety indicators, but also reduced fuel consumption while decreasing CO<sub>2</sub> emissions.

Moreover, with the deployment of dynamic routing across our secondary distribution fleet in Brazil and Colombia, we enjoy the flexibility to plan vehicles' routes on a daily, weekly, and monthly basis, thereby optimizing available fleet resources and distances traveled to serve our customers.

Additionally, we leveraged our secondary fleet substitution program in Mexico and Brazil, where we maintain the largest volume of delivery trucks. Over the past five years, we have substituted our fleet with vehicles that meet higher standards to reduce

emissions. Thanks to this program, we reduced our fuel consumption, emissions, and maintenance costs, and we reinforced our commitment to eco-efficiency with local environmental authorities.

Through our self-regulation program in the Valley of Mexico, we commit to minimize the local delivery fleet's emissions through key initiatives, including an efficient maintenance process and ongoing fleet substitution program, fostering our social license to operate.

In recognition of our efforts to reduce our primary and secondary fleet's emissions, we earned the Clean Transportation Award from Mexico's ministries of Environment and Natural Resources (SEMARNAT) and Communications and Transportation (SCT) for the ninth year.





## SHARED OPPORTUNITY WITH OUR COMMUNITIES

We work to strengthen and consolidate positive relationships with the communities with which we interact. We identify and develop shared opportunities for our company and communities' sustainable development, enhancing our ability to serve the marketplace while maintaining our social license to operate.



#### SUSTAINABLE SOURCING

At Coca-Cola FEMSA, we work with our suppliers to reduce the environmental and social impacts generated by our commercial interactions and thus improve the conditions of our supply chain. In this way, we not only minimize negative impacts, but also raise standards in key business areas, increase labor efficiency, preserve environmental capital, and reduce risks and costs for all of those involved throughout the value chain.

As part of our company's sustainable sourcing mandate, in conjunction with our defined strategic initiatives, each supplier cooperates to minimize their social and environmental risks over which we have no direct control and which cause the greatest number of impacts throughout our supply chain on a daily basis. The general guidelines that we use to make this happen are:



- 1. The Coca-Cola Company's (TCCC)
- Supplier Guiding Principles focus on strategic input categories and include areas such as Human Rights Policies, Environmental Protection, and Labor Rights. Through audits that ensure compliance with these standards, TCCC authorizes its bottlers to work with approved suppliers.
- 2. Sustainable Agriculture Guiding Principles. Established by TCCC, they include the same areas as the previous principles, but are adapted to suppliers of agricultural raw materials.
- 3. FEMSA's Supplier Guiding Principles.

  We apply these principles to mitigate social risks of suppliers for categories that are different from those of the strategic inputs and are relevant to the

value chain.

#### FEMSA SUPPLIER GUIDING PRINCIPLES

#### **ENVIRONMENT**

Impact & environmental compliance

#### COMMUNITY

Community development

#### **LABOR RIGHTS**

Child labor

Forced labor & freedom to move

Freedom of association & collective bargaining

Discrimination & harassment

Work schedule

& compensation

Occupational health & safety

Reporting mechanisms

#### ETHICS & VALUES

Legal Compliance

Fiscal integrity

Anti-corruption

Money laundering

Fair competition

Conflicts of interest

Privacy & intellectual property

**Human Rights** 

These principles reflect the standards that guide our daily activities to ensure we provide responsible workplaces that protect human rights and comply with environmental laws. Founded on these principles, we follow a comprehensive five-step Sustainable Sourcing Strategy:

#### **Prioritization of categories**

At Coca-Cola FEMSA, we use a proprietary tool to identify which suppliers are candidates for a development process. Suppliers are prioritized considering factors such as expenditure, environmental, social, and ethical impacts for each product category, dependability, brand association, and operational criticality.

#### **Sustainable purchases**

Through this step, we include FEMSA's Supplier Guiding Principles in our supplier contracts and requests for information, provide general guidelines for assessment procedures, and conduct training for sourcing and purchasing employees.

#### Assessment

At Coca-Cola FEMSA, we assess our suppliers continuously through our Sustainable Sourcing System, ensuring that they

are aligned with our company's operating principles and values. Carried out online, this assessment focuses on four main areas: Social/Labor Rights; Environment; Ethics and Values; and Community. To ensure the process' transparency, a third party reviews and verifies the information, and we then provide feedback and create action plans to encourage supplier development, ethics, and sustainability. All suppliers with low scores are subject to improvement plans at their facilities and are evaluated periodically to encourage their continuous improvement. This year, we conducted 619 supplier evaluations based on FEMSA's Supplier Guiding Principles. Since 2015, we have carried out 2,516 evaluations under these principles.

Consistent with this strategy, The Coca-Cola Company (TCCC) assesses and ensures compliance with its guiding principles and sustainability standards for specific categories of strategic suppliers; at Coca-Cola FEMSA, we only work with suppliers approved by TCCC in those categories. In 2020, TCCC carried out 120 evaluations of suppliers aligned with their Supplier Guiding Principles and Sustainable Agricultural Guiding Principles.



In addition to these assessments, Coca-Cola FEMSA is one of the few companies that promoted the application of these assessments to Tier 2 suppliers or the suppliers of our suppliers. Currently, our strategic suppliers are applying the same risk assessment and mitigation mechanisms within their own value chain. This ensures that the knowledge and the drive for greater sustainability not only remains within our direct circle of influence, but also extends to all of those who participate in supplying raw materials, inputs, and services.

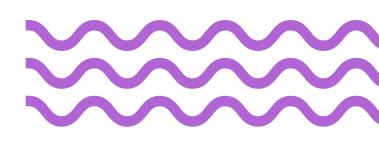
#### THE COCA-COLA COMPANY

COUNTRY	2015	2016	2017	2018	2019	2020
Mexico	33	52	40	59	37	27
Costa Rica	2	3	7	0	1	7
Guatemala	3	5	8	7	8	7
Nicaragua	0	1	0	0	1	1
Panama	1	0	3	3	2	1
Argentina	5	11	19	10	10	10
Brazil	54	47	102	51	42	57
Colombia	8	7	18	11	4	10
Total	107	126	197	141	105	120

#### **COCA-COLA FEMSA**

COUNTRY	2015	2016	2017	2018	2019	2020
Mexico	100	198	245	172	165	164
Costa Rica	30	120	106	34	41	35
Guatemala	_	_	49	34	36	35
Nicaragua	_	84	94	27	21	15
Brazil	_	_	45	66	63	245
Panama	_	_	_	36	24	30
Argentina	_	_	_	31	31	17
Colombia	_	_	_	_	30	51
Uruguay	_	_	_	_	15	27
Total	130	402	539	400	426	619





#### **Capabilities development**

To strengthen our suppliers' business capabilities, we provide them with access to training and growth initiatives on topics such as finance, marketing, and human resources, among others. We also support their growth and build their business skills, improve their companies, and develop high quality products aligned with our principles and values.

In collaboration with the Mexican Center for Competitiveness (Centro Mexicano de Competitividad), we carry out a Comprehensive Supplier Development Program for strategically selected small- and medium-sized enterprises (SMEs) to improve their business capabilities. Through this program, we collaborate with suppliers to not only improve their sustainable competitiveness, but also forge stronger relationships with our company and other large companies. In 2020, 19 suppliers participated in the program, training a total of 285 suppliers from Mexico and Costa Rica over the past five years.

#### Recognition

The good performance of our suppliers on sustainability issues is very important. Accordingly, we recognize all of those suppliers that incorporate sustainability into their own business's DNA not only as a requirement for doing business with Coca-Cola FEMSA, but also as a competitive advantage and a means to become socially responsible. During 2020, we conducted virtual recognition forums for suppliers to our Brazil, Costa Rica, Guatemala, Mexico, and Panama operations, where we recognized 23 suppliers from over 215 participating companies for their remarkable practices.

#### PROMOTING THE UN SDGS WITH OUR SUPPLIERS

During 2020, we collaborated with Redecim to promote our suppliers' contribution to the UN SDGs. Altogether, 38 companies participated in this effort, committing to specific goals and linking the achievement of these goals to their business success.



## SUSTAINABLE COMMUNITY DEVELOPMENT

Aligned with our comprehensive management framework, this year we prioritized the safety and wellbeing of our employees, customers, consumers, and communities throughout the COVID-19 pandemic. By prioritizing their health and safety, we reinforce our company's commitment to delivering economic value, while generating social and environmental wellbeing.

As a leading beverage company, we have made our resources available to build on the actions of the communities where we operate. In solidarity with our communities and in collaboration with health professionals at the front line of the COVID-19 health emergency, we have offered our company's support through our donation of more than 3.85 million liters of beverages to medical centers and vulnerable communities across our markets. We have collaborated with government authorities

to leverage our marketing spaces and delivery trucks in the communication of prevention measures. We have teamed up with The Coca-Cola Company and other organizations in the expansion of hospital capacity. We have also joined forces with various institutions, organizations, and industry groups in the distribution of 1.9 million medical supplies.

Among our different community health and safety efforts, we donated more than 26 thousand COVID-19 tests focused on front-line healthcare professionals in Sao Paulo, while teaming up with the sugar cane industry to deliver more than 500 thousand liters of sanitizing alcohol to hospitals in Sao Paulo's public health network. In Mexico City, we teamed up with The Coca-Cola Company and other organizations in Mexico to convert the Citibanamex Convention Center into a temporary medical

facility, which has been operational since late April. In Argentina, we donated more than 325 thousand liters of beverages to at-risk populations in collaboration with NGOs, municipalities, and health institutions, and in Uruguay, we participated in the #NosCuidamosEntreTodos initiative. which has donated funds for medical supplies. Additionally, in Colombia, we donated beverages to the most affected populations in the country through alliances with the national police, the Red Cross, mayors, and food banks, and in Venezuela, we donated water to health centers, shelters, and vulnerable communities. Furthermore, in Central America, we donated more than 150 thousand liters of beverages to the elderly, front-line health professionals, volunteers, and police, while communicating preventive measures through more than 200 distribution routes.



# FOSTER A COLLABORATIVE CULTURE

This year, the global, immediate, and simultaneous impact of the COVID-19 pandemic required us to not only further strengthen our Human Resources model, but also to delegate better and trust one another more—assuming full responsibility for our roles with no room for overlapping jobs or functions.



This empowered our senior management team to lead by example and visibly change key roles and behaviors:



#### **CEO & LEADERSHIP TEAM**

Embrace and **role model** desired behaviors

Work **collaboratively** to encourage others to do so

**Empower** direct team

Openly receive feedback and give honest and open feedback

Serve as the driver of our culture



#### TOTOTIONAL ATILAG

**Provide a service**, not serve front-line units

Be responsible for their functions in business unit

Have clearly defined roles and responsibilities aligned with the operations

Embrace and role model new ways of working—simplicity, collaboration, agile, lean

Focus on the greater good—we before me



#### **OPERATIONS**

Drive profitable growth by serving our consumers, customers, and communities

Be responsible for profit and loss (P&L) of operation

Collaborate and work with functional areas

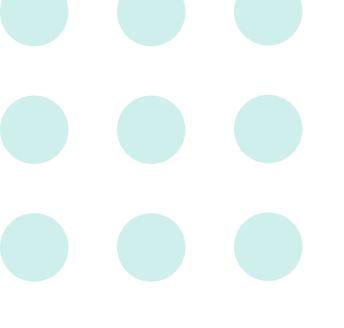
**Focus on the greater good**—we before me

Consequently, the evolution of our senior management team's leadership and decision-making is evident throughout critical stages of our cultural transformation journey.

As we move forward, the vision of our Human Resources (HR) function is to:

- Attract and develop the best talent.
   Ensure that talent becomes our competitive advantage to reach our company's strategic goals
- Enable organizational capabilities.
   Adapt company's organizational capabilities to meet evolving business needs
- Accelerate HR process standardization and automation. Promote HR process automation to deliver faster and better services

Aligned with our vision, the HR teams act as agents of change—leading our collaborative cultural transformation, developing the best talent, and implementing agile processes at the optimal cost for the organization.



CULTURAL & ORGANIZATIONAL TRANSFORMATION

In 2018, we began our cultural transformation journey with the launch of KOF DNA to ensure that our customers and consumers are at the center of everything we do. This year, we continued our journey—underscoring that our people and the way they work together are our company's most valuable assets.

KOF DNA

Comprised of five key foundational elements, KOF DNA is the set of core beliefs and behaviors that we aspire to live and breathe each and every day.



Over the course of this challenging year, we brought our "people first" mentality to life through all of the actions we undertook to protect our people's safety and to ensure operational continuity. Aligned with our DNA, we activated multiple initiatives:

- Reinforce hygiene and safety protocols, focused on protecting our people and their families
- Adjust management routines and operating processes, centered on ensuring our employees' and contractors' wellness
- Strengthen remote work schemes in order to support leaders and their teams to maintain productivity and results
- Role-modeling visible leadership actions that foster openness and trust among teams
- Enhance employee recognition mechanisms, especially among front-line employees who enable us to ensure operating continuity
- Foster communication, collaboration, and cohesion through targeted communications to improve work from home schemes
- Quickly adapt our business models to serve our markets and people's changing needs

We also focused on agile leadership capabilities to face the year's challenges and to respond to our customers, consumers, and organizational needs.

We complemented our cultural transformation journey with better communication channels for our people, including digital optimization processes. We further continued with the deployment of KOF DNA across all operations and organizational levels, while measuring adoption of desired DNA behaviors through different companywide surveys—which showed higher participation rates than our initial targets at the operational level.

Sustainable development begins with us. Hence, we are committed to offering our more than 80,000 employees safe and dignified environments and workplaces based on respect, equity, transparency, and free participation; the effective implementation of which is essential for the integral development of people, positively affecting their quality of work life.





As part of our transformation process, we updated our Labor & Human Rights Policy, which integrates the Fundamental Principles and Rights at Work of the International Labor Organization (ILO), such as:

- Freedom of association
- No to forced labor
- No to child labor
- No to discrimination
- No to bullying, violence, and harassment
- Security and health at work

In addition, consistent with our cultural evolution, we developed a self-assessment methodology, called "Working Conditions Assessment," to identify the gaps in our operational basics, work obligations, the needs of our people and how they feel, which we implemented in over 120 work centers of our Mexico operation, representing around 80% of our footprint in Mexico. This evaluation allowed us to gather relevant information about our operations to prevent labor risks, which will help us to materialize our "People First" mentality.

Some of the evaluated concepts are:

- Work environment
- Immediate supervisor's management practices
- Psychosocial risks
- · Labor violence and discrimination
- Compensation schemes
- · Child labor
- Security and health
- Infrastructure and work tools, among others

Furthermore, we continued with the implementation of our functionalized Human Resources organizational model through service and alignment surveys, change agent networks, and new ways of working to identify corporate and operational gaps within and among our functionalized directions and to develop action plans to mitigate those gaps.

# TALENT MANAGEMENT AND DEVELOPMENT

Our people and the way they work together are our company's most valuable assets. Accordingly, we comprehensively manage, attract, develop, and motivate our people effectively, preparing the next generation of leaders today.

### PEOPLE FIRST

This year, we standarized and digitized 100% of the of the development agendas of our Tactical and Strategic Leaders.



# PERFORMANCE, SUCCESSION & MOBILITY

This year, we implemented a functionalized talent cycle across all of our operations; including development agenda planning with a wider and better offering to meet our people's needs. We also continued to implement our improved performance management model, focused on the value that each individual contributes to the organization and their adoption of our company's desired DNA behaviors, which represent 30% of our employees' annual results.

During the year, we further deployed the annual 9-Box Talent Assessment and Management Methodology, enhancing our talent quality, succession, mobility, and execution metrics, while focusing on our high potential talent. During 2020, our employees, from executive, senior, and middle management, as well as individual contributors, were evaluated throughout our operations in order to identify and take

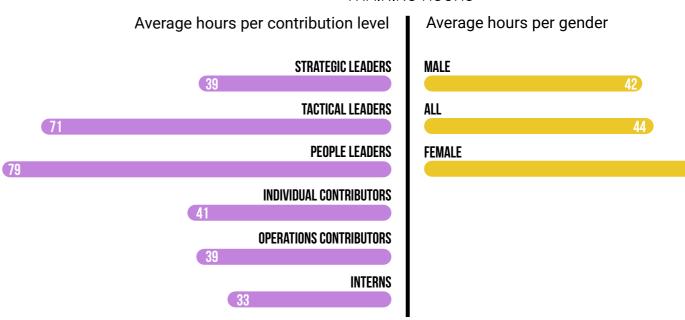
actions to develop our talent pipeline within the company.

Moreover, after last year's launch of our Global Talent Visibility program, we designed programs to achieve higher talent visibility across the organization, while injecting talent through initiatives such as our Young Professionals and accelerated Supply Chain development programs to provide a better talent succession pipeline across key positions. For professionals with at least 18 months of employment experience, our Young Professionals program is designed to attract and develop key talent who could achieve higher positions in our organization within two years. Similarly, our tailor-made, two-year Supply Chain development programs aim to accelerate the development, exposure, and national and international mobility of key talent within the supply chain functional area.





### TRAINING HOURS



# PATH TO DIGITAL

During the year, we continued the deployment of our Global Talent Platform throughout all of our operations. Ultimately impacting 70,800 employees, this platform will integrate, improve, and simplify our leaders' and employees' experience with HR processes. Among the year's developments, FEMSA University migrated to a learning module within our Talent Platform, enabling opportunities for self-learning and development across all of our operations. Currently, we are working on standardizing and migrating our HR Administration backbone, including our master database and payroll systems, to a cloud-based solution in order to provide a more agile service and set the foundation for our path to digital.

This year, we reviewed all of our Data Management processes to ensure the standardized, accurate configuration of our digital enablers, and we began with the implementation of Employee Central, which will impact all of our employees across our operations. This tool is designed to transform personnel administration management, promoting leaders' empowerment while improving our employee experience. We also made major improvements to our basic HR processes, focusing on the simplification, standardization, and automation tools for our variable compensation, which we already deployed in Costa Rica, and time and attendance which we implemented in Brazil.

# INCLUSION & DIVERSITY

At Coca-Cola FEMSA, we aim to create an environment in which every individual can feel included and valued for their own knowledge, behavior, competencies, and results, with opportunities for development and recognition based on their own talent. To this end, our strategic goals are to:

# TRAIN AND INSTALL INCLUSIVE LEADERSHIP SKILLS AT ALL LEVELS

- Train to identify unconscious biases that exist in the way our company functions
- Install best practices that allow us to consciously manage such biases
- Establish a companywide Inclusion & Diversity Board to advise our CEO and Operation Heads

02

### CREATE AN OPEN AND FLEXIBLE WORK ENVIRONMENT

- Update flexible work programs and policies
- Continuously sensitize our company to new ways of working
- Migrate towards open and collaborative workplaces across all of our operations

# 03

# DEVELOP A DIVERSE TALENT PIPELINE

- Increase representation of women in leadership roles
- Provide visibility, sponsorship, and mentoring to female talent
- Increase representation of people with disabilities
- Develop guidelines and key performance indicators to evaluate diversity and inclusion

Aligned with our Inclusion & Diversity Strategy, we developed our diverse talent pipeline strategy to identify female talent within our organization and to design specialized development programs to promote women's representation in leadership positions. We further undertook multiple initiatives to communicate our overall Inclusion & Diversity Strategy throughout the organization.

# INCLUSION & DIVERSITY BOARD

To accelerate the development of a truly inclusive and diverse organizational culture, we evolved from a "networks" approach to a companywide Inclusion and Diversity Board. Aligned with our company's business priorities, the Inclusion and Diversity Board is focused on five main purposes:

- Engage and hold leaders accountable throughout the organization
- 2. Define both long- and short-term objectives and strategies aligned with our company's inclusion and diversity vision
- 3. Ensure functionality of work teams at a country and regional level
- 4. Ensure deployment of an internal and external communication plan
- 5. Measure, monitor, and evaluate initiatives.

INCLUSION & DIVERSITY
INITIATIVES

To reinforce our company's commitment to inclusion and diversity, we conducted a range of initiatives throughout the year—from our inaugural "We-talks" conversations to "our label is talent" campaign to our Inclusion and Diversity Forum—enabling our employees to reflect on the importance of inclusion and diversity for our organization, encourage our company's development of inclusive leadership, and empower managers and directors to strengthen our culture of inclusion and diversity.

Furthering on our Inclusion & Diversity mindset, in Brazil we employed our first fully inclusive production line, operated 100% by professionals with disabilities. We made proper accomodations so people with hearing, physical, visual and learning disabilities enjoy working opportunities in our bottling plant in Bauru.

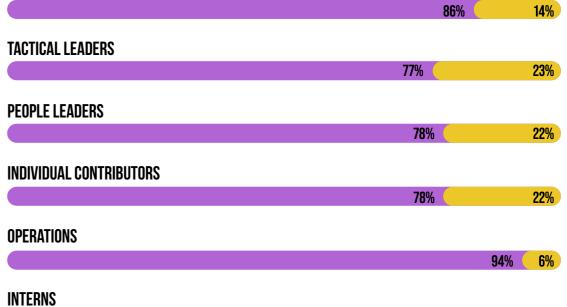




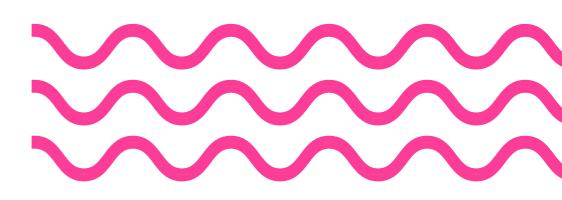
### **EMPLOYEES**

By gender in each contribution level

### STRATEGIC LEADERS







114

# **EMPLOYEES** By contract & region

**URUGUAY: 900** 

**701**—199

COSTA RICA: 1,428

1,197 — 231

PANAMA: 1,523

1,256 — 267

NICARAGUA: 1,537

1,197 - 340

ARGENTINA: 2,147

2,129 — 18

**GUATEMALA: 2,794** 

2,794 - 0

**COLOMBIA: 9,556** 

3,041

6,515

**BRAZIL: 21,058** 

18,028

MEXICO: 45,394

41,681 3,713



Internal



External

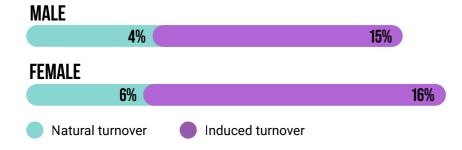


84% **16**% External Internal **86,337**Employees

115

### TURNOVER

Per gender





18-34
6.6%
19.2%
35-44
2.6%
12.0%
45-59
0.8%
8.6%
60+
1.6%
Natural turnover
Induced turnover



# FLEXIBLE **BENEFITS**

We encourage a good work/life balance for our employees. In 2019, we standardized our different flexible benefit schemes across our operations, including:

- Flexible schedules
- Work from home
- Maternity/Paternity leaves
- Paid personal days

This year, amidst the COVID-19 pandemic, we promoted flexible benefits policies, activating work from home schemes for all of our administrative teams, while enabling a variety of initiatives to allow our people to work effectively and productively from home, including learning capsules, webinars, videos, follow-up sessions, and virtual town hall meetings.

Taking advantage of telepresence and virtual spaces, we celebrated key management protocols such as our Leaders Summit with great success.



MALE

**FEMALE** 

90%

Retention Rate per Gender<sup>2</sup> MALE

99%

**FEMALE** 

**75**%

- 1 Employees that returned to work after Parental Leave.
- Employees that continue working 12 months after Parental Leave. Male Parental Leave varies in each country from 2 to 14 days.



# **COMPENSATION** AND BENEFITS

Our people's compensation and benefits scheme not only recognizes their effort and commitment to their jobs, but also their contribution to our company's value creation. Therefore, despite the challenging scenario posed by the COVID-19 pandemic, during 2020, we were able to keep salaries in line with local levels of inflation or market references.

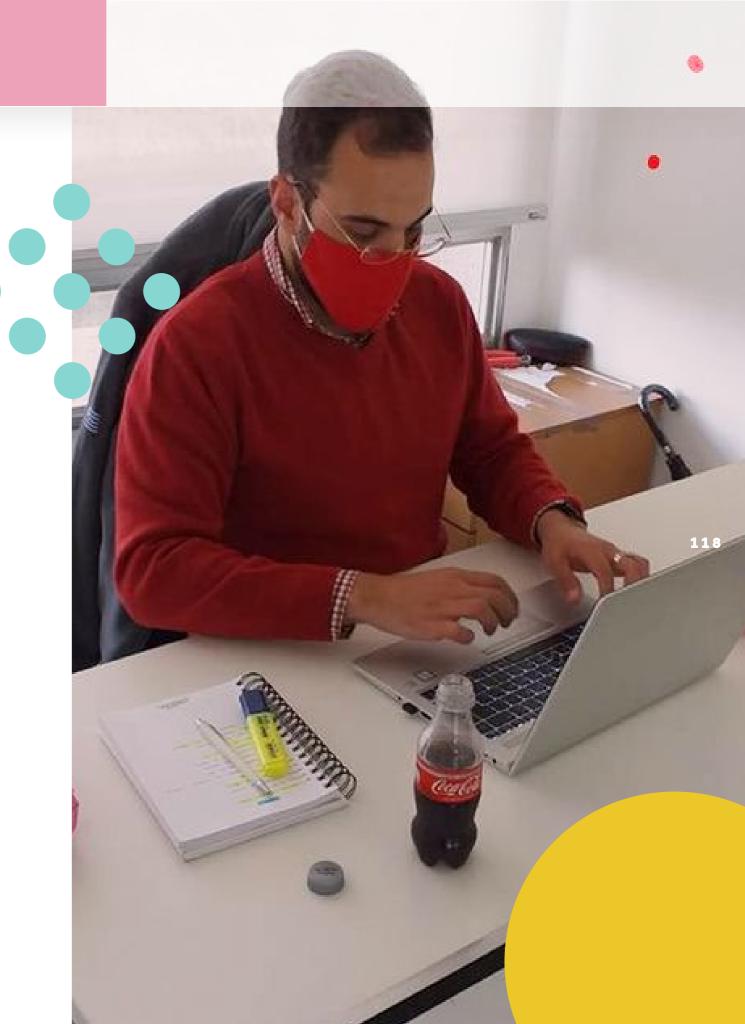
This year, we optimized our organization's job valuation process through the design, integration, and rollout of a Job Family model. Thanks to its implementation throughout all of our operations, we generate efficiencies in our current workforce management, strengthen our talent processes—including development, succession, and talent planning—enhance our talent exchange and transversal competencies development, and foster our talent transparency.

Moreover, we analyzed the current variable compensation schemes throughout our operations in order to reduce the overall number of schemes and to select a tool to manage and automate them. We also designed and successfully implemented a pilot flexible benefits program to offer our people a wide array of options that we identified within the market, based on our people's interests.

At all levels of our organization, we ensure that our employees' remuneration is competitive, and their conditions are equal for both men and women. Consistent with our talent acquisition and retention strategy, we implemented performance-based bonus practices for middle management to ensure the competitiveness of our compensation packages across all of our operations.

Additionally, based on studies performed by international consulting firms that enable us to make comparisons between countries, we can determine that our employees are receiving an integrated salary that is greater than or equal to the market average.

We act in accordance with obligations defined by law and in full respect of labor rights, exceeding the conditions and benefits established in the laws of each country where we operate. We respect our people's right of association and, as such, our collective agreements cover approximately 63% of employees. These employment contracts are reviewed and agreed with all our union representatives, respecting the established validity periods, as well as complying with all notification deadlines.





# COMPREHENSIVE WELLBEING

Aligned with our Comprehensive Wellbeing Model, we promote our people's integral development and quality of life.

# **SOCIAL DEVELOPMENT** STRATEGY

To this end, our Social Development Strategy concentrates on five dimensions:

- **Health:** We promote healthy physical and bio-psychosocial lifestyles for our employees.
- **Social Relationships:** We encourage satisfactory relationships in harmony with the environment and community through employee volunteering activities.
- **Economic:** We promote the protection of assets and the generation of savings through a culture of financial intelligence.

- in programs and trainings to improve and increase knowledge and personal development skills.
- Labor: We promote positive work experiences based on respect and compliance with Human Rights, as well as fostering work spaces that promote safety and labor relations.

Aligned with our Comprehensive Wellbeing Model, employees receive a new weekly newsletter, "KOF Contigo en Casa" (With You At Home), based on the five dimensions of Social Development (Health, Social, Education, Labor, and Economic). So, when our people are in the company of those with whom they share their home, they can take full advantage of their time and enjoy quality moments with their family.

Today more than ever we continue to promote the quality of life of our employees and their families.



COCA-COLA FEMSA SURPASSES 2020 VOLUNTEER GOAL

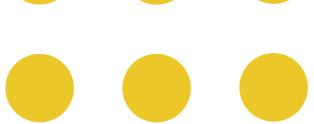
During 2020, we increased volunteer hours by 47% year over year with 93% less economic investment, while reaching 2.17 million hours of volunteer work from 2015 - 2020, exceeding our goal of 1 million hours.

# KOF VOLUNTEERS PROGRAM

We encourage the development of our employees and their families as responsible citizens, committed to their community, society, and environment. Through the KOF Volunteers program, we promote initiatives that enable us to beneficially impact the quality of life and wellbeing of the communities where we operate, strengthening our relationships with them, while positively affecting our corporate position and reputation.

Our overall volunteer activity is committed to six different causes:





01

# COMMUNITY DEVELOPMENT

We come together to carry out collective action and generate solutions to common problems to create a positive impact and build stronger and more developed communities.



### HEALTH

We undertake activities that promote healthy physical and bio-psychosocial lifestyles, as well as initiatives related to humanitarian aid, nutritional training, and with the health sector in general.



02

### **ENVIRONMENT**

We are focused on responsible environmental management and the responsible care and use of natural resources, with attention to our Strategic Sustainability Framework, especially on issues such as water, energy, carbon emissions, water bodies' cleanup, and reforestation.

Our activities aim to improve

development.

educational levels and promote

cultural, creative, and technological



### **NATURAL DISASTERS**

We promote solidarity efforts in the event of natural disasters, providing support to people and affected areas, while carrying out prevention activities for greater awareness, with special attention given to the communities where we operate.



06

### **HUMAN RIGHTS**

We seek to generate positive volunteer experiences based on respect and compliance with Fundamental Human Rights.





120

Throughout the year, we developed several remote volunteering activities to support the quality of life of our people and communities. Among our online activities, we reinforced children and young people's education, training, and professional development in Mexico through EmploLab employability laboratory. We conducted various online training sessions with volunteers in Colombia to help our communities learn how to plant urban orchards and to become self-sustainable. Also, we organized a companywide toy donation campaign, where our people chose a virtual Christmas card and sent gifts to children.

During the year, 61,672 participants, including our employees and their families, devoted 733,422 hours to 1,646 volunteer initiatives, supported by an investment of US\$40 thousand. From 2015 through 2020, we accumulated 2,170,000 hours of volunteer work.

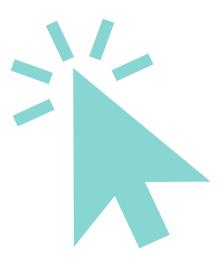


2.17

hours of volunteer work since 2015

# OCCUPATIONAL HEALTH

At Coca-Cola FEMSA, we seek to improve employees' physical and psycho-emotional health, encourage engagement and a sense of belonging within the organization, and strengthen our health and social programs for an improved work environment.



# OCCUPATIONAL HEALTH MANAGEMENT SYSTEM

Our Occupational Health Management System establishes the vision, strategy, objectives, elements, and activities through which we improve the quality of work life for our employees across our company's work centers and strategic business units. Complying with our legal, ethical, scientific, and organizational framework, this system encompasses our health processes and programs that we apply according to applicable risk matrices, local legislation, and operational needs.

150/0
improvement in our lost days due to our General Illness Index versus 2019





# HEALTH & WELLBEING POLICIES

At Coca-Cola FEMSA, our Corporate Occupational Health area is responsible for proposing relevant revisions and updates to our three Health and Wellbeing Policies:

- Occupational Health
- Personnel with Healthy Habits
- Healthy Culture

As well as this annual corporate review, which is sent for approval to our Director of Social and Labor Development and Global Director of Human Resources, our company's internal audit area reviews these policies for dissemination and implementation across our operations.

### HEALTH

Lost Days due to General Illness Index per 100 Employees

(Less is better)

123

553.5

545.2

# COVID-19 ACTIONS & INITIATIVES

As a key player within an essential value chain, we take our commitment to provide hydration and nutrition to the communities we serve with all seriousness. More importantly, we know that, to deliver on this commitment, the health, safety, and wellbeing of our employees are at the front and center of our priorities.

This year, we continued to prioritize the occupational health, safety, and wellbeing of our employees throughout the course of the COVID-19 pandemic. Our reinforced health, sanitation, and hygiene protocols across our facilities, coupled with clear and concise messages in our work centers, and our rapid deployment of protective equipment such as masks, gloves, and sanitizing gel to our operations proved essential for our business continuity. Indeed, many of these protocols and practices are becoming not only a daily routine, but also Coca-Cola System and industry benchmarks.

Beyond our health, sanitation, and hygiene protocols, we implemented daily monitoring and communication protocols across our organization—including development of a health app to monitor our people's health on a daily basis—and we extended health recommendations to our people and their families, reaching them via video conferences at their homes through the "Dialogos en Confianza" (Trusted Dialogues) initiative. Consequently, our people are prepared to emerge stronger from this pandemic.

Importantly, we can rely on KOF's Medical team, a network of in-house doctors and health professionals, to make sure that prevention protocols and follow-up of our employees' and contractors' health status is closely monitored to guarantee proper medical assistance and safe integration into every work center.



# EMPLOYEE SUPPORT PROGRAM

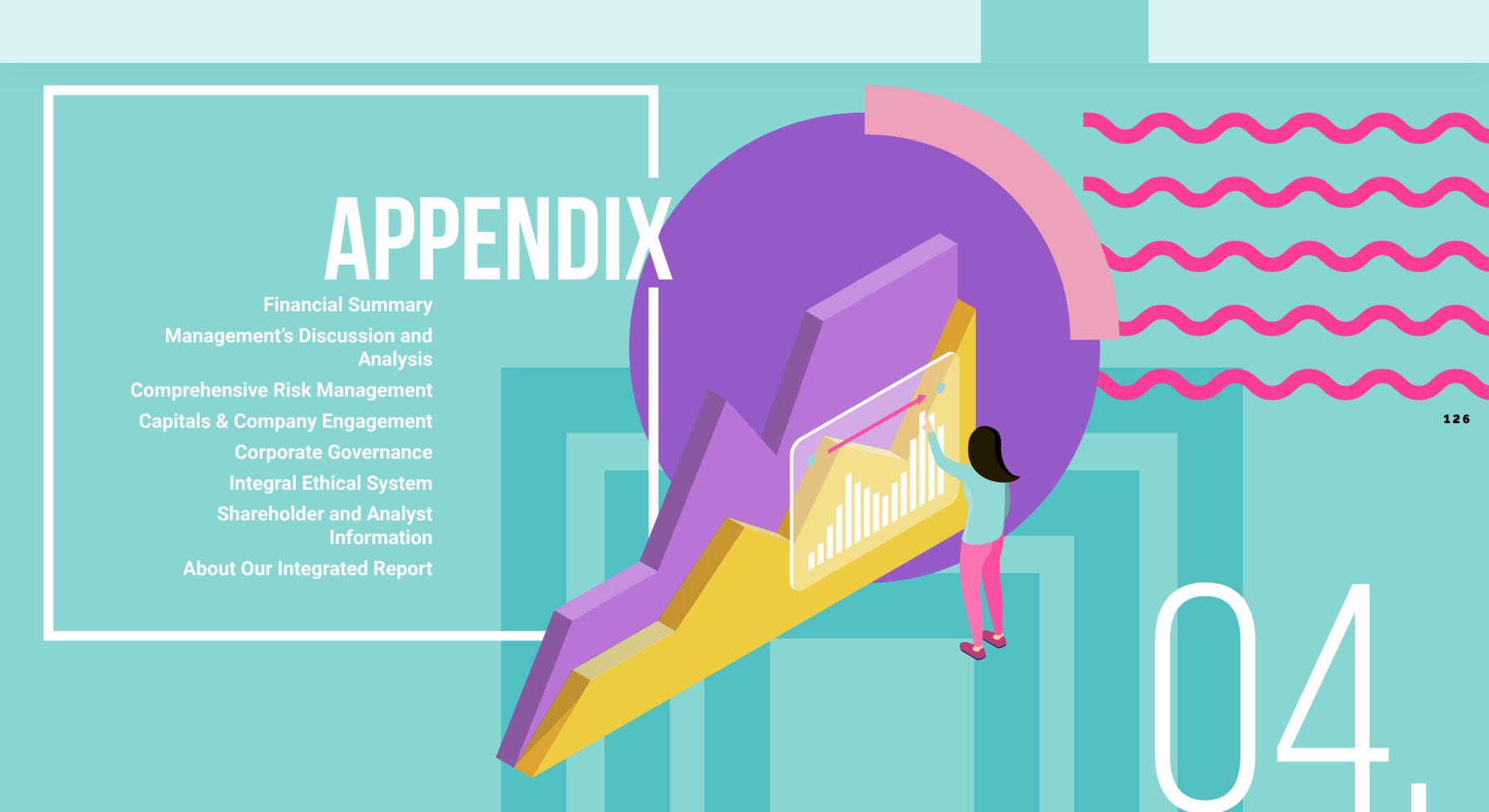
Throughout 2020, we continued with our Employee Support Program across all of our operations. This emotional support program is designed to help our people and their families to cope with any situation that may cause stress, anxiety, and depression, among other emotional disturbances, and to give them psychological support.

This program is part of our Comprehensive Welfare Strategy to reduce psychosocial risk factors inside and outside of work through the counseling and attention of psychologists and other health professionals according to our people's different situations.

ADDRESSING PSYCHOSOCIAL RISKS IN THE WORKPLACE: NOM-035

Aligned with our Comprehensive Welfare Strategy, this year we worked with Mercer to design and implement a plan to satisfy the requirements of NOM-035 (Norma Oficial Mexicana or Mexican Official Standard), a new Mexican law that aims to prevent job-related psychosocial risks that may affect employees' physical, social, and mental health. As part of this plan, we are pleased to report that we achieved high participation rates in our inaugural survey among employees at all levels of our Mexico operations.





# FINANCIAL **SUMMARY**

Amounts expressed in millions of U.S. dollars and Mexican pesos, except data per share and headcount.

	U.S. (*)	2020	2019	2018 (4) (5) (6)	2017 (2) (3) (4)	<b>2016</b> <sup>(1)</sup>
INCOME STATEMENT						
Total revenues	9,231	183,615	194,471	182,342	183,256	177,718
Cost of goods solds	5,068	100,804	106,964	98,404	99,748	98,056
Gross profit	4,163	82,811	87,507	83,938	83,508	79,662
Operative expenses	2,838	56,444	60,537	57,924	58,044	55,462
Other expenses, net	182	3,611	2,490	1,881	31,357	3,812
Comprehensive financing result	336	6,678	6,071	6,943	5,362	6,080
Income before income taxes and share of the profit or of associates and joint ventures accounted for using the equity method	808	16,077	18,409	17,190	(11,255)	14,308
Income taxes	273	5,428	5,648	5,260	4,184	3,928
Share in the (loss) profit of equity accounted investees, net of taxes	(14)	(281)	(131)	(226)	60	147
Consolidated net income	521	10,368	12,630	15,070	(11,654)	10,527
Equity holders of the parent	518	10,307	12,101	10,936	(16,058)	10,070
Non-controlling interest net income	3	61	529	768	679	457
RATIOS TO REVENUES (%)						
Gross margin	45.1	45.1	45.0	46.0	45.6	44.8
Net income margin	5.6	5.6	6.5	8.3	(6.4)	5.9

- 1. Information considers full-year of KOF's territories and one month of Vonpar Refrescos, S.A. ("Vonpar").
- 2. Income statement information considers full-year of KOF's territories and full-year of Coca-Cola FEMSA Venezuela.
- 3. Balance sheet information does not include Coca-Cola FEMSA Venezuela's balances due to deconsolidation as of December 31, 2017.Coca-Cola FEMSA Venezuela balance is included as investement in shares as of December 31, 2017.
- 4. KOF Philippines has been classified as a discontinued operation in our profit and loss statement for the years ended December 31, 2017 and 2018.
- 5. Income statement information includes 8 months of the financial results for Abasa and Los Volcanes in Guatemala.
- 6. Income statement information includes six months in the financial results for Uruguay.
- 7. Includes investments in property, plant and equipment, refrigeration equipment and returnable bottles and cases, net of disposals of property, plant and equipment.
- 8. Based on 16,806.7 million ordinary shares as of December 31, 2020, 2019, 2018 and 2017, and 16,583.4 million shares as of December 31, 2016.
- 9. Computed based on the weighted average number of shares outstanding during the periods presented:16,806.7 million for 2020, 2019 and 2018, 16,730.8 million in 2017 and 16,730.8 million in 2016.
- 10. Dividends paid during the year based on the prior year's net income, using 16,806.7 millions outstanding ordinary shares for 2020, 2019 and 2018 and 16,583.4 million oustanding ordinary shares for paid on 2017 and 2016.
- 11. Includes third-party and for 2017 excludes 16,566 employees for our discontinued operation in Phillipines.
- \* Exchange rate as of December 31, 2020 Ps. 19.89 per U.S. dollar solely for the convenience of the reader according to the federal USA reserve.

	U.S. (*)	2020	2019	2018 (4) (5) (6)	2017 (2) (3) (4)	2016 <sup>(1)</sup>
CASH FLOW	0.0.()	2020	2017	2010	2017	2010
Operative cash flow	1,767	35,147	31,289	29,687	33,236	32,446
Capital expenditures (7)	521	10,354	11,465	11,069	14,612	12,391
Total cash, cash equivalents	2,187	43,497	20,491	23,727	18,767	10,476
BALANCE SHEET						
Current assets	3,642	72,440	56,796	57,490	55,657	45,453
Investment in shares	383	7,623	9,751	10,518	12,540	22,357
Property, plant and equipment, net	2,989	59,460	61,187	61,942	75,827	65,288
Intangible assets, net	5,227	103,971	112,050	116,804	124,243	123,964
Deferred charges and other assets, net	920	18,294	16,673	17,033	17,410	22,194
Total Assets	13,225	263,066	257,839	263,787	285,677	279,256
LIABILITIES						
Short-term bank loans and notes payable	253	5,017	11,485	11,604	12,171	3,052
Interest payable	36	712	439	497	487	520
Other current liabilities	1,865	37,116	39,086	33,423	42,936	36,296
Long-term bank loans and notes payable	4,145	82,461	58,492	70,201	71,189	85,857
Other long-term liabilities	770	15,303	18,652	16,312	18,184	24,298
Total Liabilities	7,069	140,609	128,154	132,037	144,967	150,023
Equity	6,156	122,457	129,685	131,750	140,710	129,233
Non-controlling interest in consolidated subsidiaries	281	5,583	6,751	6,806	18,141	7,096
Equity attributable to equity holders of the parent	5,875	116,874	122,934	124,944	122,569	122,137
FINANCIAL RATIOS (%)						
Current	1.69	1.69	1.11	1.26	1.00	1.14
Leverage	1.15	1.15	0.99	1.00	1.03	1.16
Capitalization	0.43	0.43	0.37	0.41	0.39	0.41
Coverage	5.13	5.13	5.51	4.22	4.20	4.80
DATA PER SHARE						
Book Value (8)	0.350	6.954	7.315	7.434	7.293	7.365
Loss (income) tributable to the holders of the parent (9)	0.030	0.610	0.723	0.831	(0.765)	0.607
Dividends paid <sup>(10)</sup>	0.031	0.608	0.443	0.419	0.422	0.419
Headcount (11)	82,334	82,334	82,186	83,364	79,636	85,140

# MANAGEMENT DISCUSSION & ANALYSIS

Results for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

### CONSOLIDATED RESULTS

The comparability of our financial and operating performance in 2020 as compared to 2019 was affected by the following factors: (1) translation effects from fluctuations in exchange rates; and (2) our results in Argentina, which since January 1, 2018 has been considered a hyperinflationary economy. For the convenience of the reader, we have included a discussion of the financial information below on a comparable basis, excluding the translation effects from fluctuations in exchange rates. To translate the full-year results of Argentina for the years ended December 31, 2020 and 2019, we used the exchange rate at December 31, 2020 of 84.15 Argentine pesos per U.S. dollar and the exchange rate at December 31, 2019 of 59.89 Argentine pesos per U.S. dollar, respectively. The depreciation of the exchange rate of the Argentine peso at December 31, 2020, as compared to the exchange rate at December 31, 2019, was 40.5%. In addition, the average depreciation of currencies used in our main operations relative to the U.S. dollar in 2020, as compared to 2019, were: 11.6% for the Mexican peso, 30.7% for the Brazilian real, and 12.6% for the Colombian peso.

**Total Revenues.** Our consolidated total revenues decreased by 5.6% to Ps.183,615 million in 2020 as compared to 2019, mainly as a result of unfavorable price-mix effects due to the COVID-19 pandemic and currency translation effects resulting from the depreciation of all of our operating currencies in South America against the Mexican peso, particularly the Brazilian real, which had a 14.5% unfavorable translation effect. These effects were partially offset by favorable pricing and revenue management initiatives. Total revenues include other operating revenues related to entitlements to reclaim tax payments in Brazil in 2020. See Note 25.2.1 to our consolidated financial statements. On a comparable basis, total revenues would have decreased by 1.0% in 2020 as compared to 2019.

Total sales volume decreased by 2.5% to 3,284.4 million unit cases in 2020 as compared to 2019, mainly as a result of social distancing and other measures adopted as a result of the COVID-19 pandemic, which had an adverse effect on our points of sale.

- In 2020, sales volume of our sparkling beverage portfolio decreased by 1.1%, sales volume of our colas portfolio decreased by 0.2%, and sales volume of our flavored sparkling beverage portfolio decreased by 5.0%, in each case as compared to 2019.
- Sales volume of our still beverage portfolio decreased by 5.0% in 2020 as compared to 2019.
- Sales volume of our bottled water category, excluding bulk water, decreased by 22.6% in 2020 as compared to 2019.
- Sales volume of our bulk water category increased by 0.6% in 2020 as compared to 2019.

Consolidated average price per unit case decreased by 3.5% to Ps.50.63 in 2020, as compared to Ps. 52.46 in 2019, mainly as a result of unfavorable price-mix effects and the negative translation effect resulting from the depreciation of most of our operating currencies relative to the Mexican peso. This was partially offset by price increases aligned with or above inflation. On a comparable basis, average price per unit case would have remained flat at 0.3% in 2020 as compared to 2019, driven by our revenue management and pricing initiatives.

**Gross Profit.** Our gross profit decreased by 5.4% to Ps.82,811 million in 2020 as compared to 2019; with a gross margin increase of 10 basis points as compared to 2019 to reach 45.1% in 2020. This gross margin increase was mainly driven by our pricing ini-



tiatives, together with lower PET resin costs and stable sweetener prices in most of our operations, which were partially offset by higher concentrate costs in Mexico, higher concentrate costs in Brazil due to the reduction of tax credits on concentrate purchased from the Manaus Free Trade Zone, coupled with our decision to suspend such tax credits, and the depreciation in the average exchange rate of most of our operating currencies as applied to U.S. dollar-denominated raw material costs. On a comparable basis, our gross profit would have decreased by 1.3% in 2020 as compared to 2019.

The components of cost of goods sold include raw materials (principally concentrate, sweeteners and packaging materials), depreciation costs attributable to our production facilities, wages and other labor costs associated with labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in local currency, net of applicable taxes. Packaging materials, mainly PET resin and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

**Administrative and Selling Expenses.** Our administrative and selling expenses decreased by 6.8% to Ps.56,444 million in 2020 as compared to 2019. Our administrative and selling expenses as a percentage of total revenues decreased by 40 basis points to 30.7% in 2020 as compared to 2019, mainly as a result of operating expense efficiencies in labor, maintenance and marketing. In 2020, we continued investing across our territories to support marketplace execution, increase our cooler coverage, and bolster our returnable presentation base.

**Other Expenses Net.** We recorded other expenses net of Ps.3,611 million in 2020 as compared to Ps.2,490 million in 2019, which increase was mainly as a result of an extraordinary other operating expenses related to impairments in Estrella Azul in Panama and in Leão Alimentos, our non-carbonated beverage associate in Brazil, which were partially offset by the implementation of our efficiency program to create a leaner and more agile organization. For more information, see Note 10 to our consolidated financial statements.

Comprehensive Financing Result. The term "comprehensive financing result" refers to the combined financial effects of net interest expenses, net financial foreign exchange gains or losses, and net gains or losses on the monetary position of hyperinflationary countries where we operate. Net financial foreign exchange gains or losses represent the impact of changes in foreign exchange rates on financial assets or liabilities denominated in currencies other than local currencies, and certain gains or losses resulting from derivative financial instruments. A financial foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred and the date it is repaid, as the appreciation of the foreign currency results in an increase in the amount of local currency, which must be exchanged to repay the specified amount of the foreign currency liability.

Comprehensive financing result in 2020 recorded an expense of Ps.6,678 million as compared to an expense of Ps.6,071 million in 2019. This 10.0% increase was mainly driven by a one-time interest expense related to the repurchase and redemption in full of our 3.875% senior notes due 2023. In addition, we incurred short-term financing as a preventive measure to reinforce our cash position. These effects were partially offset by debt prepayments.

**Income Taxes.** In 2020, our effective income tax rate was 33.8%, reaching Ps.5,428 million in 2020, as compared to Ps.5,648 million in 2019. Our effective income tax rate increased in 2020 as compared to 2019 as a result of impairments of approximately Ps.2,349 million recognized during the period and an increase in income credit taxes. For more information, see Note 25 to our consolidated financial statements.

**Share in the Loss of Equity Accounted Investees, Net of Taxes.** In 2020, we recorded a loss of Ps.281 million in the share in the loss of equity accounted investees, net of taxes, mainly due to the results of Leão Alimentos, our associate in Brazil, and Estrella Azul in Panama.

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**Net Income (Equity holders of the parent).** We reported a net controlling interest income of Ps.10,307 million in 2020, as compared to Ps.12,101 million in 2019. This 14.8% decrease was mainly driven by lock-downs and social distancing measures related to the COVID-19 pandemic coupled with impairments on equity method investees recognized during the year, which were partially offset by our cost saving, revenue management and pricing initiatives.

### RESULTS BY CONSOLIDATED REPORTING SEGMENT

### **Mexico and Central America**

**Total Revenues.** Total revenues in our Mexico and Central America consolidated reporting segment decreased by 2.3% to Ps.106,783 million in 2020 as compared to 2019, mainly as a result of a volume decline in Mexico coupled with unfavorable price-mix effects across our markets.

Total sales volume in our Mexico and Central America consolidated reporting segment decreased by 4.0% to 1,991.6 million unit cases in 2020 as compared to 2019, as a result of mobility restrictions and social distancing measures related to the COVID-19 pandemic.

- Sales volume of our sparkling beverage portfolio decreased 3.7% in 2020 as compared to 2019, driven by a decline in our colas and flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio decreased by 6.7% in 2020 as compared to 2019, due to declines in sales volume in both Mexico and Central America.
- Sales volume of bottled water, excluding bulk water, decreased by 26.5% in 2020 as compared to 2019, due to declines in sales volume in both Mexico and Central America.
- Sales volume of our bulk water portfolio remained flat in 2020 as compared to 2019.

Sales volume in Mexico decreased by 4.3% to 1,759.2 million unit cases in 2020, as compared to 1,838.3 million unit cases in 2019, mainly as a result of mobility restrictions and social distancing measures related to the COVID-19 pandemic.

- Sales volume of our sparkling beverage portfolio decreased in 2020 as compared to 2019, driven by a decline in our colas and flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio decreased by 4.9% in 2020 as compared to 2019.
- Sales volume of bottled water, excluding bulk water, decreased by 26.0% in 2020 as compared to 2019.
- Sales volume of our bulk water portfolio increased by 0.5% in 2020 as compared to 2019.

Sales volume in Central America decreased by 1.9% to 232.4 million unit cases in 2020, as compared to 236.9 million unit cases in 2019, mainly as a result of mobility restrictions and social distancing measures related to the COVID-19 pandemic.

- Sales volume of our sparkling beverage portfolio increased by 1.3% in 2020 as compared to 2019, driven by a 3.4% increase in colas.
- Sales volume of our still beverage portfolio decreased by 16.8% in 2020 as compared to 2019.
- Sales volume of bottled water, excluding bulk water, decreased by 29.9% in 2020 as compared to 2019.
- Sales volume of our bulk water portfolio declined by 20.9% in 2020 as compared to 2019.

**Gross Profit.** Our gross profit in this consolidated reporting segment increased by 1.0% to Ps.52,906 million in 2020 as compared to 2019 and gross profit margin increased by 160 basis points to 49.5% in 2020 as compared to 2019. Gross profit margin increased mainly as a result of our pricing initiatives, cost efficiencies and lower PET costs, coupled with our raw material and currency hedging strategies. These factors were partially offset by unfavorable price-mix effects, higher concentrate costs in Mexico and the depreciation in the average exchange rate of most of our operating currencies as applied to our U.S. dollar-denominated raw material costs.

**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 50 basis points to 32.4% in 2020 as compared to the same period in 2019. Administrative and selling expenses, in absolute terms, decreased by 3.5% in 2020 as compared to 2019 driven mainly by our ability to drive savings and operating expense efficiencies primarily in labor, maintenance and marketing in Mexico.

### **South America**

**Total Revenues.** Total revenues in our South America consolidated reporting segment decreased by 9.8% to Ps.76,831 million in 2020 as compared to 2019, mainly as a result of unfavorable price-mix and currency translation effects resulting from the depreciation of most of our operating currencies as compared to the Mexican peso. This figure includes other operating revenues related to entitlements to reclaim tax payments in Brazil in 2020. See Note 25.2.1 to our consolidated financial statements. Total revenues for beer amounted to Ps.15,228 million in 2020. On a comparable basis, total revenues would have increased by 3.6% in 2020 as compared to 2019.

Total sales volume in our South America consolidated reporting segment remained stable at 1,292.7 million unit cases in 2020 as compared to 2019, mainly as a result of volume growth in Brazil.

- Sales volume of our sparkling beverage portfolio increased by 1.6% in 2020 as compared to 2019.
- Sales volume of our still beverage portfolio decreased by 1.9% in 2020 as compared to 2019.
- Sales volume of our bottled water category, excluding bulk water, decreased by 18.3% in 2020 as compared to 2019.
- Sales volume of our bulk water portfolio increased by 2.5% in 2020 as compared to 2019.

Sales volume in Brazil increased by 1.9% to 862.9 million unit cases in 2020, as compared to 846.5 million unit cases in 2019.

- Sales volume of our sparkling beverage portfolio increased by 2.8% in 2020 as compared to 2019, as a result of growth in our colas and flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio decreased by 1.2% in 2020 as compared to 2019.
- Sales volume of our bottled water, excluding bulk water, decreased by 9.4% in 2020 as compared to 2019.
- Sales volume of our bulk water portfolio increased by 18.8% in 2020 as compared to 2019.

Sales volume in Colombia decreased by 4.0% to 254.8 million unit cases in 2020, as compared to 265.5 million unit cases in 2019.

- Sales volume of our sparkling beverage portfolio increased by 0.9% in 2020 as compared to 2019, mainly driven by growth in our flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio decreased by 8.7% in 2020 as compared to 2019.
- Sales volume of bottled water, excluding bulk water, decreased by 33.8% in 2020 as compared to 2019.
- Sales volume of our bulk water portfolio decreased by 13.7% in 2020 as compared to 2019.

Sales volume in Argentina decreased by 3.9% to 133.8 million unit cases in 2020, as compared to 139.3 million unit cases in 2019.

- Sales volume of our sparkling beverage portfolio decreased by 2.8% in 2020 as compared to 2019, mainly impacted by a decline in our flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio increased by 3.5% in 2020 as compared to 2019.



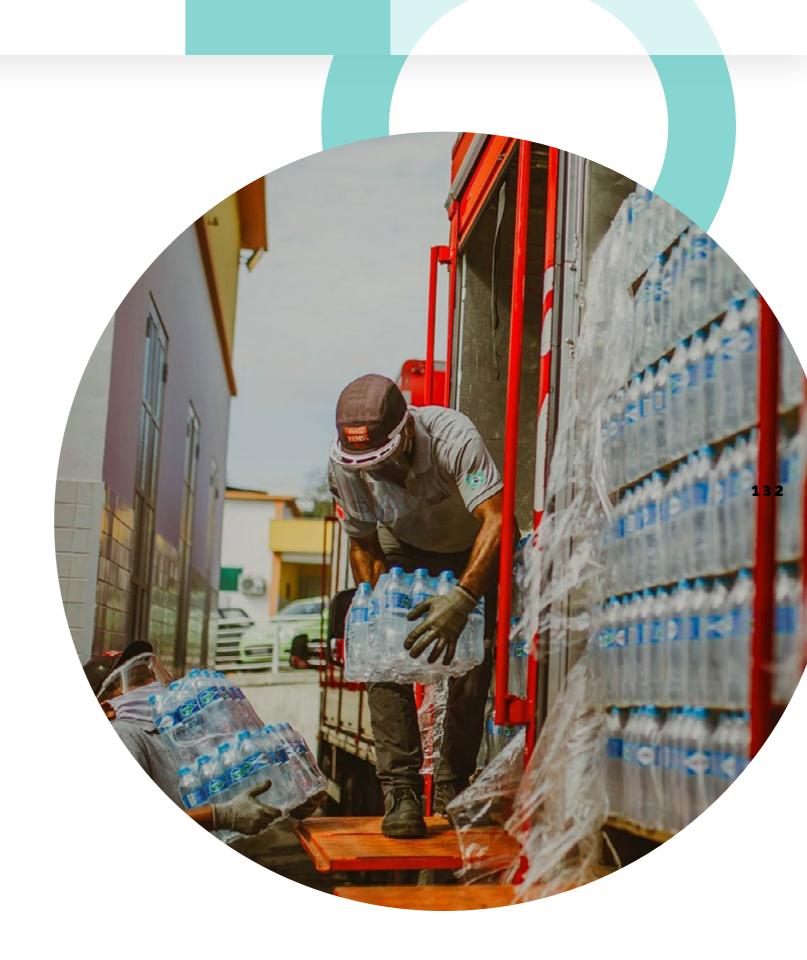
- Sales volume of bottled water, excluding bulk water, decreased by 32.0% in 2020 as compared to 2019.
- Sales volume of our bulk water portfolio increased by 48.4% in 2020 as compared to 2019.

Sales volume in Uruguay decreased by 2.8% to 41.2 million unit cases in 2020, as compared to 42.4 million unit cases in 2020.

- Sales volume of our sparkling beverage portfolio decreased by 5.1% in 2020 as compared to 2019.
- Sales volume of our still beverage portfolio increased by 36.2% in 2020 as compared to 2019.
- Sales volume of bottled water increased by 18.0% in 2020 as compared to 2019.

**Gross Profit.** Gross profit in this consolidated reporting segment amounted to Ps.29,905 million, a decrease of 14.9% in 2020 as compared to 2019, with a 230 basis point margin contraction to 38.9%. This decrease in gross profit was mainly driven by an unfavorable price-mix effect and the depreciation of the average exchange rate of all of our operating currencies in the division as applied to our U.S. dollar-denominated raw material costs. These factors were partially offset by lower PET costs and our revenue management initiatives.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 50 basis points to 28.4% in 2020 as compared to 2019 driven mainly by operating expense efficiencies in Brazil. Administrative and selling expenses, in absolute terms, decreased by 11.5% in 2020 as compared to 2019.





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# COMPREHENSIVE RISK MANAGEMENT

Our company is present in different countries and regions. Consequently, we are continually exposed to an environment that presents challenges and risks. Our ability to manage the risks that may arise in the global environment where we operate is vital for our business' value creation. Accordingly, our strategy includes a Comprehensive Risk Management Process through which we are able to identify, measure, register, assess, prevent, and/or mitigate risks.

### STRATEGIC SHAREHOLDER RELATIONSHIPS

Our business depends on our relationship with The Coca-Cola Company and FEMSA, and changes in this relationship may adversely affect us.

### **Potential impacts**

- Termination of the bottler agreements
- Actions contrary to the interests of our shareholders other than The Coca-Cola Company and FEMSA

### **Key mitigation actions**

- Comply with the bottler agreements
- Work together and promote effective interaction between our strategic shareholders in order to maximize value creation



Changes in consumer preferences, purchase drivers, and consumption habits might generate variability in the demand for some of our products.

### **Potential impacts**

Variability in the demand for our products

### **Key mitigation actions**

- Transform into a total beverage company aligned with consumers' changing tastes and lifestyles
- Build a winning total portfolio of products and presentations
- Drive our low- and no-sugar portfolio ahead of consumer trends
- Promote healthy habits
- Offer sustainable packaging options for our beverages

### COCA-COLA TRADEMARKS

Coca-Cola's brand reputation or brand violations could adversely affect our business.

### **Potential impacts**

 Damage to Coca-Cola's trademark reputation

### **Key mitigation actions**

- Maintain the reputation and intellectual property rights of Coca-Cola trademarks
- Effective brand protection
- Strictly comply with Responsible Marketing Policy

### **COMPETITION**

Competition could adversely affect our business, financial performance, and results of operations.

### **Potential impacts**

- Changes in consumer preferences
- Lower pricing by competitors

### **Key mitigation actions**

- Offer affordable prices, returnable packaging, effective promotions, access to retail outlets and sufficient shelf space, enhanced customer service, and innovative products
- Identify, stimulate, and satisfy consumer preferences

### **CYBER ATTACKS**

Service interruption, misappropriation of data or breaches of security could adversely impact our business.

### **Potential impacts**

- Financial loss
- Interruption of operations
- Unauthorized disclosure of material confidential information

### **Key mitigation actions**

- Identify and address cyber threats
- Strengthen strategic and technical capabilities for mitigation and recovery
- Increase awareness and provide training for incident resolution



# ECONOMIC, POLITICAL, AND SOCIAL CONDITIONS

Adverse economic conditions, political and social events in the countries where we operate and elsewhere, and changes in governmental policies may adversely affect our business, financial condition, results of operations, and prospects.

### **Potential impacts**

- Affect and reduce consumer per capita income, which could result in decreased consumer purchasing power
- Lower demand for our products, lower real pricing of our products or a shift to lower margin products
- Negatively affect our company and materially affect our financial condition, results of operations, and prospects

### **Key mitigation actions**

- Through a risk management strategy, hedge our exposure to interest rates, exchange rates, and raw material costs
- Annually or more frequently evaluate, when the circumstances require, the possible financial effects of these conditions and, to the extent possible, anticipate mitigation measures



### **REGULATIONS**

Taxes and changes in regulations in the regions where we operate could adversely affect our business.

### **Potential impacts**

- Increase in operating and compliance costs
- Restrictions imposed on our operations

### **Key mitigation actions**

- Map regulatory risks and proposals of changes to regulations that directly affect our operation or financial condition
- Advocacy work to provide advice on legislators' proposed regulatory changes



### LEGAL PROCEEDINGS

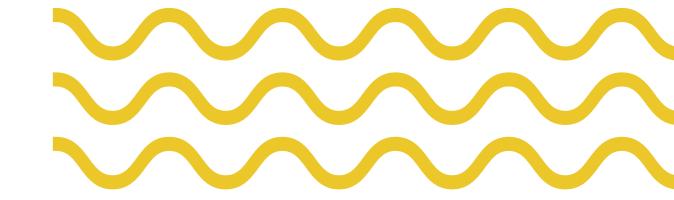
Competition could adversely affect our business, financial performance, and results of operations.

### **Potential impacts**

 Investigations and proceedings on tax, consumer protection, environmental, and labor matters

### **Key mitigation actions**

 Comply with applicable laws and regulations and comply with workplace rights policy





Adverse weather conditions, natural disasters, and public health crises may adversely affect our business, financial condition, results of operations, and prospects.

### **Potential impacts**

- Impact consumer patterns and beverage sales
- Affect plants' installed capacity, road infrastructure, and points of sale
- Negatively affect our business, financial condition, results of operations, and prospects

### **Key mitigation actions**

- Implement business continuity
  plans and safety protocols to protect employees and avoid significant
  disruptions to our business
- Insure assets and operations against such adverse events



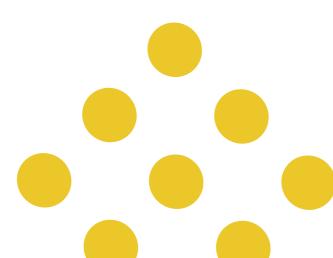
Inability to successfully integrate acquisitions or achieve expected synergies could adversely affect our operations.

### **Potential impacts**

 Difficulties and unforeseen liabilities or additional costs in restructuring and integrating bottling operations

### **Key mitigation actions**

 Integrate acquired or merged businesses' operations in a timely and effective way, retaining key qualified and experienced professionals



### **FOREIGN EXCHANGE**

Depreciation of the local currencies of the countries where we operate relative to the U.S. dollar could adversely affect our financial condition and results.

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### **Potential impacts**

- Financial loss
- Increase cost of some raw materials
- Adversely affect our results, financial condition, and cash flows in future periods

### **Key mitigation actions**

- Closely monitor developments that may affect exchanges rates
- Hedge our exposure to the U.S. dollar with respect to certain local currencies, our U.S. dollar-denominated debt obligations, and the purchase of certain U.S. dollar-denominated raw materials

### **CLIMATE CHANGE**

Adverse weather conditions could adversely affect our business and results of operations.

### **Potential impacts**

- Negatively affect consumer patterns and reduce sales
- Affect plants' installed capacity, road infrastructure, raw material supply, and points of sale

### **Key mitigation actions**

- Identify sources of our operations' CO<sub>2</sub> emissions
- Support and comply with climate change measures for adaptation and mitigation
- Identify and reduce our environmental footprint through efficient use of water, energy, and materials

### **SOCIAL MEDIA**

Negative or inaccurate information on social media could adversely affect our reputation.

### **Potential impacts**

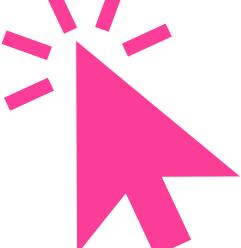
 Damage to our brands or corporate reputation without affording us an opportunity for correction

### **Key mitigation actions**

- Effective brand protection
- Proactive external communication



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### WATER

Water shortages or failure to maintain our current water concessions could adversely affect our business.

### **Potential impacts**

- Water supply may be insufficient to meet our future production needs
- Water supply may be adversely affected due to shortages or changes in governmental regulations or environmental changes
- Water concessions or contracts may be terminated or not renewed

### **Key mitigation actions**

- Efficient water usage
- Execute water conservation and replenishment projects
- Maintain 100% legal compliance
- Develop Water Risk Index, including four issues that need to be assessed: Community and Public Perception Risks, Scarcity of Water and other Inputs, Regulatory Risks, and Legal Risks for each of our bottling plants
- Update water risk assessment tool and work plans that contemplate aspects such as climate change, resilience to hydrological stress, media and social vulnerabilities, as well as regulations and production volumes for each of our bottling plants
- Secure water concessions for our production facilities

### **RAW MATERIALS**

Increases in the price of raw materials we use to manufacture our products could adversely affect our production costs.

Insufficient availability of raw materials could limit the production of our beverages.

### **Potential impacts**

- Shortage or insufficient availability of raw materials may adversely affect our capacity to ensure production continuity
- Adjustments to our product portfolio according to availability

### **Key mitigation actions**

- Implement measures to mitigate the negative effect of product pricing on our margins such as hedging via derivative instruments
- Proactively address risk of supply on our value chain
- Strictly comply with our Supplier Guiding Principles
- Strategically adjust our product portfolio to enable us to minimize the impact of certain operating disruptions





# HUMAN

Our people and the way they work together are our company's most valuable assets. Accordingly, we encourage their comprehensive professional and personal development, while creating an inclusive, diverse, and safe work environment. Through our continuous talent management and development, we promote trust, transparency, and teamwork, prepare the next generation of leaders, advance meritocracy, recognize and celebrate teams' success, while providing honest, regular feedback. In this way, we look to attract, retain, and develop the best multicultural talent to ensure our sustainable success.



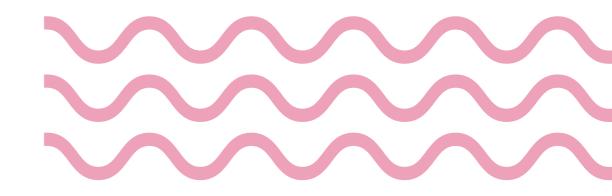
# **NATURE**

Our business is committed to the responsible use of natural resources. As the main ingredient in our beverages, our comprehensive water strategy focuses on ensuring efficient water management, facilitating access to safe water and sanitation, and implementing water conservation and replenishment projects to protect the environment. We also work to increase energy efficiency across our value chain, while integrating clean and renewable energy to reduce carbon emissions. Aligned with The Coca-Cola Company's "World Without Waste" global initiative, we continue to focus on comprehensive and responsible waste management, to increase the use of recycled materials in our packaging, and to participate in schemes and models that support post-consumption collection and recycling.



## **SOCIAL & RELATIONSHIP**

Our communities and other stakeholders are key enablers of business success. Therefore, we are committed to creating economic and social value and environmental wellbeing by encouraging dialogue and continuous interaction with our neighbors and stakeholders in order to develop and implement programs and initiatives that address their particular needs and guarantee the continuity of our social license to operate.



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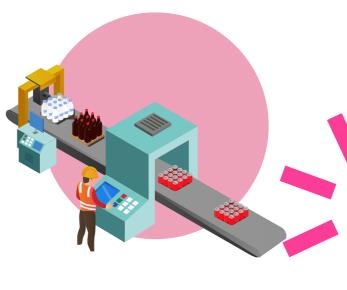
# **FINANCIAL**

Our financial and operating discipline, strong capital structure and financial flexibility, transformational digital initiatives, and adaptability to changing market dynamics enable us to capture organic and inorganic growth opportunities in our industry, while creating sustainable value for our investors.



# INTELLECTUAL

We are accelerating our digitally driven business transformation throughout the value chain. We are further capturing the insights from our powerful analytical platform to develop tailored business models. By building our critical capabilities, we are creating a stronger, more agile, and flexible organization to drive our competitiveness, proactively address industry challenges, capitalize on market opportunities, and foster intellectual development across our organization.



# **MANUFACTURED**

Our highly experienced team of specialists operate 49 bottling plants and 268 distribution centers across nine countries, deliver approximately 3.3 billion unit cases of beverages through a primary and secondary fleet to nearly 2 million points of sale, and serve a population of more than 265 million people.



# CORPORATE **GOVERNANCE**



### **EXECUTIVE OFFICERS**

John Santa Maria Otazua CHIEF EXECUTIVE OFFICER

**Constantino Spas Montesinos** CHIEF FINANCIAL OFFICER

Karina Paola Awad Pérez **HUMAN RESOURCES OFFICER** 

José Ramón Martínez CORPORATE AFFAIRS OFFICER

Rafael Ramos Casas SUPPLY CHAIN AND ENGINEERING OFFICER

Rafael Alberto Suárez Olaguíbel<sup>1</sup> INFORMATION TECHNOLOGY AND COMMERCIAL OFFICER

**Fabricio Ponce García** CHIEF OPERATING OFFICER - MEXICO

lan M. Craig García CHIEF OPERATING OFFICER - BRAZIL

Eduardo G. Hernández Peña CHIEF OPERATING OFFICER - LATAM

Xiemar Zarazúa López COMMERCIAL DEVELOPMENT OFFICER

### BOARD OF DIRECTORS ······

### DIRECTORS APPOINTED BY SERIES A SHAREHOLDERS

### José Antonio Fernández Carbajal EXECUTIVE CHAIRMAN OF THE BOARD OF DIRECTORS OF FEMSA

28 years as a Board Member

### Federico José Reyes García INDEPENDENT CONSULTANT

28 years as a Board Member

Alternate: Javier Gerardo Astaburuaga Sanjines

### John Santa Maria Otazua

CHIEF EXECUTIVE OFFICER OF COCA-COLA FEMSA

7 years as a Board Member

### Ricardo Guajardo Touché<sup>2</sup>

CHAIRMAN OF THE BOARD OF DIRECTORS OF SOLFI, S.A. DE C.V.

28 years as a Board Member

### Enrique F. Senior Hernández<sup>2</sup> MANAGING DIRECTOR OF ALLEN & COMPANY, LLC.

17 years as a Board Member

### **Eduardo Padilla Silva** CHIFF EXECUTIVE OFFICER OF FEMSA

5 years as a Board Member

### Luis Rubio Freidberg<sup>2</sup>

PRESIDENT OF THE BOARD OF DIRECTORS OF MÉXICO

6 years as a Board Member

Alternate: Jaime A. El Koury

### Daniel Servitje Montull<sup>2</sup>

CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD OF DIRECTORS OF BIMBO

23 years as a Board Member

### José Luis Cutrale

CHAIRMAN OF THE BOARD OF DIRECTORS OF SUCOCÍTRICO CUTRALE, LTDA.

17 years as a Board Member

Alternate: José Henrique Cutrale

### Luis Alfonso Nicolau Gutiérrez<sup>2</sup>

PARTNER AT RITCH, MUELLER, HEATHER Y NICOLAU. S.C., LAW FIRM: MEMBER OF THE FIRM 'S EXECUTIVE COMMITTEE

3 years as a Board Member

### **DIRECTORS APPOINTED BY \_ SERIES D SHAREHOLDERS**

### José Octavio Reyes Lagunes

5 years as a Board Member

Alternate: Theresa Robin Rodgers Moore

### **John Murphy**

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER OF THE COCA-COLA COMPANY

2 years as a Board Member

Alternate: Sunil Krishna Ghatnekar

### Charles H. McTier<sup>2</sup>

RETIRED

23 years as a Board Member

### **James Leonard Dinkins**

SENIOR VICE PRESIDENT OF THE COCA-COLA COM-PANY AND PRESIDENT OF COCA-COLA NORTH AMERICA (CCNA)

1 year as a Board Member

Alternate: Marie D. Quintero-Johnson

### **DIRECTORS APPOINTED BY. SERIES L SHAREHOLDERS**

### Víctor Alberto Tiburcio Celorio<sup>2</sup>

INDEPENDENT CONSULTANT

3 years as a Board Member

### Francisco Zambrano Rodríguez<sup>2</sup>

MANAGING PARTNER OF FORTE ESTATE PLANNNING

18 years as a Board Member

Alfonso González Migoya<sup>2</sup>
Business consultant and managing partner OF ACUMEN EMPRESARIAL, S.A. DE C.V.

15 years as a Board Member

### SECRETARY OF BOARD

### **Carlos Eduardo Aldrete Ancira**

GENERAL COUNSEL OF FEMSA

27 years as a Secretary

Alternate: Carlos Luis Díaz Sáenz

1. As of January 1, 2021, Mr. Ignacio Echevarria assumed the position of Chief Information Officer, reporting directly to our CEO. Mr. Echevarria assumed the IT responsibilities that were previously overseen by Mr. Suárez, who will continue to focus his role in transformation and commercial development

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<sup>2.</sup> Independent

### **BOARD OF PRACTICES**

### **Planning and Finance Committee**

The Planning and Finance Committee works with management to set our annual and long-term strategic and financial plans and monitors adherence to these plans. It is responsible for setting our optimal capital structure and recommends the appropriate level of borrowing as well as the issuance of securities. Financial risk management is another responsibility of the Planning and Finance Committee. Ricardo Guajardo Touché is the chairman of the Planning and Finance Committee. The other members include: Federico Reyes García, John Murphy, Enrique F. Senior Hernández and Miguel Eduardo Padilla Silva. The secretary non-member of the Planning and Finance Committee is Constantino Spas Montesinos, our Chief Financial Officer.

### **Audit Committee**

The Audit Committee is responsible for re- we compensate the independent auditor viewing the accuracy and integrity of guar- and any outside advisor hired by the Auterly and annual financial statements in dit Committee and provide funding for oraccordance with accounting, internal con- dinary administrative expenses incurred trol and auditing requirements. The Audit by the Audit Committee in the course of Committee is directly responsible for the its duties. Victor Alberto Tiburcio Celorio appointment, compensation, retention is the chairman of the Audit Committee and oversight of the independent auditor, and the "audit committee financial exwho reports directly to the Audit Commit-pert." Pursuant to the Mexican Securities tee (such appointment and compensation Market Law, the chairman of the Audit being subject to the approval of our board of directors); the internal auditing function also reports to the Audit Committee. The Audit Committee has implemented pro- Francisco Zambrano Rodríguez. Each cedures for receiving, retaining and ad- member of the Audit Committee is an dressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or authe Audit Committee is José González diting matters. To carry out its duties, the Ornelas, vice-president of FEMSA's inter-Audit Committee may hire independent nal corporate control department. counsel and other advisors. As necessary,

Committee is elected at our shareholders meeting. The other members are: Alfonso González Migoya, Charles H. McTier and independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The secretary non-member of

### **Corporate Practices Committee**

The Corporate Practices Committee, which consists exclusively of independent directors, is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders meeting and include matters on the agenda for that meeting that it deems appropriate, approve policies on related party transactions, approve the compensation plan of the chief executive the Corporate Practices Committee is officer and relevant officers, and support our board of directors in the elaboration Resources Officer. of related reports. The chairman of the

Corporate Practices Committee is Daniel Javier Servitje Montull. Pursuant to the Mexican Securities Market Law, the chairman of the Corporate Practices Committee is elected at our shareholders meeting. The other members include: Jaime A. El Koury, Luis Rubio Freidberg, Luis A. Nicolau Gutiérrez, and two permanent non-member guests, Miguel Eduardo Padilla Silva and José Octavio Reyes Lagunes. The secretary non-member of Karina Paola Awad Pérez, our Human

# INTEGRAL ETHICAL SYSTEM

Through our ethical culture, we manage under schemes that must be adopted as a way of life that inspires the acts and actions of all those who are part of the organization through the establishment of an Ethical System.

Our ethical management is based on:

- Prevent illicit behaviors that may affect our human capital and our heritage.
- Detect improper acts through open communication channels.
- Respond and provide feedback to our organization to build trust.

Therefore, our system is comprised of three fundamental elements: the Code of Ethics, an Ethics Committee and the whistleblowing system known as KOF Ethics Line.

### **Our Code of Ethics**

It is the basis of our organizational culture, communicates our values, contemplates our main behaviors, promotes good behavior inside and outside our organization and guides our correct decision-making based on ethical principles. Our Code, recently updated, includes important topics such as Human Rights, Inclusion and Diversity, Discrimination, Violence and Harassment, Conflicts of interests, Misuse of information and Anti-corruption.

### **Our Ethics Committee**

It is the oversight and control body, which guarantees compliance with the Code of Ethics and attends to the most relevant ethical situations of the company. In each of our territories, there is an Ethics Committee and each Committee reports to the Corporate Ethics Committee.

# Our KOF Ethics Line whistleblowing system

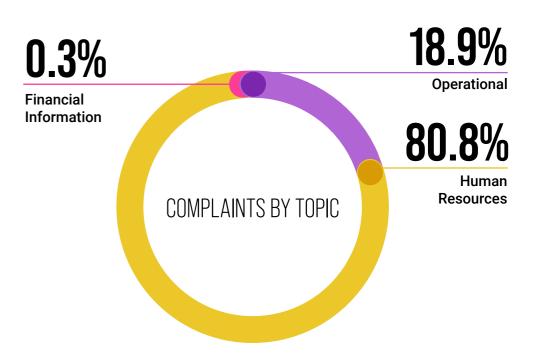
Complaints about noncompliance with the Code of Ethics are received through the KOF Ethics Line, which is managed by a third-party. Employees, customers, suppliers, third parties or anyone who has a relationship with Coca-Cola FEMSA can use the system anonymously.

A group of investigators analyzes the complaints impartially and confidentially and, if a violation of the Code is found, corrective measures are applied.

In 2020, we received 1,367 complaints; of these, none were related to child labor, forced labor or freedom of association.

To strengthen our culture, our workers sign a Letter of Compliance to our Code of Ethics. Its purpose is to ensure that our employees are aware of the Code of Ethics, understand the main acts or omissions that may be incurred and can put at risk to our organization and that they must report any violation of the Code that they know.





# SHAREHOLDER & ANALYST INFORMATION

### INVESTOR RELATIONS

Jorge Collazo Lorena Martin Bryan Carlson Marene Aranzabal

kofmxinves@kof.com.mx

### SUSTAINABIITY & CORPORATE COMMUNICATION

Juan Carlos Cortés Carlos Valle Pedro Incháustegui

sostenibilidad@kof.com.mx

Coca-Cola FEMSA, S.A.B. de C.V.

Mario Pani N° 100

Col. Santa Fe Cuajimalpa 05348,

Ciudad de Mexico, Mexico

(5255) 1519 5000

www.coca-colafemsa.com

### LEGAL COUNSEL OF THE COMPANY

Carlos L. Díaz Sáenz Marío Pani N° 100 Col. Santa Fe Cuajimalpa 05348, Ciudad de Mexico, Mexico Phone: (5255) 1519 5000



Mancera, S.C.
A member firm of Ernst & Young Global
Antara Polanco
Av. Ejército Nacional Torre Paseo 843-B Piso 4
Colonia Granada 11520
Ciudad de Mexico, Mexico
Phone: (5255) 5283 1400

### STOCK EXCHANGE INFORMATION

Coca-Cola FEMSA's common stock is traded on the Bolsa Mexicana de Valores (the Mexican Stock Exchange) under the symbol KOFUBL and on the New York Stock Exchange, Inc. (NYSE) under the symbol KOF.

### TRANSFER AGENT AND REGISTRAR

Bank of New York 101 Barclay Street 22W New York, New York 10286, U.S.A



### **KOF**

NEW YORK STOCK EXCHANGE
Quarterly Stock Information

U.S. DO	2020		
QUARTER ENDED	\$ HIGH	\$ LOW	\$ CLOSE
dec-31	46.93	36.20	46.10
sep-30	44.91	39.63	40.72
jun-30	48.39	38.09	43.85
mar-31	64.95	38.44	40.23

U.S. DOLLARS PER ADS			2019
QUARTER ENDED	\$ HIGH	\$ LOW	\$ CLOSE
dec-31	61.98	54.98	60.62
sep-30	63.12	57.27	60.62
jun-28	68.51	62.03	62.14
mar-29	66.75	58.29	66.00

### **KOFUBL**

MEXICAN STOCK EXCHANGE
Quarterly Stock Information

Ma	2020		
QUARTER ENDED	\$ HIGH	\$ LOW	\$ Close
dec-31	93.88	77.30	91.51
sep-30	100.3	86.26	90.19
jun-30	106.29	91.49	100.62
mar-31	121.02	90.56	95.65

**MEXICAN PESOS** 2019 **QUARTER ENDED** \$ HIGH \$ LOW \$ CLOSE 105.71 114.88 dec-31 121.01 sep-30 122.57 112.93 120.09 119.05 **119.11** jun-28 130.07 128.31 114.28 **128.31** mar-29

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# ABOUT OUR INTEGRATED REPORT.

From our headquarters in Mexico City, we present our Integrated Report 2020 edition. This report was developed following the guidelines of the International Integrated Reporting Council (IIRC) and in accordance with the GRI (Global Reporting Initiative) Standards, as well as material indicators of the SASB (Sustainability Accounting Standards) for the Non-Alcoholic Beverage Industry. Furthermore, this report elaborates on our annual Communication on Progress (COP) to the United Nations Global Compact, included by FEMSA in its 2020 report.

The information contained in this report corresponds to the period from January 1 to December 31, 2020. It includes data from all of the countries where Coca-Cola FEMSA, S.A.B. de C.V. has operations or a majority share. Its operations encompass franchise territories in Mexico, Brazil, Guatemala, Colombia, and Argentina, and, nationwide, in Costa Rica, Nicaragua, Panama, and Uruguay.

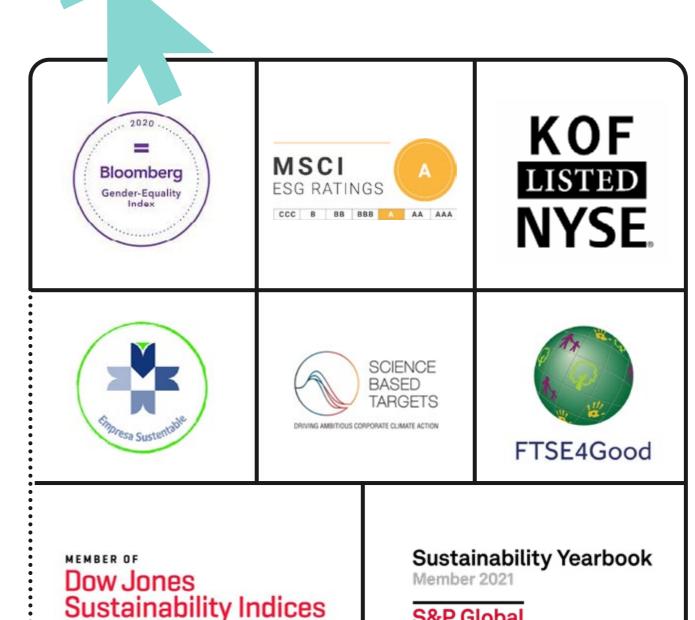
For comparability purposes, the non-financial quantitative data for 2020, 2019, and 2018 is represented without Venezuela, since as of December 31, 2017, Venezuela is a deconsolidated operation reported as an investment in shares. Moreover, the 2017 information is represented without the Philippines.

### CHIEF FINANCIAL OFFICER

Constantino Spas Montesinos

### CORPORATE AFFAIRS OFFICER

José Ramón Martínez Alonso



In Collaboration with RobecoSAM (

S&P Global

Stock listing information: Mexican Stock Exchange,

Ticker: KOFUBL | NYSE (ADS),

Ticker: KOF | Ratio of KOFUBL to KOF = 10:1

Coca-Cola FEMSA files reports, including annual reports and other information with the U.S. Securities and Exchange Commission, or the "SEC," and the Mexican Stock Exchange (Bolsa Mexicana de Valores, or the "BMV") pursuant to the rules and regulations of the SEC (that apply to foreign private issuers) and of the BMV. Filings we make electronically with the SEC and the BMV are available to the public on the Internet at the SEC's website at www.sec.gov, the BMV's website at www.bmv.com.mx. and our website at www.coca-colafemsa.com. Coca-Cola FEMSA. S.A.B. de C.V. is the largest Coca-Cola franchise bottler in the world by sales volume. The company produces and distributes trademark beverages of The Coca-Cola Company, offering a wide portfolio of 129 brands to a population of more than 265 million. With over 80 thousand employees, the company markets and sells approximately 3.3 billion unit cases through close to 2 million points of sale a year. Operating 49 manufacturing plants and 268 distribution centers, Coca-Cola FEMSA is committed to generating economic, social, and environmental value for all of its stakeholders across the value chain. The company is a member of the Dow Jones Sustainability Emerging Markets Index, Dow Jones Sustainability MILA Pacific Alliance Index, FTSE4Good Emerging Index, and the S&P/BMV Total Mexico ESG Index, among others. Its operations encompass franchise territories in Mexico, Brazil, Guatemala, Colombia, and Argentina, and, nationwide, in Costa Rica, Nicaragua, Panama, Uruguay, and in Venezuela through its investment in KOF

For further information, please visit www.coca-colafemsa.com