



# GREEN BOND REPORT 2020





# MESSAGE FROM OUR CHIEF FINANCIAL OFFICER & CORPORATE AFFAIRS OFFICER

Since Coca-Cola FEMSA was established, we have fully integrated sustainability into our company's business strategy, acting as an enabler of strategic growth and a competitive advantage. We not only strive to conduct our operations in the most environmentally friendly possible way, but also to create economic and social value across the value chain in collaboration with all of our stakeholders.

Aligned with our sustainability framework, we focus on three pillars—our people, our communities, and our planet—to achieve

our mission of positively transforming the communities in which we operate, supported by the solid foundation of our ethics and values.

Consistent with our strategy and commitment to sustainability, we issued our first-ever green bond in September 2020, valued at US\$705 million, currently the largest for a Latin American corporation and a first for the Coca-Cola System. The bond will continue to enable us to maximize our positive impact by publicly committing our finance strategy to the achieve-

ment of our environmental targets, while contributing to the United Nations Sustainable Development Goals. Importantly, we remain confident in our ability to achieve all of our goals within the timeframes that we set when we issued our green bond

Based on our current sustainability framework, we are convinced that we can make the most positive environmental impact on the three strategic areas of climate action, water stewardship, and circular economy.

To mitigate and adapt to climate change, we adopted a science-based target approach approved by the Science Based Targets initiative, making us the first Mexican company to officially adhere to the ambitious goal set by the Paris Agreement to limit the global average temperature rise to well below 2°C above pre-industrial levels.

We plan to achieve this goal through an ambitious pipeline of projects that will also enable us to reach our 2030 commitments to reduce greenhouse gas emissions





across our entire value chain by 28% and to achieve 100% renewable electricity for our operations. By the end of 2020, we supplied 80% of our global bottling operations' electricity needs with clean energy, and we improved our energy efficiency by 1.52 times over the last 10 years.

Our approach to water stewardship is focused on ensuring water security for our communities and our business through efficient water management across our operations, contributing to our communities' access to safe water, and promoting healthy watersheds with the Latin American Water Funds Partnership.

On this front, we achieved a best-in-class water use ratio of 1.49 liters of water used per liter of beverage produced by year-end 2020, a benchmark within the Coca-Cola System and an impressive improvement of 24% over the past 10 years. Moreover, through partnerships with The Coca-Cola Company and the Latin American Water Funds Partnership, we currently employ conservation initiatives that allow us to give back to the environment 100% of the water

we use in the production of our beverages, and we plan to maintain this level despite increased production volume or portfolio diversification.

To accelerate the transition to a circular economy for PET plastic bottles, our focus is on ensuring both a steady and secure supply of recycled resin through the joint development of bottle-to-bottle recycling facilities and closed-loop systems through the development of our own infrastructure or through partnerships with other stakeholders in alignment with the Ellen MacArthur Foundation's New Plastics Economy Global Commitment.

Consistent with our long-term commitment to waste management and The Coca-Cola Company's "World Without Waste" initiative, our goals are to make all of our consumer packaging 100% recyclable by 2025; use at least 50% recycled content in our PET packaging by 2030; collect the equivalent of 100% of the PET bottles we place in the market by 2030; and reduce the amount of virgin PET resin used in our packaging.

## THROUGH UPSTREAM INNOVATION, WE FURTHER AVOID THE PRODUCTION OF BILLIONS OF PET PLASTIC BOTTLES EVERY YEAR THROUGH OUR GROWING PORTFOLIO OF RETURNABLE PET PRESENTATIONS, INCLUDING OUR NEW REUSABLE UNIVERSAL BOTTLES THAT CAN BE USED ACROSS MULTIPLE BEVERAGE BRANDS.

Thus far, we have made great progress on these commitments. By the end of 2020, we incorporated an average of 29% of recycled PET resin (rPET) in our packages. Importantly, we already achieved a 50% collection rate in our main markets, while we carry on promoting partnerships and alliances to develop tailor-made PET recycling solutions across our franchise territories.

Over the past years, we have made important investments to meet our environmental targets. For the three-year period from

2018 to 2020, we have allocated a total of US\$235.48 million, representing 33.4% of the proceeds from our green bond.

While we still have much more to do, guided by our strategic framework, we look forward to continuing our efforts to create economic and social value and to generate environmental wellbeing in collaboration with all of our stakeholders.

**Constantino Spas Montesinos**  
CHIEF FINANCIAL OFFICER

**María del Carmen Alanís Figueroa**  
CORPORATE AFFAIRS OFFICER





# OUR SUSTAINABILITY FRAMEWORK

At Coca-Cola FEMSA, sustainability is the continuous, simultaneous creation of economic and social value and environmental wellbeing. We fully integrate and embed sustainability as a foundational pillar of our strategic framework, which guides our business decisions to achieve consistent, profitable long-term growth.

Our **sustainability strategy** is based on three overarching pillars: our people, our community, and our planet. This strategy provides us with the direction to accomplish our mission to positively transform the communities where we operate, supported by our ethics, values, and collaboration.





## OUR PEOPLE

Our people and the way they work together are our company's most valuable assets. We promote their integral development and quality of life through our comprehensive wellbeing model. Through this model, we positively influence their workplace environment, enabling them to work toward shared goals, achieve our expected business results, enhance and improve our position as a total beverage leader, and live our core beliefs and behaviors every day.



## OUR COMMUNITY

Our communities are key enablers of business success. We reinforce positive relationships with the communities with which we continuously interact, fostering our ability to serve the market and maintain our social license to operate. Above all, these efforts enable us to create a stronger, more flexible organization, with the agility to adapt to ever-changing environments while generating sustainable growth.



## OUR PLANET

We ensure that we fully understand the role that we play with respect to environmental care and planetary boundaries by embedding environmental consciousness throughout our day-to-day decision-making processes and business operations. Thus, we strategically, efficiently, and responsibly address environmental challenges across our value chain—from climate action to water stewardship and a circular economy.



# OUR SUSTAINABILITY JOURNEY



Coca-Cola FEMSA became the first Mexican company and the third in Latin America to receive official approval from the Science Based Targets initiative (SBTi) of our greenhouse gas emissions reduction targets.

We issued our first-ever green bond for US\$705 million, currently the largest for a Latin American corporation and a first for the Coca-Cola System.

We achieved an industry benchmark global water use ratio of 1.49 liters of water per liter of beverage produced, utilized 29% recycled materials in our PET packaging, and supplied 80% of our bottling plants' electricity needs with clean energy sources by year end.



# ABOUT OUR GREEN BOND

Our sustainability strategy and environmental commitments are the cornerstones for the issuance of our green bond. We aim to finance our transition to a low-carbon company, strengthen our resilience, and minimize our exposure to environmental risks, while remaining environmentally conscious and restorative, through investments and expenditures that ensure the sustainability of our business model, consistent with our commitment to emission reduction targets that meet the goal of the Paris Agreement to limit global warming to well-below 2°C above pre-industrial levels, thus aligning with current best practices on these matters.

## GREEN BOND FEATURES

ON SEPTEMBER 1, 2020, COCA-COLA FEMSA ISSUED ITS FIRST-EVER GREEN BOND, CURRENTLY THE LARGEST GREEN BOND FOR A LATIN AMERICAN CORPORATION AND A FIRST FOR THE COCA-COLA SYSTEM.

Issuer	Coca-Cola FEMSA SAB de CV
Format	Senior Unsecured Green Bond
Issue Date	September 1, 2020
Currency	USD
Maturity	September 1, 2032
Issued Amount	US\$705 million
Ratings	A2 (Moody's) / A- (Fitch)
Use of Proceeds	An amount equal to the net proceeds from the issuance of the green bond will be allocated to fund, in whole or in part, eligible green projects, which is defined in the prospectus for the green bond and which generally refers to projects that meet our green bond eligibility criteria in accordance with Coca-Cola FEMSA's <b>Green Bond Framework</b> .
Coupon/Yield (Spread)	1.850% / 1.887% UST 10YR + 120 bps





We further aim for our green bond to support Coca-Cola FEMSA's contribution to the achievement of the United Nations Sustainable Development Goals (SDGs). Aligned with our environmental strategy, we identified eligible green projects in three main categories where we can make the most positive environmental impact:



## 01. CLIMATE CHANGE

Mitigate its risks and adapt our operations to climate-related impacts



## 02. WATER STEWARDSHIP

Promote the efficient use of water resources and foster hydrological safety in the territories where we operate



## 03. CIRCULAR ECONOMY

Close the loop of PET plastic bottles' life cycle through waste management and recycling





Coca-Cola FEMSA's sustainability and finance teams monitor and track the allocation of net proceeds from the sale of our green bond. Until all of the proceeds have been fully allocated, we will disclose the allocation of the net proceeds and progress on the environmental and sustainability commitments in a Green Bond Report. Pending the full allocation of the net proceeds to one or more eligible green projects, we may invest an amount equal to the balance pending application of the net proceeds in cash, cash equivalents or liquid securities in accordance with our investment policy. As proceeds are applied to eligible green projects, the amount of proceeds invested in cash, cash equivalents or liquid securities in accordance with our investment policy will be reduced accordingly. In the event that an eligible green project is cancelled or no longer meets the eligibility criteria, the funds will be reallocated to other eligible green projects.



## SECOND PARTY OPINION

We obtained and made publicly available a **Second Party Opinion** (SPO) from Sustainalytics, an independent consultant with recognized environmental and social expertise, to provide an opinion on the environmental benefits of Coca-Cola FEMSA's **Green Bond Framework**, as well as alignment with the International Capital Market Association's Green Bond Principles (GBP) 2018.

## ASSURANCE

Our Green Bond Report includes (i) assertions by management as to the amount of the net proceeds from the sale of our green bond that have been allocated to one or more eligible green projects, and (ii) **a report from an independent third-party** who examined and verified our management of the net proceeds from the sale of our green bond.





# PROGRESS: 2018-2020

As of December 31, 2020, we allocated US\$235.48 million in proceeds from the issuance of our first green bond to eligible green projects. This represents 33.4% of the proceeds and includes investments in all of the three main categories of climate action, water stewardship, and circular economy.

In this period, our investment averaged US\$2.2 million per project across 107 different projects and spanned 9 countries. While eligible projects within the three categories focused on a variety of solutions, they shared the common objective of advancing our company's mission to simultaneously create economic and social value while generating environmental wellbeing across our value chain in collaboration with all of our stakeholders.



## CATEGORY BREAKDOWN

**US \$705  
MILLION**

Green Bond,  
Issued September 2020

**US\$235.48 MILLION**  
allocated between 2018-2020

### Circular Economy

**95.6%**

**US\$225.09 MILLION**

### Water Stewardship

**3.8%**

**US\$9.01 MILLION**

### Climate Action

**0.6%**

**US\$1.38 MILLION**





## GREEN BOND IMPACT METRICS

# 4 BRANDS

Used 100% recycled PET resin (rPET) for all one-way PET presentations in Brazil (Crystal), Colombia (Brisa), Mexico (Ciel), and Uruguay (Vitale)

# 20,500 METRIC TONS

CO<sub>2</sub>e avoided in Latin America through incorporation of recycled PET resin (rPET) and CAPEX and OPEX investments

# 379.4 GIGAWATTS

Electricity supplied to bottling plants from clean sources of energy

# 4.2 BILLION

Liters of water saved through CAPEX and OPEX investments

# 1.49 LITERS

of water per liter of beverage produced (water use ratio) at year-end 2020





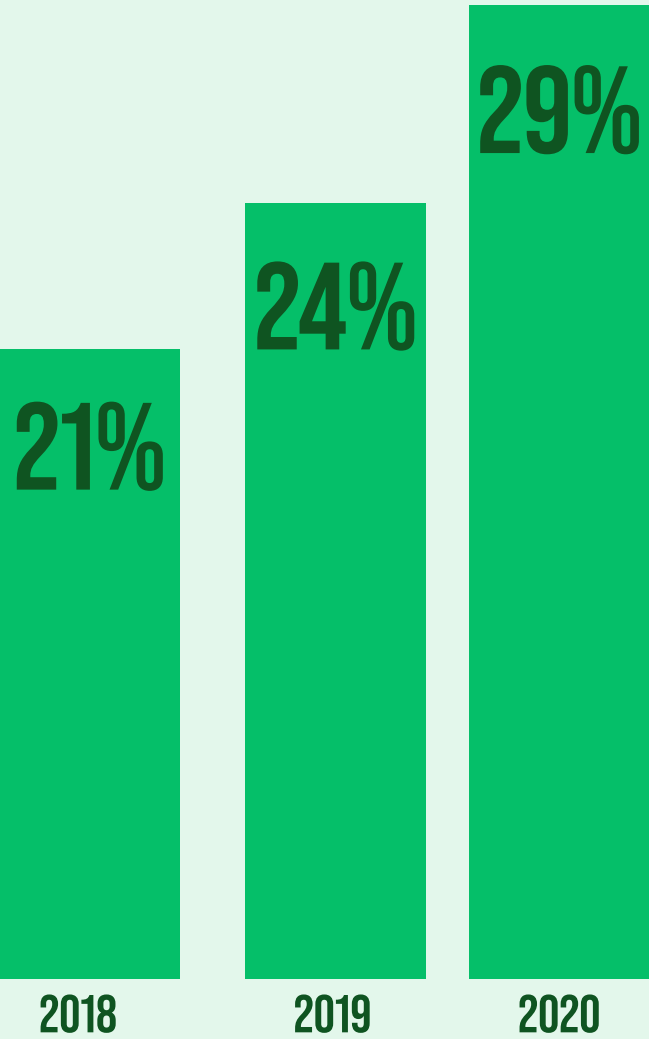
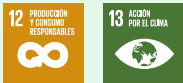


# GOAL PERFORMANCE

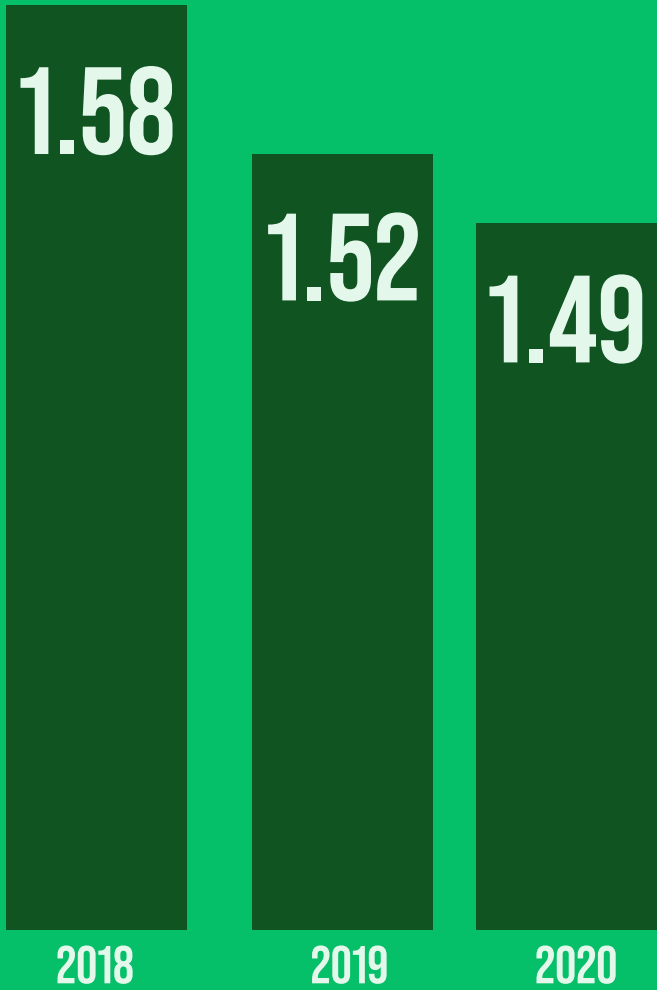
The proceeds of our green bond help to deliver on our company’s sustainability goals, including our commitments to increase recycled content in our PET packaging, improve water efficiency, and reduce CO<sub>2</sub> emissions. From 2018-2020, we made progress against these goals, as illustrated to the right.



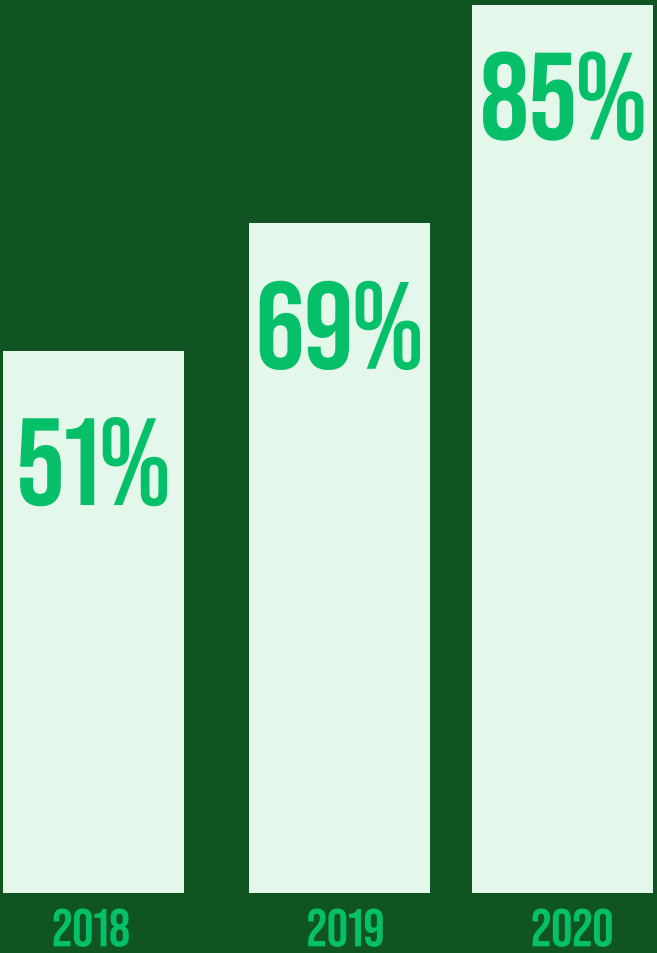
## Integrate 25% recycled or renewable content into PET packaging by 2020



## Improve efficiency in water use to 1.5 liters of water per liter of beverage produced



## Supply 85% of electricity used in manufacturing in Mexico with clean energy sources







# CATEGORY HIGHLIGHTS

These highlights illustrate how we are using the green bond proceeds to drive our sustainability agenda across the three main categories of climate action, water stewardship, and circular economy.







# CIRCULAR ECONOMY

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.

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, 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.

We are further committed to efficiently using our packaging materials, re-designing our packaging's components to achieve recyclability, and integrating a growing share of recycled content. During 2020, we used an average of 29% recycled PET resin (rPET) in our plastic bottles, an increase from 20.8% in 2018, reflecting the benefits of approximately US\$225.09

**US\$225.09  
MILLION  
allocated**

**2/3**

**of our 49 bottling plants have  
earned Zero Waste certification.**

million of investments allocated in rPET procurement projects from green bond proceeds. Importantly, recycled PET is part of a closed loop recycling solution for plastic bottles, offering a 60% greenhouse gas reduction and a 75% lower total energy demand over virgin PET.<sup>1</sup>

<sup>1</sup> According to an updated Cradle-To-Resin Life Cycle Analysis of Polyethylene Resin by the National Association for PET Container Resources (NAPCOR), a 60% reduction in greenhouse gas emissions and a 75% lower total energy demand may be achieved by replacing a unit of virgin PET with recycled PET.



**29%**

**recycled PET resin (rPET) used on  
average across our plastic bottles,  
an increase from 20.8% in 2018.**

**98%**

**of our post-industrial operating waste  
is recycled or properly disposed.**







# WATER STEWARDSHIP

Water is an essential ingredient in the production of our beverages. 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 for the benefit of our company, communities, and planet now and into the future.

At the end of 2020, we achieved our target of averaging 1.5 liters of water per liter of beverage produced with a year-end water use ratio of 1.49—a significant improvement over the past three years. This improvement represented savings of more than 4.2 billion liters of water, including the benefits of approximately US\$8.94 million of investments in water efficiency projects allocated from green bond proceeds. Additionally, thanks to these and other investments, 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.

Consistent with our commitment to water conservation, in collaboration with **FEMSA Foundation**, we carry out projects to help provide communities with safe water, improved sanitation, and hygiene education. We also work to strengthen water funds and conserve water basins through sustainable initiatives involving partnerships with multiple stakeholders such as the **Latin American Water Funds Partnership**. We further collaborate with The Coca-Cola Company on water replenishment initiatives across all of our operations.

**US\$9.01  
MILLION  
allocated**

**1.49**  
liters of water per liter of  
beverage produced at year-  
end 2020.

**4.2**  
billion liters of water saved  
since 2018.

**100%**  
of the water discharged from  
our manufacturing operations  
goes to wastewater treatment  
plants that ensure sufficient  
quality to foster aquatic life.

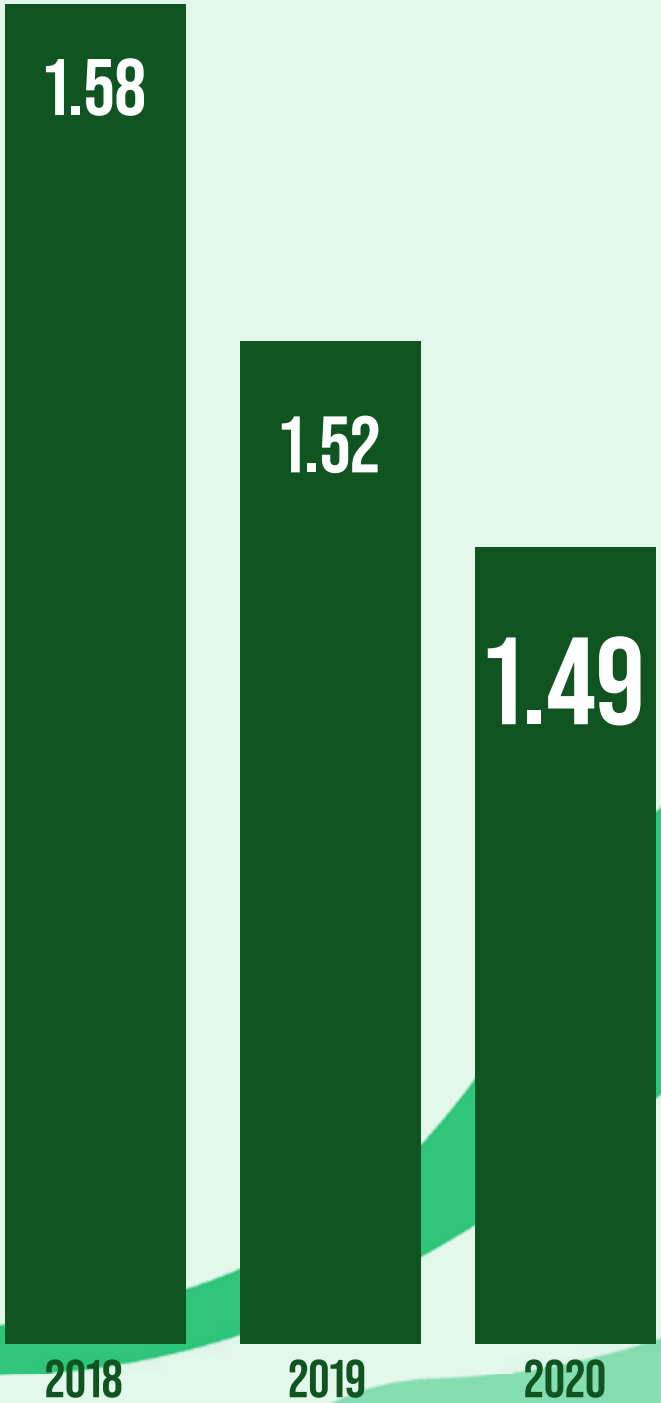






WATER EFFICIENCY

Liters of water per liter of beverage produced  
(less is better)







# CLIMATE ACTION

At Coca-Cola FEMSA, we recognize that climate change is a real, imminent threat to the way that we are accustomed to live, and we are convinced that a science-based, multi-stakeholder effort is required to address this urgent matter that concerns us all.

Aligned with the goal of the Paris Agreement 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 our **climate action strategy**. Specifically, our new 2030 commitments (compared with a 2015 baseline) are to:

- Reduce absolute<sup>2</sup> 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.



To this end, we strive for energy efficiency across our value chain, and we integrate clean and renewable sources of energy and technologies to reduce GHG emissions—thus contributing to climate change mitigation. At the end of 2020, we supplied 80% of our global bottling operations' electricity requirements with clean energy sources. Additionally, over the past three years, we increased our energy efficiency by 9.8% and achieved a 7.8% 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.

**80%**

**of our bottling operations' electricity requirements comes from clean energy sources, up more than 55% over the past three years.**

**9.8%**

**increased energy efficiency from 2018 to 2020.**

This increase reflects the benefits of approximately US\$0.95 million expenditures for energy-efficiency projects allocated from green bond proceeds.

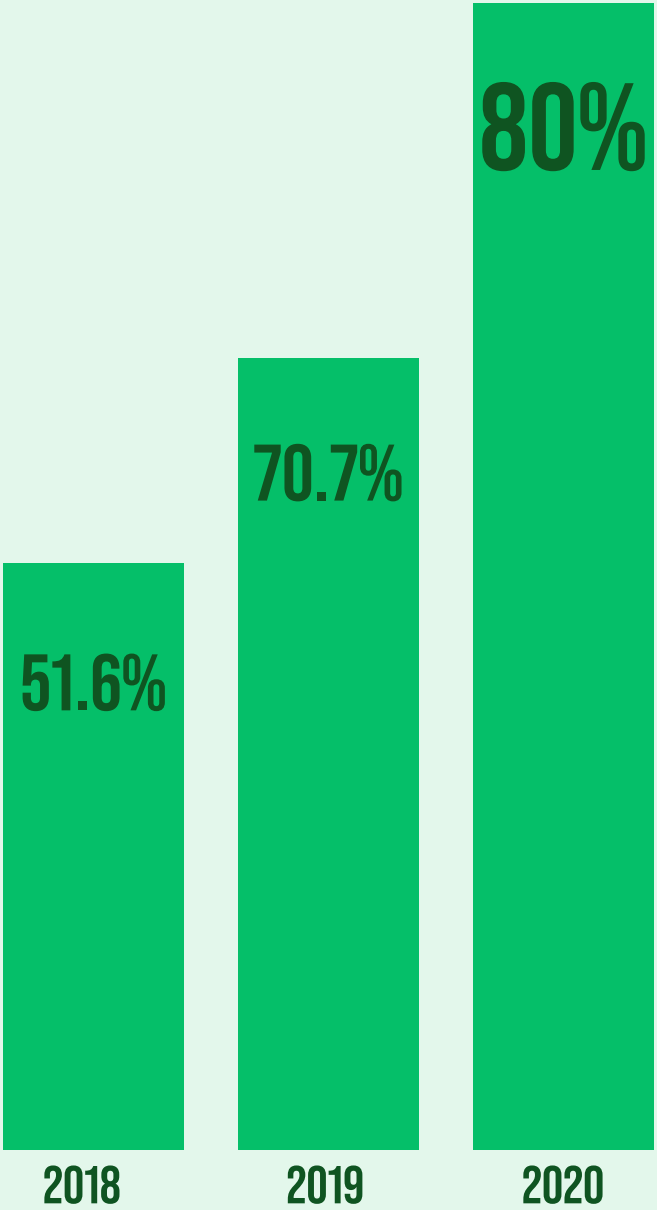
**1st  
MEXICAN**

**Company to secure approval of the Science Based Targets initiative for our GHG emissions reduction targets.**

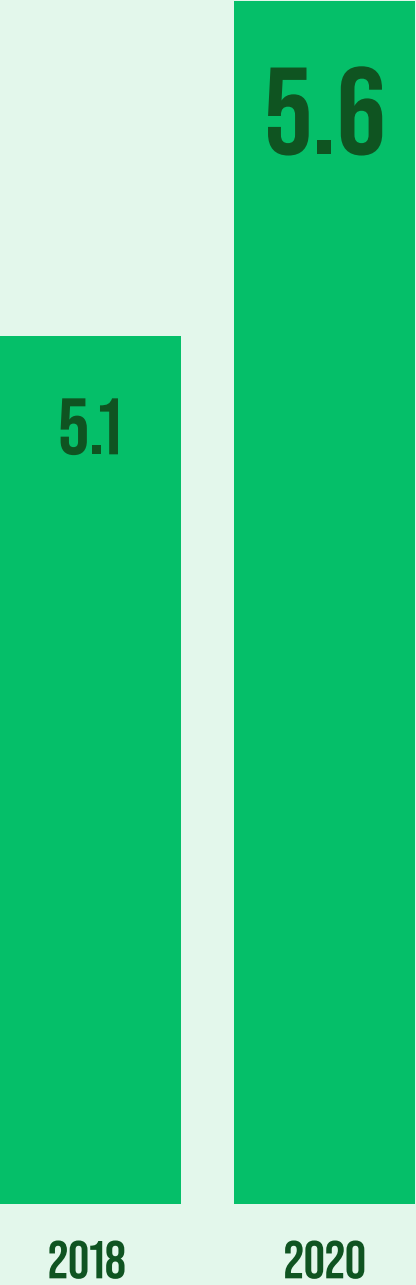
<sup>2</sup> Our absolute emissions targets decouple business growth from GHG emissions. We thereby ensure that, no matter the overall size of our business in 2030, we will make our operations, along with the entire value chain, less carbon intensive than our 2015 baseline.



CLEAN ENERGY IN MANUFACTURING



LITERS OF BEVERAGE PRODUCED PER MJ





**SUSTAINABILITY & CORPORATE  
COMMUNICATION**

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