

2022 TASK FORCE
ON CLIMATE-RELATED
FINANCIAL DISCLOSURES
(TCFD) **REPORT**



COCA-COLA
FEMSA

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

The impacts of climate change are not only relevant for the planet, but also for the communities where we operate. Accordingly, identifying climate-related risks and opportunities will enable us to be prepared to mitigate its effects, build resilience in the communities, and ensure that our organization's growth is responsible and serves our stakeholders.

To not only respond to our stakeholders' concerns, but also to prepare for future climate change challenges, we identified and quantified the main related risks and opportunities, as well as their potential financial impacts in the short, medium, and long term. This report was prepared based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

GOVERNANCE

Organization's governance around climate-related risks and opportunities

At Coca-Cola FEMSA, the Chairman of the Board oversees and ensures the implementation of our company's ESG Framework, aligning our business priorities to fulfill our commitment to creating economic value and generating social and environmental wellbeing for our stakeholders.

We established an ESG Committee comprised of our company's CEO, CFO, Human Resources, Supply Chain, and Corporate Affairs Directors, and permanent guests from the FEMSA sustainability team, among others:

- 1. Chief Executive Officer:** Oversee and ensure the implementation of our company's ESG Framework
- 2. Chief Operating Officers:** Supervise and ensure that our company's ESG Framework is implemented in their divisions
- 3. Corporate Affairs Officer:** Responsible for our company's ESG Framework and our community engagement (My KOF Community) priorities
- 4. Chief Financial Officer:** Responsible for finance, legal, risk management, and sustainable procurement
- 5. Chief Supply Chain and Engineering Officer:** Responsible for our environmental pillar (climate action, water stewardship, and circular economy)

The ESG committee reviews climate change-related issues, as well as risks and opportunities. In this way, goals, strategies, and objectives are defined and integrated into our corporate strategy.

STRATEGY & RISK MANAGEMENT

Strategy: Identification of actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management: Processes used by the organization to identify, assess, and manage climate-related risks

We assess physical and transitional risks and opportunities in line with TCFD recommendations using a five-step method:

1. Identification of climate risks and opportunities (qualitative analysis)
2. Definition of climate scenarios and time horizons
3. Identification of variables associated with climate scenarios
4. Estimation of risk and opportunity parameters
5. Calculation of value at risk from climate change (includes a quantitative estimate of the expected and stressed impact of risks and opportunities).

Multidisciplinary groups in our operations (consisting of areas such as sustainability, strategic planning, operations, marketing, finance, corporate affairs, etc.) work together to identify, prioritize, and quantify the main climate-related risks and opportunities. As a result of our review of recommended scenarios and multidisciplinary working sessions, we considered three scenarios in our analysis, using a combination of those presented by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and the Network for Greening the Financial System (NGFS).

This combination will help us to assess the physical and transitional risks and opportunities within several temperature-rise scenarios by adhering to TCFD recommendations:

1. Net Zero Scenario, global temperature rises 1.5°C
Assumption: Net zero emissions are achieved globally by 2050.
Selected climate scenarios: a) IPCC (SSP1 – 1.9), b) IEA (NZE), c) NGFS (Net Zero 2050)
2. “Moderate Transition” Scenario, global temperature rises 1.7°C
Assumption: Only developed economies reach net zero in 2050 and the rest in 2070.
Selected climate scenarios: a) IPCC (SSP1 – 2.6), b) IEA (SDS), c) NGFS (Under 2°C)
3. “No Ambition” Scenario, global temperature rises 2.8°C
Assumption: There is no date to reach Net Zero, so the Paris Agreement is not met.
Selected climate scenarios: a) IPCC (SSP2 – 4.5), b) IEA (Declared Policies), c) NGFS (Determined Contributions)

Time Horizons:

We used three-time horizons with three different scenarios, which help us to understand the potential impact of climate-related risks and opportunities on our business. We chose them for scenario analysis due to the relative abundance of data available for reference and their compatibility with our business plans and schedules. They are also aligned with national and international objectives on climate change: a “short-term” period (2030), a “medium-term” period (2040), and a “long-term” period (2050). Each of the three scenarios and time horizons presents its own social, political-regulatory, economic, and technological-energy context, with important differences and consequences in regard to climate change. The IPCC and IEA scenarios are those recommended by the TCFD, with wide market adoption. The vast majority of the physical climate models follow the IPCC’s Representative Concentration Pathways (RCPs). NGFS scenarios are compatible with the Financial Stability Board and provide comprehensive databases of market variables. All three sets of scenarios are consistent and must be updated frequently.

Risk Matrix:

In 2023, we are adapting our company’s risk matrix to incorporate ESG risk assessment methodologies, including those associated with climate change.

Risks and Opportunities

The next table not only summarizes, but also quantifies the main identified risks and opportunities.

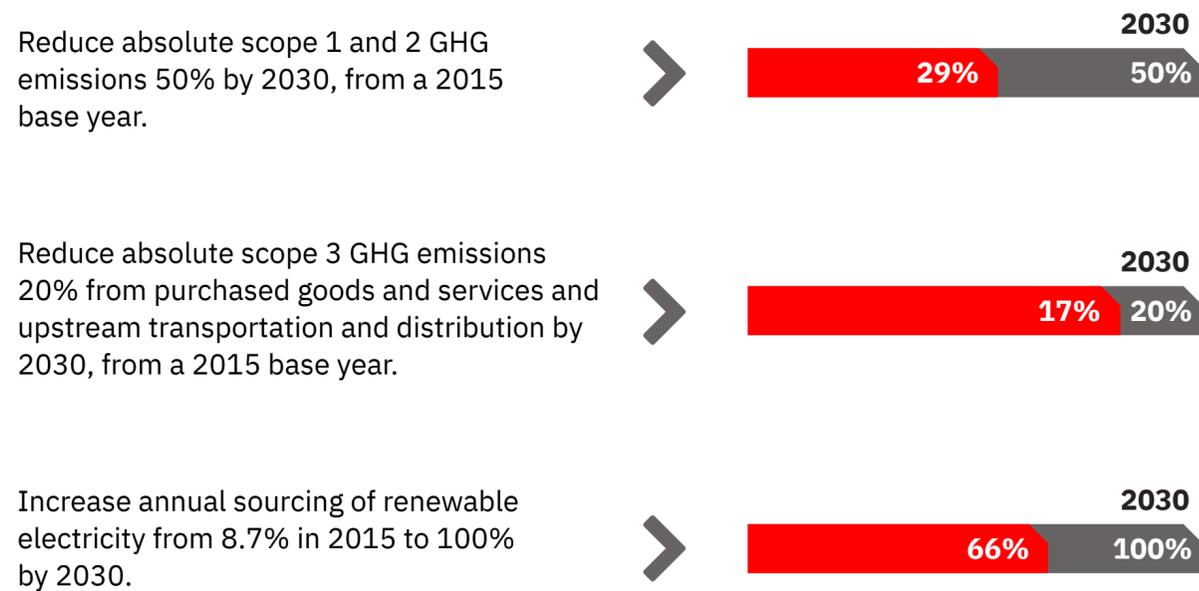
Type	Category	Risk/ Opportunity	Financial Impact ¹	Risk Description	Goal
Physical Risk	 Chronic	Decrease in rain	High	Main basins will drop their levels dramatically and water scarcity might cause a decrease in production.	2022 Integrated Report p. 60–63
	 Acute	Increase in flooding	Low	Supply chain and distribution will have significant impacts. In addition, infrastructure damage will represent some losses.	
Transition Risks	 Policy	Operating limits	High	High carbon prices and limits on fossil fuel use will represent high production, distribution, and commercialization costs for most of our business.	2022 Integrated Report p. 53–56
	 Market	Cost increase in raw materials	Low	The cost increase for key raw materials will increase operational costs.	2022 Integrated Report p. 55–56, 76
Transition Opportunities	 Resource Efficiency	Improvement in the efficiency of production facilities and processes	Medium	The use of energy-efficient equipment could represent business savings.	2022 Integrated Report p. 53–63
	 Energy Source	Low carbon energy sourcing	Low	Using low-emission carbon energy sources could represent associated cost reductions, since in the context of these scenarios, the prices associated with renewable energies would tend to decrease in the medium and long term.	2022 Integrated Report p. 55

1. The financial impact was defined with the following ranges: Low (0 to 50), medium (from 51 to 150), and high (more than 150) million US dollars.

GOALS AND METRICS

Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

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 Science Based Target initiative (SBTi), aligned with the goal of the 2015 Paris Agreement to limit global warming to well below 2°C above preindustrial levels. Accordingly, our new 2030 commitments and our progress to 2022 compared to the 2015 baseline are:



In 2022, absolute CO₂e emissions across our value chain amounted to 3,789 kilotons (kt) of CO₂e. Our overall value chain emissions are broken down as follows:

