



SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT 2017

Executive Summary

ABOUT THIS REPORT

This document is an executive summary of 2017 Arca Continental's Social Responsibility and Sustainability Report. Our goal is to communicate the most relevant achievements and progress of our sustainability strategy for the period between January 1st and December 31st, 2017, and to maintain an open dialogue with our stakeholders.

If you wish to read the detailed report, please download it by following the link or QR code at the bottom of this page. In the detailed report, you will find more information about the plans and programs we implemented as well as our progress in several methodologies, indexes, and commitments, such as the Ten Principles of the United Nations Global Compact, the Sustainability Index of the Mexican Stock Exchange, FTSE4Good, and MSCI. As we have done in prior years, our Social Responsibility and Sustainability Report was verified by an independent third-party, KPMG, who reviewed in detail some of the main material indicators reported by all the operations, in compliance with our commitment to be transparent and share accurate information. The scope of the verified indicators, as well as the complete assurance report, are both available in the detailed version of the report.

We have aligned the detailed version of our report to the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), and we wish to reiterate our commitment to the UN Sustainable Development Goals. We obtained the SDG Mapping Service mark for the third consecutive year.

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For more information on Arca Continental and its sustainability programs, please download the full detailed version of our report at:

http://www.arcacontal.com/socialresponsibility.aspx

ORGANIZATIONAL CULTURE

Vision

To be leaders in beverage and food consumption at every occasion and in every market in which we participate, profitably and sustainably.

Mission

To generate maximum value for our customers, associates, communities, and shareholders, satisfying our consumers' expectations at all times and with excellence.

Our Values

- Customer-centricity and purpose for service
- Integrity based on respect and justice
- Comprehensive human capital development
- · Sustainability and social responsibility

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COMPANY PROFILE

Arca Continental is among the top Coca-Cola bottling companies in the world, serving 119 million people in Mexico, Ecuador, Peru, Argentina, and the United States.

Arca Continental is a publicly-traded company that produces, distributes, and markets nonalcoholic beverage brands from The Coca-Cola Company in addition to snacks under the Bokados brand in Mexico, Inalecsa in Ecuador, and Wise and Deep River in the U.S. Together with The Coca- Cola Company, Arca Continental leads the high-value added dairy category in Ecuador through the Tonicorp brands.

With an outstanding history spanning 92 years, Arca Continental is the second largest Coca-Cola bottler in Latin America, and one of the largest in the world. Arca Continental is listed on the Mexican Stock Exchange under the ticker "AC".

MAIN ACHIEVEMENTS

ECONOMIC VALUE	2016	2017
Net Sales (Millions USD)	5,030	7,400
EBITDA (Millions USD)	1,080	1,379
Direct economic value generated (Millions USD)	5,139	7,456
Distributed economic value (Millions USD) ¹	4,766	6,994

ENVIRONMENTAL WELL-BEING	2016	2017
Water usage rate (I water / I beverage)	1.71	1.68
Treated wastewater discharge	100%	100%
Emissions index in manufacturing processes (gCO ₂ e / I beverage)	25.8	21.9
Electric energy from renewable sources in Mexico	25%	39%
Recycled PET or BioPET incorporated in our bottles	24%	20%
Recycled industrial waste average	92%	92 %

INDIVIDUAL WELL-BEING	2016	2017
Percentage of low or zero-calorie beverages	40	40
Number of people directly benefited by physical activity and/or nutrition awareness events (millions)	3.8	3.8
Nutritional information on our NR presentations	100%	100%
Beverages production centers with food safety and quality certifications	100%	100%
SOCIAL WELL-BEING	2016	2017
Investment in social programs and causes (Millions USD)	4	4
Number of associates and other participants in institutional volunteer activities	8.8	11.6
Man-hours of associates and their families invested in volunteer during the institutional programs	34,000	42,391
Number of training hours provided for associates (Millions)	1.1	1.7
Lost time incident rate (LTIR) ²	0.98	0.78

1. Includes cost of sales, operating expenses, taxes, dividends, interest and social investment.

2. Including the operations in Mexico, Ecuador, Peru and Argentina.



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND CEO

In this, our 2017 Social Responsibility and Sustainability Report, we reiterate our commitment to maintain constant communication with our stakeholders. Our goal is to continue strengthening our management model in order for economic, social, and environmental development to become integral parts of our entire business, in addition to continually improving our operations.

The profitable and sustainable growth we have achieved as a company reflects our continuous commitment to implementing actions that create shared value and promote the integral well-being of our associates, society, and the environment. This is all done by following best practices in ethics and Corporate Governance, while contributing to the UN Sustainable Development Goals (SDGs).

The exercises we have done to define our materiality have enabled us to proactively align our business objectives with our stakeholders' expectations. As a result, we have established transversal strategies that incorporate innovation, operating efficiency, positive social impacts, and profitability indicators to ensure the continuity and growth of our business.

Our sustainability actions are supported at the highest levels of our organization to ensure their long-term viability, the Human Capital and Sustainability Committee of the Board of Directors provides oversight and guidance. The Operating Sustainability Committee, which is led by a management team of functional experts, coordinates a system of metrics and control processes for each strategic pillar. This helps us ensure consistent execution of the strategy and standardized objectives and indicators throughout the organization. It also enables us to incorporate best practices in the territories and countries we serve and involve new operations, such as Coca-Cola Southwest Beverages, in the implementation of the sustainability strategy.

Furthermore, as we have been doing since 2006, we continued to follow the Ten Principles of the United Nations Global Compact as part of our general model for responsible behavior in all areas.

In the individual well-being pillar, we continue to promote initiatives that foster active and healthy lifestyles. In 2017, we positively impacted more than 3.8 million people who participated in approximately 1,200 sports and awareness events focused on health, nutrition and healthy lifestyles.

We also support projects that promote education for children, such as our Schools in Motion program, which includes improvements to sports infrastructure and promotes physical activation programs. During 2017, this initiative benefited more than 8,000 public school students.

We are particularly proud of the fact that during 2017 both Arca Continental, in Mexico, and Tonicorp, in Ecuador, once again obtained top positions in the Great Place to Work Institute ranking.

In the social well-being pillar, we believe that the integral development of our associates plays a key role in our ability to achieve our goals. This is why we offer comprehensive support such as technical training to benefit job performance and training to deal with issues such as personal and family growth. In 2017, 52,000 associates received more than 1.7 million hours of training related to their functions.

For the third consecutive year, we were granted the distinction as a "Healthy Responsible Organization" (ORS) for a company in the Growth Stage, for our initiatives favoring physical activity, a culture of caring about health, and for contributing to the well-being of our associates and their families, through our institutional platform El Movimiento AC+ (The AC+ Movement). This year we held 1,500 sports and health events, with the participation of more than 17,000 associates and their families.

Through our VOLAR volunteer program, we promote the development and well-being of the communities where we operate by conducting institutional events such as the Annual Volunteer Day, Annual Sustainability Day and Christmas with Meaning. This year, more than 11,600 volunteer participants carried out reforestation efforts and worked to clean different bodies of water, rehabilitate public spaces, and promote a culture of environmental stewardship.



Manuel L. Barragan Morales CHAIRMAN OF THE BOARD OF DIRECTORS

The development of women is one of the top priorities of our social well-being pillar. This year, we offered training courses to more than 2,000 women on topics such as personal growth and business development with the 5by20, Potencia Mexico and ANSPAC programs. Furthermore, since we are convinced that our Value Chain is a key element behind the success of our sustainability strategy, we carried out programs that enable the integral development and growth of our main suppliers, aiming to become their strategic partners.

In the environmental pillar, we made great progress in our main sustainability indicators, such as bringing our Water Consumption Index down from 1.78 in 2016 to 1.68 liters of water per liter of beverage produced during 2017.

Another significant achievement was the increased usage of energy from renewable sources, such as wind or biomass, which in Mexico now accounts for 39% of the total energy we consume. In terms of our emissions from beverage production, we reduced them to 21.9 grC02e/lt. of beverage produced. The progress we have made, as well as our achievements, confirms Arca Continental's firm commitment to decreasing our impact on the environment while becoming an agent of change for our associates and their families, the communities in which we operate, and society in general.

Thanks to these efforts, we have been recognized by several institutions, such as the Mexican Philanthropy Center, which in 2017 granted us for the 14th consecutive year the distinction as a Socially Responsible Company, and the Mexican Stock Exchange, which has continually included Arca Continental as one of the top companies in its Sustainability Index. Additionally, in 2016 the London Stock Exchange chose us to become part of the FTSE4Good Emerging Index, which groups the companies with best practices in social, environmental, and corporate governance efforts, and since 2014 we have been included in the MSCI Global Sustainability Index.

In 2018, we will continue integrating the Sustainability Strategy into the profitability and development of our operations, incorporating metrics to further align our programs to material issues and Sustainable Development Goals, to maximize their impact and reach goals and objectives that are increasingly more ambitious.

In our search for a constant, transparent, truthful, open, and inclusive dialogue, we invite our readers to share with us their feedback on the information we have included in this report.

Thank you very much.

Manuel L. Barragan Morales CHAIRMAN OF THE BOARD OF DIRECTORS

Francisco Garza Egloff CHIEF EXECUTIVE OFFICER

SUSTAINABILITY STRATEGY

DIALOGUE WITH STAKEHOLDERS

By employing different mechanisms —such as community surveys, an analysis of our alignment with the UN Sustainable Development Goals, and focus groups, among others— we maintain a constant dialogue with our stakeholders, which has always been the starting point for developing our sustainability strategy.



SOCIAL RESPONSIBILITY AND SUSTAINABILITY MODEL

The main goal of our model is to offer well-being opportunities to all the people around us. We ave incorporated the most widely recognized international practices into our strategy, as well as those of the Coca-Cola System.

ORGANIZATIONAL CULTURE

Our associates are the key to implementing our growth strategies and sustainability culture. They enable us to achieve the leadership position we currently hold.

INDIVIDUAL WELL-BEING

We strive to get our associates and communities to be active and healthy, to make sure our ample and varied product portfolio includes high-quality ingredients, and to provide extensive, relevant, and clear information to encourage consumers to make the best decisions possible.

SOCIAL WELL-BEING

Our wish is for all our associates and the communities with which we interact to grow in a sustainable manner. Our associates receive continuous training and work under safe conditions at all times. We empower women and small enterprises that participate in our value chain, and we make investments that make society stronger.

ENVIRONMENTAL WELL-BEING

We constantly work to minimize or neutralize our water, waste, and emissions footprints. We lead the industry in recycling initiatives, we preserve and improve the environment for future generations, and we promote the use of ecoefficient technologies.

ETHICS AND CORPORATE GOVERNANCE

Every person who has a relationship with our company is obliged to behave in strict adherence to the law and our Code of Ethics and Conduct Policies. Corporate Governance at Arca Continental constantly ensures that there are no deviations from either the Code or any applicable regulations.

INTEGRAL DEVELOPMENT AND WELL-BEING



We provide the conditions needed for our associates and the people around us to grow in a healthy, prosperous community and environment. Several institutions and international organizations have granted us awards and recognitions for the work we do:

- We are included in the FTSE4Good Emerging Index of the London Stock Exchange.
- The Sustainability Index of the Mexican Stock Exchange, which we have been a part of since it was first created in 2011, ranks us among the top companies in our sector.
- Arca Continental, Arca Continental Lindley, PetStar, and Bokados all received the Socially Responsible Company distinction this year. Arca Continental has been granted this distinction for 14 consecutive years.
- MSCI places us among the most sustainable companies in our sector worldwide.
- Scotiabank Equity Research categorized us as Environmental Champions in Latin America.
 We are the only bettling group in the world with two production facilities partified as Silver I.
- We are the only bottling group in the world with two production facilities certified as Silver Level Benchmark Operational Excellence Center.

STAKEHOLDERS AND MATERIALITY

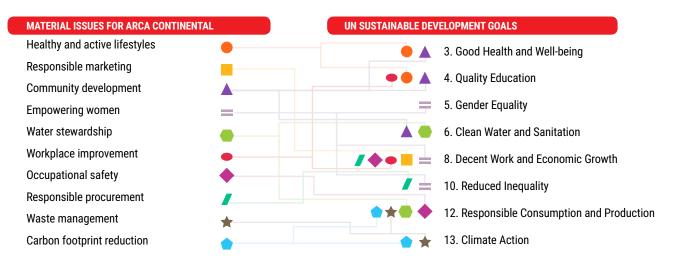
One of the top priorities for Arca Continental is to create and maintain long-term relationships with individuals, groups or organizations that can contribute to our company's development. We have established constant and direct communication to encourage an open and transparent dialogue with these stakeholders, to better understand their expectations and concerns, and to address them proactively. The first step in developing our strategy was to assess how we relate to the development and interests of the communities. This exercise helped us determine the material issues for our company. Afterwards, we analyzed how maturing these issues contributes to the UN Sustainable Development Goals (SDGs), and we held several feedback



meetings with opinion leaders, our peers, academics, authorities and NGOs, among others. This enabled us to clearly understand what we must do, how we have to do it, and how we need to communicate it.



Arca Continental Materiality and its relationship with the UN Sustainable Development Goals



INTEGRAL COMMUNITY DEVELOPMENT



27 tons

of waste collected for adequate disposal during the Annual Volunteer Day and the Annual Sustainability Day in every one of the countries where we operate.

1,900 schools

in our Mexico territories collected 1,500 tons of PET, alongside other recycling materials, thanks to ECOCE's Eco Reto program.

12 th edition of the Powerade Marathon

the second most important marathon in Mexico, with a record 9,000 runners participating in 2017. An additional 1,000 mini-marathon runners also participated, supporting our effort to promote physical activation among young people.



Q

45 thousand

Front Program. Besides upgrading points of

more energy-efficient.

new coolers installed in Mexico through the Cold

sale across our value chain, this program has a

savings for retailers since the coolers are much

considerable environmental impact and produces

playing fields

built and more than 37 hydration centers installed in 2017.

570 thousand students

benefited annually with the national physical activity and nutrition program, Ponte al 100, in 10 states across our territories in Mexico.

> **3.8** million people were physically activated in 2017, in more than 1,200 sports events we either organized or sponsored in Mexico.



planted in Mexico during 2017 across our territories, for a total of almost 27 million planted trees to date. We installed 200 water harvesting ponds and developed 326 community productive projects as part of the Mexico Reforestation and Water Harvesting Program.

> **35** MW/Hr capacity of our new co-generation power plant at the PIASA sugar mill, which can supply more than 38,000 homes with electricity from a renewable source.



thousand tons

of recycled resin produced during 2017

recycled PET plant.

at PetStar, the world's largest food-grade

1,260

retailers trained and empowered in 2017, through our programs in Mexico, Ecuador, Peru, and Argentina, for a total of more than 10,000 to date. We have developed 22 Complementary Business Centers around these retailers in Mexico.

+60 suppliers

audited and certified in our Guiding Principles in 2017, for a total of more than 210 over the past three years. 31 suppliers certified in safety throughout the year.

 0.0

Famailla Sugar Mill

was upgraded and obtained the Coca-Cola sugar quality certification, becoming a benchmark in Argentina.

+11 thousand volunteers

Ο

housand

in vulnerable areas were benefited in 2017 with Tonicorp's supplier

development program in Ecuador.

families

participated in 2017 in the institutional programs we conduct across all the countries where we operate, by rehabilitating or refurbishing more than 49 public spaces and schools.

4 million liters of water and products

and almost \$1.4 million USD donated by the company, our associates, and the Coca-Cola System in aid for the victims of the earthquakes in Mexico and the floods in Texas and northern Peru.



85 associations and chambers of commerce in which we actively participate to promote sustainable development.

+80 communities

benefited by the Sustainable Libraries program in Jujuy, Argentina, which has a triple purpose: promoting local artists, encouraging cultural inclusion, and contributing to environmental stewardship.



"Arca Continental's Uncapping my Entrepreneurship Program taught me many things about how to manage my business, but the most important thing for me is that now I really want my business to grow for the good of my family. And I did it!"

OLINDA CASIMIRO FERNANDEZ

Entrepreneur mother, head of her family, and owner of the Bodega Mayuri.

Pucusana, Lima.



"The program developed by Toni and Arca Continental has given us many benefits: we produce more milk, have better pastures, better animals, and higher quality. We used to produce 1,500 liter a year on average, now we are producing a record 5,000 l. of milk and we hope to continue growing."

VINICIO ORDOÑEZ

Manager, Hacienda La Sabana 22 years' experience as a cattle breeder.

Naranjal, Ecuador.



"Among many other benefits, this program changed both my work and family life. Now I try to spend more time with my kids and talk more with my wife, my goal is for us to be able to go to bed every night having had a nice experience every day. I also plan to continue studying to improve at work. I am very grateful to the company for offering us this course."

JOSE ALFREDO MARTINEZ GARIBAY Participant in the Human Values for the Family Program.

Tecoman Distribution Center, Mexico.



"My little sister and I have to walk to school every day. These clothes, shoes, school supplies and backpacks that Arca Continental is giving us will help us very much so that we can carry everything we need for school and to do our homework. I liked the ceremony and being able to sing in front of my classmates. Thank you very much for everything!"

GUIDO JOEL FERNANDEZ MARTINEZ 9 years old. Student at the Campo Quijano school.

Rosario de Lerma, Argentina.

ASSOCIATES INTEGRAL DEVELOPMENT



in four out of the five events organized by the Mexican association Queremos Mexicanos Activos in 2017.

60

In order to have the best talent, we focus on the integral development and well-being of our associates, on the safety of our work centers, and on continually fostering a fair and inclusive work environment. This has allowed us to create a virtuous cycle of productivity and innovation.

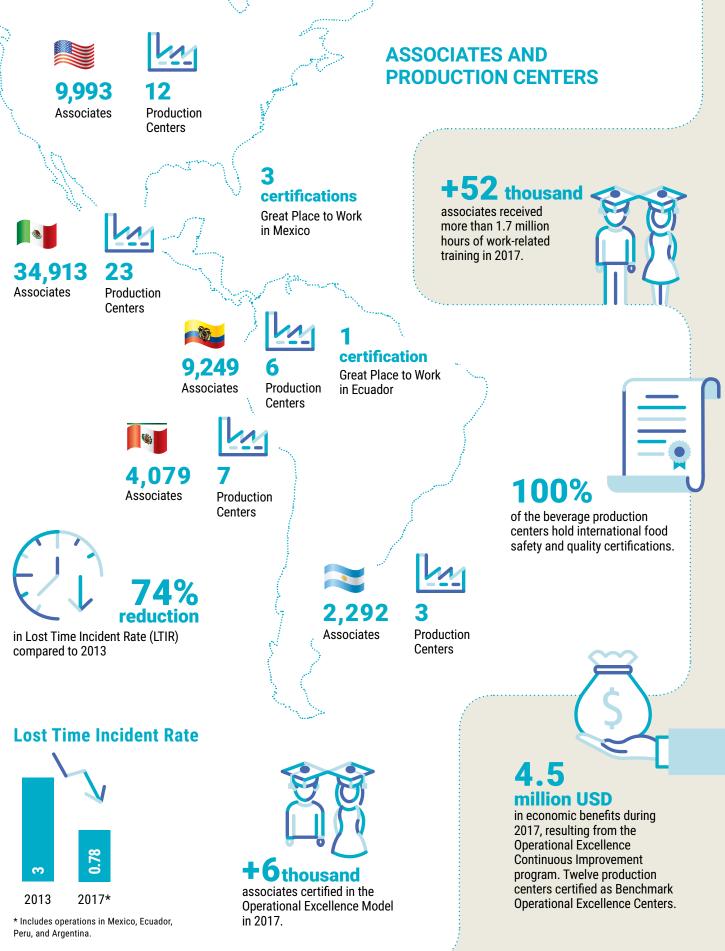


participated in 1,500 physical activation events organized by the company in 2017.



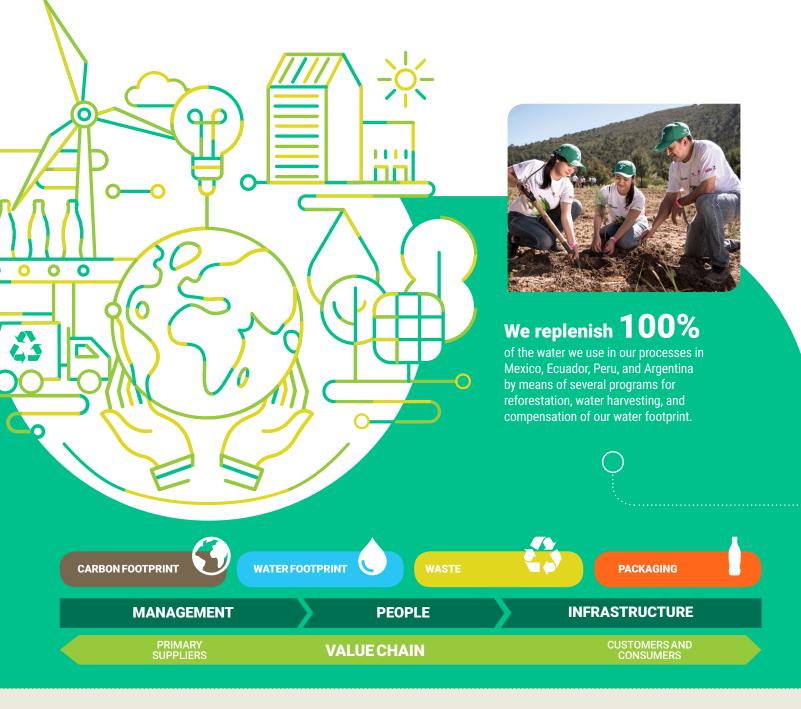
3rd. consecutive year as a Healthy Responsible Organization.

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PRESERVING THE ENVIRONMENT

Environmental conservation and preservation, as well as minimizing our environmental footprint, are among our main objectives. Our vision includes being leaders in environmental stewardship and in the conservation of natural resources in the territories we serve.



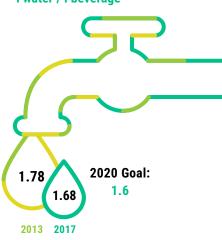


Water

- Increase the usage efficiency.
- Discharge treatment and promotion of reuse.
- Footprint neutralization and source conservation.

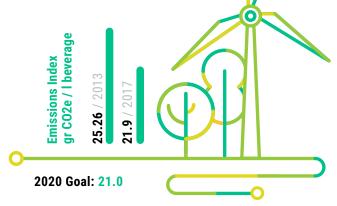
100%

of our wastewater discharges went through secondary or tertiary treatment processes. Efficiency in Water Usage Index I water / I beverage



Energy

- Use of clean or renewable sources.
- Efficiency related projects.
- Contaminating emissions reduction.



39%

of the electric power used in Mexico comes from renewable sources.

+14%

reduction of our carbon footprint in beverages, which take us closer to our 2020 goal of 21.0 grCO2e /l beverage, one of the more ambitious of the Coca-Cola System.

20% average of recycled food grade recycled PET or BioPET in our bottles.

100% made from other bottles.

Pioneers in the Coca-Cola System in the world, the Ciel bottle is now made entirely from food grade recycled PET, as well as the Sprite and Sangria Topo Chico's bottles.

> +2.4 thousand tons of PET were not used resulting from our bottles lightening programs.

Waste and packaging

- Use of sustainable materials.
- Increase of the industrial waste recycling.
- Foster circular economies.

Recycling Industrial Waste





Z operation centers

certified as zero-waste plants in Mexico.

ETHICAL BEHAVIOR

Ethical behavior at Arca Continental is regulated by our Code of Ethics and Conduct Policies. We use the Transparency Mailbox and Compliance Management Guidelines to enforce its management. All associates in the company, as well as our commercial partners, are committed to behaving with the highest sense of honesty, integrity, and transparency, in strict compliance with the law and respect for Human Rights.

CODE OF ETHICS AND CONDUCT POLICIES

The Code of Ethics and Conduct Policies comply with the laws and regulations in force in every country where we operate. Furthermore, they integrate the point of view of our main stakeholders, including customers, suppliers, associates, and authorities. Its main goals include anti-corruption processes and controls, as well as fostering transparency, fair trade, and a healthy relationship between our associates and every person who comes in contact with our company. In 2017, we developed and implemented an online course to train all our associates on the Code guidelines and procedures they need to follow in case they detect any deviations.

4.113 associates

Conduct Policies in 2017.

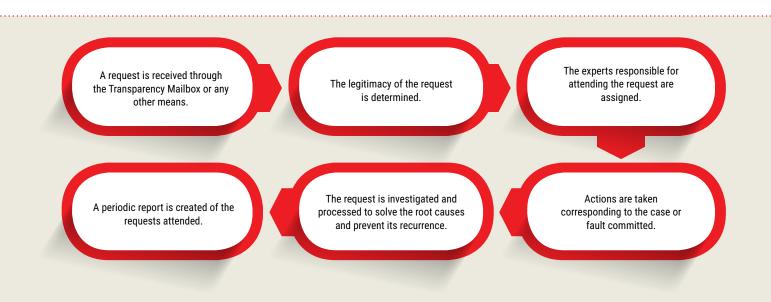
took the online course on the Code of Ethics and

TRANSPARENCY MAILBOX

Our Transparency Mailbox is a safe and confidential tool that any person who wishes to do so can use to let our management know about any conduct that deviates from the Code of Ethics and Conduct Policies. The Transparency Mailbox can be accessed online, by calling a toll-free number, or by sending a letter to the Integrity and Ethics Committee. Transparency Mailbox reports are attended immediately by an independent third party, which is in charge of its management.

COMPLIANCE MANAGEMENT GUIDELINES

The Integrity and Ethics Committee is responsible for managing the Code of Ethics and Conduct Policies at Arca Continental and all its subsidiaries. The Committee abides by the Compliance Management Guidelines, which specify who the people responsible for addressing each case are, the procedure that needs to be followed when a report is received, and the process and timeline that need to be met in order to write performance reports. Additionally, it describes the mechanisms that are in place to promote a culture of compliance with the Arca Continental values.



RECOGNITIONS

ORGANIZATION	AWARD, RECOGNITION OR CERTIFICATION
Mexican Stock Exchange (BMV)	We are part of the Sustainability Index since 2011, when it was first established.
CEMEFI AND ALIARSE	We received the Socially Responsible Company (ESR) distinction for the 14th consecutive year, Arca Continental Lindley for the 4th year, PetStar received it for the 3rd consecutive year and Bokados for the 2nd consecutive year.
CONCAMIN	We received the Ethics and Values in Industry Award, with the prize for Social Responsibility.
Workplace Wellness Council Mexico	For the 3rd consecutive year, we were awarded the Healthy Responsible Organization (ORS) distinction for a company in the Growth Stage, for our initiatives in favor of promoting active and healthy lifestyles, and for contributing to the well- being of our associates with these programs.
FTSE	The London Stock Exchange ratified Arca Continental as a member of the FTSE4Good Emerging Index, for its strong commitment to best environmental, social, and corporate governance practices worldwide.
Great Place to Work Institute	Three of our companies in Mexico and one in Ecuador were recognized as best places to work in their countries.
Ministry of Work and Employment Opportunities (Ministerio de Trabajo y Promocion del Empleo)	Arca Continental Lindley obtained the "SOS" award which recognizes our company for fostering solidarity in emergency situations.
Green Latin American Awards of the National Institute for Adult Education (Instituto Nacional para la Educacion de los Adultos, INEA) and the Ministry of Public Education (Secretaria de Educacion Publica, SEP).	PetStar received recognition as a "Company committed to education." It also placed 9th in the solid waste management category for its "We make PET packaging sustainable" project.
MSCI	We have been included in their Sustainability Index since 2014.
United Nations Global Compact	Arca Continental Ecuador received the ODS Recognition for Best Practices in Sustainable Development for its "Water for the Future" and "Bottle-to-Bottle (B2B) recycling system".
The Coca-Cola Company	We have 12 Operation Centers that have been certified as Benchmark Operational Excellence Centers, 10 of which have earned the bronze certification and two have earned a silver certification. Argentina was awarded the ICE Cup 2016/2017 for its best results in the Commercial Execution Index at South Latin level.
The Coca-Cola Company and Walmart	Two awards were presented to Mexico: Category Leadership and the highest award, the "Julie Hamilton President's Award," in recognition of its excellence in Marketing, Electronic Commerce, Supply Chain and Execution at point of sale.
The Coca-Cola Company and WorldWildlife Fund (WWF)	13 of our production centers in Mexico have the esKO Top 10 Energy Saving Challenge certification for their efforts and investments made for energy efficiency.
US Green Building Council	The corporate building has LEED Silver certification, the Trujillo plant in Peru has LEED certification Gold, and the PetStar museum is LEED Platinum certified.















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ARCA CONTINENTAL

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