

# PACKAGING



## Packaging

We are well informed about the big challenge that rational resource use represents. Therefore, aligned with our values and sustainable business model, we identify and promote projects that minimize our environmental footprint, including our product, service and packaging lifecycle.

A fundamental part of our strategy consists on promoting a circular economy model that motivates sustainable packaging initiatives. We have contributed to this matter with significant investments and specific actions, reincorporating our packaging in the value chain in all countries where we operate.

Arca Continental has developed a set of Sustainable Packaging Principles that apply to all operations in every country we operate. Additionally, we expanded our commitment by setting 7 own targets regarding sustainable packaging.

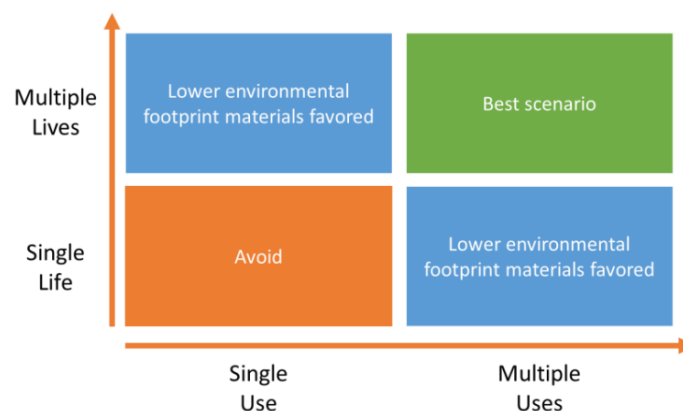
The principles, commitments, actions and progress towards a circular economy are detailed in the following sections.

### Sustainable Packaging Principles

To analyze our primary and secondary packaging environmental footprint, we classify materials and package use under two separate classes: Package number of uses and material number of lives.

- Package number of uses: One package can be used a single time or multiple times before being disposed (a returnable package, for example). The multiple use model can only take place before the package or material lose their reuse properties.
- Material number of lives: There are materials, or material compositions, that can be recycled to create the same or a completely different product. Some of these materials have a high recycling number before losing their properties, giving them multiple “lives”. However, some other materials are difficult to reuse, have limited recycling or are economically unfeasible, giving them a low “multiple lives” potential.

The two previous classes help us organize our packaging into four main categories, as the following graph shows:



Arca Continental's sustainable packaging principles indicate the company's stance for each of these four categories:

- I. **Single life, single use:** We will avoid this category in all our product and primary/secondary packaging designs in the future. Items that are currently classified under this category will be redesigned.
- II. **Single life, multiple use:** This category will only be used when the lifecycle analysis is lower than any other economically feasible option. We will focus on working with local collaborators to increase used material recyclability.
- III. **Multiple lives, single use:** This category will only be used when the lifecycle analysis is lower than any other economically feasible option. Other weighting elements, such as health, safety, geographical reach and extraordinary use are taken into consideration for this category. We will focus on working with local collaborators to recover materials and increase their chance of gaining multiple lives. We favor cradle-to-cradle recycling, which means making a plastic bottle out of another plastic bottle, for example
- IV. **Multiple lives, multiple use:** If the environmental footprint of the product and process is lower than those of other categories, this is the most promising scenario.

These principles allow us to develop processes and programs to increase the use of reusable and recyclable packaging, eliminate single-use plastic packaging, increase the use of recycled material to make our packaging, generate research and development for new solutions, and promote programs with collecting partners to ensure that recyclable packaging is recycled.

### Arca Continental Sustainable Packaging Targets

In Arca Continental, we believe that our commitment to sustainability goes beyond the goals to which we contribute through our participation in The Coca-Cola Company. For this reason, we have signed our own goals that reflect the ambition of our sustainable business strategy:

1. Reduce single-life and single-use secondary packaging materials to zero by 2030.
2. Evaluate the life cycle environmental footprint of 100% of materials and processes related to single-life or single-use secondary packaging against economically viable options by 2030.
3. Have at least 25% of primary packaging materials in the multiple-life, multiple-use category by 2025
4. Use on average 20% recycled content in our non-returnable PET plastic packaging in the countries where we operate by 2025.

5. Promote collection and recycling schemes along with authorities, NGOs and the community in order to minimize the generation of plastic waste in areas of high environmental or cultural value, megadiverse or close to a body of water.

For additional information about our sustainable packaging goals, please refer to the ***Taking care of the planet*** section in our integrated annual report annexes.

## Green Financing

A genuine commitment to the transition to a low-carbon economy requires allocating capital to green projects that contribute to achieving the objectives of the Paris Agreement.

Considering this principle, we developed a Green Financing Framework in which we established the parameters that will govern any possible issuance of such financial instruments. The framework seeks to promote transparency and integrity in this type of financing and is aligned with the Green Bond Principles published by the International Capital Markets Association<sup>1</sup> (ICMA).

The eligible categories within our Green Finance Framework are as follows:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Green transportation
- Sustainable management of water and waste water
- Products adapted to the ecological and/or circular economy, technologies and production processes

In 2021, we issued 4,650 million Mexican pesos in Stock Exchange Certificates under the category of green bonds. These bonds are among the first issued by a beverage company in Mexico in national currency. The placement consisted of two tranches, one for 3,000 million pesos over 7 years at a fixed rate of 6.75% and another for 1,650 million pesos over 4 years at a variable rate equal to TIIE plus seven basis points.

The transaction attracted great interest from a diverse investor base and was over-subscribed nearly 4.3 times. Both issues earned "mxAAA" ratings from S&P3 and "AAA(mex)" from Fitch Ratings<sup>4</sup>, which are Mexico's highest credit ratings, above the country's sovereign debt.

With these resources, we expect to refinance around 6% of the projects implemented in the Sustainable Water and Wastewater Management category and the rest will be used to finance new projects.

In particular, the green financing aligned with the circular economy in Arca Continental will be linked to:

- Expenses related to increasing the supply of recycled PET resin (rPET) to increase the rPET content of our non-returnable packaging to achieve up to 50% rPET; the minimum goal is to reduce our packaging emissions by 111 kilotons of CO<sub>2</sub>e.
- Expenses to improve recyclability in our returnable PET containers, as well as reduce the inventory needed to meet the market needs of our returnable bottles.

## Relevant projects and multisector collaborations

PETSTAR	
<b>Project objectives and description</b>	<p>PetStar is a company part of the Mexican Coca-Cola Industry, led by Arca Continental and dedicated to the collection and recycling of PET packages. It owns the largest food grade PET recycling plant in the world.</p> <p>To strengthen PETSTAR's capacity in Mexico, we announced investments of 11,000 million pesos in conjunction with other bottlers of the Mexican Coca-Cola Industry to strengthen PetStar's capacity. This investments with will increase plastics collection by 50%, thanks to new centers in Mexicali, La Paz and Los Cabos.</p>
<b>Updated progress and results</b>	<p>PetStar's Sustainable Business Model (MNSP, by its acronym in Spanish) has 26 years of history and is an excellent PET packaging benchmark in circular economy. This business model is integrated from bottle collection to the incorporation of new packaging with recycled content, generating value in three dimensions:</p> <p><b>Social:</b> Through the PetStar Inclusive Collection Model (MAIP, by its acronym in Spanish), social mobility and urban PET waste picker rights are promoted. In addition, we work in partnership with other actors that favor children rights and guarantee a child labor-free supply chain.</p> <p><b>Environmental:</b> PetStar collaborates in the generation of a cleaner environment, collecting 4,135 million bottles per year, which is equivalent to 6 out of 10 bottles that bottlers of the Mexican Coca-Cola Industry put on the market. In addition, the process of converting virgin resin packaging into recycled resin packaging reduces greenhouse gas emissions (GHG) by 100%.</p> <p><b>Economic:</b> PetStar ensures that its operations work under a profitability scheme making the price recycled resin competitive, as well promote the generation of direct and indirect jobs for 24,000 urban waste pickers and recyclers.</p>
<b>Sustainable packaging goal contribution</b>	<p>The project contributes to the following Sustainable Packaging Targets set by Arca Continental:</p> <ol style="list-style-type: none"> <li>1. Reduce single-life and single-use secondary packaging materials to zero by 2030.</li> <li>2. Use on average 20% recycled content in our non-returnable PET plastic packaging in the countries where we operate by 2025.</li> <li>3. Promote collection and recycling schemes along with authorities, NGOs and the community in order to minimize the generation of plastic waste in areas of high environmental or cultural value, megadiverse or close to a body of water.</li> </ol>

<b>Project objectives and description</b>	<p>In 2018 we signed the New Plastics Economy Global Commitment led by the Ellen MacArthur Foundation, in collaboration with the United Nations Environment Program (UNEP). This commitment, which seeks to change the way we produce, use and reuse plastic, was also signed by PetStar, ECOCE10 and the Coca-Cola Company.</p> <p>With this agreement, we committed to use on average 20% recycled content in our non-returnable PET plastic packaging in all countries where we operate by 2025.</p>
<b>Updated progress and results</b>	<p>In 2022, we have achieved our goals through strategic investments such as the one we continue to make in PetStar, the leading Mexican company in PET bottle recycling worldwide and a circular economy example led by Arca Continental. Thanks to this and other alliances, we continuously strengthen the incentives to collect PET and increase the percentage of recycling.</p>
<b>Sustainable packaging goal contribution</b>	<p>The project contributes to the following Sustainable Packaging Targets set by Arca Continental</p> <ol style="list-style-type: none"> <li>1. Reduce single-life and single-use primary packaging materials to zero by 2025.</li> <li>5. Have at least 25% of primary packaging materials in the multiple-life, multiple-use category by 2025</li> <li>6. Use on average 20% recycled content in our non-returnable PET plastic packaging in the countries where we operate by 2025.</li> <li>7. Promote collection and recycling schemes along with authorities, NGOs and the community in order to minimize the generation of plastic waste in areas of high environmental or cultural value, megadiverse or close to a body of water.</li> </ol>
<b>ECOCE</b>	
<b>Project objectives and description</b>	<p>ECOCE is a non-profit civil association created and sponsored by the consumer products industry in Mexico. This association manages post-consumer packaging waste under the principle of Shared Responsibility through the promotion of the massive collection of post-consumer packaging. It operates collection and recovery programs of our containers and packaging, generating environmental awareness in the communities where we operate.</p> <p>The ECOCE - A.C. collaboration contributes to raise awareness over the importance of recycling in communities and focuses on reducing our waste footprint. In addition, the project seeks investments in innovation, looking for new useful alternatives that contribute to the conservation of our environment, such as managing packaging materials like metallic BOPP.</p>
<b>Updated progress and results</b>	<p>In September 2020, the Waste for Pantry Exchange Program began. ECOCE collection vans have different routes in across the country's municipalities, attending the necessary measures to cope with the pandemic. By the end of 2020, there were 273 collection points, where more than 400 people were attended and about 30 tons of waste were collected.</p> <p>As part of our corporate responsibility, Arca Continental began the management of metallized BOPP (Biooriented Polypropylene) packaging waste through all ECOCE operational programs.</p> <p>In 2021, two flexible packaging recycling projects were implemented in order to find the best available metallized BOPP recycling technology in Mexico. These projects managed to manufacture pallets with 21% recycled content and are currently being tested in parallel associate operations.</p>
<b>Sustainable packaging goal contribution</b>	<p>This project contributes to the following Sustainable Packaging Targets set by Arca Continental:</p> <ol style="list-style-type: none"> <li>1. Reduce single-life and single-use secondary packaging materials to zero by 2030.</li> <li>2. Promote collection and recycling schemes along with authorities, NGOs and the community in order to minimize the generation of plastic waste in areas of high environmental or cultural value, megadiverse or close to a body of water.</li> </ol>
<b>IPASA</b>	

<b>Project objectives and description</b>	In addition to our efforts to recover and recycle PET bottles, the caps of these containers also play an important role in our circular economy model. IPASA, a company that belongs to Arca Continental, dedicates its efforts to the development and manufacture of plastic products. The lids of PET packages (HOPE) are recovered and recycled in IPASA, making use of the quality plastic to elaborate all the delivery boxes used in Arca Continental.
<b>Updated progress and results</b>	Arca Continental, in collaboration with IPASA, started the production of black boxes for returnable bottles, which are made from caps and labels (PCR PO). This represents 100% less CO2 emissions against the use of virgin resin and is equivalent to switching 553,940 bulbs off.
<b>Sustainable packaging goal contribution</b>	<p>This project contributes to the following Sustainable Packaging Targets set by Arca Continental:</p> <ol style="list-style-type: none"> <li>1. Reduce single-life and single-use secondary packaging materials to zero by 2030.</li> <li>2. Promote collection and recycling schemes along with authorities, NGOs and the community in order to minimize the generation of plastic waste in areas of high environmental or cultural value, megadiverse or close to a body of water.</li> </ol>