

# Nature analysis based on TNFD: LEAP methodology

In recent years, the regulation on sustainability and climate management information has expanded and broadened, also integrating aspects of the management of dependencies, impacts, risks and opportunities on Nature.

The Task-Force on Nature-related Financial Disclosure (TNFD) developed the LEAP methodology for the identification and evaluation of the Dependencies, Impacts, Risks and Opportunities (DIRO) related to a company's activities and value chain.

The methodology is structured in 4 phases that allow:

- The identification of the interface with nature and the location of activities with respect to the components of nature.
- The identification and evaluation of nature-related dependencies and impacts.
- Identifying and assessing nature-related risks and opportunities.
- Prepare a strategy to manage nature-related dependencies, impacts, risks, and opportunities

Define scope							
Generate a working hypothesis What are the activities of the organization where nature-related dependencies, risks, and opportunities are likely to exist?				Align goals and resources What are the resource considerations (financial, human and time allocations to carry out the assessment?			
Locate		Evaluate		Assess		Prepare	
L1	Business model and value chain scope	E1	Identification of assets Environmental ecosystem services and impact	A1	Risk and Opportunities identification	P1	Strategy and Plans of Resource allocation
L2	Identification of possible dependency and Impact relations	E2	Identification dependencies of and impacts	A2	Adjusting mitigation risk and managing existing risks and opportunities	P2	Goal Setting and Performance Management
L3	Interaction with nature	E3	Assessment of dependency and impact	A3	Measurement and Prioritization of risks and opportunities	P3	Reports
L4	Interaction with sensitive areas	E4	Materiality assessment of the impacts	A4	Assessing the materiality of risks and opportunities	P4	Presentation

As a signatory of the Science Based Targets initiative (SBTi) and a public company participating in the Mexican Stock Exchange (BMV), the management of climate change and nature has become very important in Arca continental's operation. With the emergence of guidelines for the evaluation of organizational relations with nature and for establishing FLAG objectives, the Company decided to align its operations to the TNFD's Recommendations.

During 2024, the company started its first LEAP assessment to identify, assess and manage DIRO related to its direct operations. Among the 5 main production lines (Beverages, Snacks, Dairy, Sugar mill and Vending machines), Mexico

beverages line is the most representative for Arca Continental as it concentrates the biggest portion of the total revenue and the greatest number of production centers (19).



The main objective of applying the LEAP approach to the analysis of the organization's relationship with Nature is to gather, generate and classify the information necessary to address the main questions of our stakeholders:

- What level of materiality does the organization's relations with nature have?
- What are the parts of the value chain that potentially can have a greater impact on nature.
- What risk and opportunities for Arca arise in relation to nature?
- What will Arca Continental's strategy to manage nature-related dependencies, impacts, risks and opportunities be?

### Scope of the analysis

The scope of the project is limited to the Arca Continental's beverage production activities in Mexico. The "Beverages Mexico" division considers 19 facilities in total, geographically located in 11 states of the Mexican Republic.

Mapping	Screening	GIS Analysis	Priorization
An analysis on the inputs and outputs to the Mexico Beverage Production Line was carried out, identifying	The ENCORE Nature tool was used to identify the activities and sectors of the value chain with potential relationships of	An analysis was carried out with Geographic Information systems to identify the interaction between operations and	Activities in the value chain with the greatest interactions with nature (dependencies, impacts, incidence proximity to

the main activities involved in the value chain. The International Industrial Classification Standard (ISIC) was used to standardize activities and sectors.	material dependence and impact.	natural aspects (natural assets, ecosystems, etc.). 5 facilities were selected to carry out a field verification on the conditions of the fauna and flora in the vicinity.	areas important for biodiversity and areas of interest for the conservation of water resources.
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#### *Limitations and uncertainties*

- Value chain information obtained through interviews with managers during field verifications may not be sufficient for a detailed mapping of the value chain for beverage production.
- The information obtained in this stage is at a general level for the activities and sectors involved in the value chain for the Mexico Beverage Line.
- Information obtained from geographic information layers may not reflect 100% accurate impacts with areas of importance for biodiversity and water resources. The development of internal criteria is recommended to improve the identification of dependencies and impacts with nature.

To identify all the activities involved in each stage, we carried out interviews within a sample of five production centers in northern Mexico. The activities in each phase of the value chain were analyzed and linked to the Divisions, Groups and Classes of the International Standard for the Classification of Industrial Activities (ISIC) to obtain sectoral information in a preliminary way with the ENCORE Nature application, identifying 19 Divisions and 27 Classes.

In the next table, we describe the activities considered in each stage of the value chain.

Packaging Material Ingredients	Upstream	<ol style="list-style-type: none"> <li>1. Packaging materials. Glass bottles and PET bottles, with aluminum and polypropylene (PP) screw caps, are considered. Glass bottles with printing and plastic bottles with printed labels are considered. As well as PP distribution boxes for the storage of the final product.</li> <li>2. Ingredients for beverage production. Arca Continental was considered not to obtain unprocessed agricultural products. The list of ingredients can be summarized as: sugar, concentrated flavor syrups, and carbon dioxide.</li> </ol>
Production and storage	Direct operations	<ol style="list-style-type: none"> <li>1. Beverage production: The use and treatment of water, the use of electrical energy and the use of fossil fuels (natural gas and LP gas) are considered.</li> <li>2. Storage: The use of electrical energy and the use of fossil fuels (natural gas and LP) for cargo handling and transportation to distribution centers are considered.</li> </ol>
Distribution – Retail	Downstream	<ol style="list-style-type: none"> <li>1. Distribution of finished product. Land transport by combustion and electric vehicles is considered.</li> <li>2. Retail. Points of sale of finished products (grocery stores, vending machines) and the use of electrical energy for refrigeration are considered.</li> </ol>
Waste management  PET collection and recycling	End of life	<ol style="list-style-type: none"> <li>1. Waste management: Considers the comprehensive management of waste generated during production.</li> <li>2. PET collection and recycling: Consider the collection and recycling of PET bottles</li> </ol>

Once classified, activities were assessed using ENCORE Nature tool and prioritized by number of high and very high dependencies on nature's ecosystem services and sector's impacts on nature. Prioritization of value chain and direct operations activities was carried out considering the number and materiality level of dependencies and impacts.

Using this information, main dependencies were identified:

Direct dependencies	Indirect dependencies
Water purification	Global climate regulation services
Water supply	Solid waste remediation
Rainfall patterns regulation services	Biomass supply
Water flow regulation	Soil quality regulation services
	Soil and sediment retention services
	Genetic material services

Upstream value chain – 8 activities		Direct Operations – 3 activities		Downstream value chain – 5 activities	
Dependencies	Impacts	Dependencies	Impacts	Dependencies	Impacts
Sugarcane cultivation	Sugarcane cultivation Fossil	Manufacture of non-alcoholic beverages; production of mineral waters and other bottled waters	Manufacture of non-alcoholic beverages; production of mineral waters and other bottled waters	Water collection, treatment and distribution	Waste treatment and disposal
Water collection, treatment and supply	Energy production	Sugar production	Sugar Processing	Waste treatment and disposal	Water collection, treatment and distribution
Solar energy production	Biomass energy production		Cargo Handling	Material Recovery	Waste collection Material
Glass and glass products manufacturing	Fas manufacturing; Pipeline distribution of gaseous fuels				Recovery Cargo handling
	Manufacture of other chemicals				
	Water				

	collection, treatment and distribution				
	Manufacture of plastic products				
	Installation of industrial machines and equipment				

Classification	Ecosystem services	Upstream	Direct operations	Downstream
Regulation and Maintenance	Water purification			
Provisioning	Water supply			
Regulation and maintenance	Water Flow regulation			
	Global climate regulation			
	Rainfall pattern regulation			
	Biomass supply			
	Local climate regulation			
	Soil quality regulation			
	Soil and sediments retention			
	Genetic material			
	bioremediation			
Cultural	Spiritual, artistic and symbolic services			
	Visual amenity services			

During the assessment of the interface between Company and nature, it was identified that our operations interact with four different ecosystems within the Deserts and semi-deserts biome. The main importance to nature sites

with which the operations have an interaction is the following:

- 5 Natural Protected Areas at the federal and state management level were identified: Linear Park, Cerro el Topo chico, Apaliame, Arroyo La Campana Colomos III y La Primavera.
- 2 Ramsar sites: Colorado River delta Remnant Wetland System and El Mogot Wetlands – La Paz Cove
- 4 main rivers inside a 0-5km radius from production sites: Santa Caatarina River, Culiacán Rive, Rio Grande and the Gulf of Baja California
- 5 Priority Hydrological Regions (RHP) that the company interacts with: San Juan River and Pesquería, Aguascalientes Valley – Calvillo river, Río Bravo International, Colorado River Delta, and Sierra del Novillo.
- 11 out of 19 production centers, located in areas with extreme water stress, followed by 4 with high water stress and 4 with medium-to-high water stress.

We continue to develop our analysis, which results will be disclosed during 2025. The main stages to be implemented during the assessment are:

Evaluate	Assess	Prepare
As the results obtained during the Locate Phase were related to the sector and the facilities, during the Evaluate phase indicators for quantifying dependencies and impacts will be the main results. Based on the quantification of dependencies and impacts, a better understanding of where impacts are concentrated will lead to focalized measures to reduce negative impact.	Based on the main dependencies and impacts, risks and opportunities will be identified and assessed, considering how dependencies and impacts interact within each other.	Based on general results, Arca continental will be able to have a strengthen its biodiversity strategy.