



Second-Party Opinion Arca Continental Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, and Eco-efficient and/or circular economy adapted products, production technologies and processes – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 6, 7, 9, and 12.



PROJECT EVALUATION / SELECTION Arca Continental intends to establish a Green Bond Subcommittee comprising of representatives from its Quality and Environmental Affairs, Corporate Finance, Beverage Business Unit and Public Affairs, Communications, and Sustainability teams that will be responsible for the annual assessment and selection of Eligible Projects per the criteria defined in the Framework. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Arca Continental’s Treasury team, along with the Green Bond Subcommittee, will be responsible for the allocation and tracking of net proceeds to Eligible Projects. Arca Continental intends to achieve full allocation of proceeds within 36 months from the date of each Green Instrument. The unallocated proceeds will be held in cash or invested in marketable securities, in accordance with Arca Continental’s firm-wide liquidity management/investment policy. This is in line with market practice.



REPORTING Arca Continental intends to report on the allocation and the impact of proceeds approximately one year from the date of the bond issuance and annually thereafter until full allocation. The allocation reporting is expected to include category-level details on the Eligible Projects, proportion of financed and refinanced projects, and the balance of unallocated proceeds. In addition, Arca Continental intends to report on relevant quantitative impact where feasible and has provided indicative metrics within the Framework. Sustainalytics views Arca Continental’s allocation and impact reporting as aligned with market practice.

Evaluation Date	April 19, 2021
Issuer Location	Monterrey, Mexico

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Introduction

Arca Continental S.A.B. de C.V. (“Arca Continental”, or the “Company”) is a food and beverage manufacturing and distribution company that produces, distributes, and sells beverages under The Coca-Cola Company brands as well as snacks in Mexico, Ecuador, and the U.S. The Company’s corporate offices are in Monterrey, Mexico.

Arca Continental has developed the Arca Continental Green Bond Framework (the “Framework”) under which it intends to issue one or more green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to create positive environmental impact. The Framework defines eligibility criteria in six areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Clean Transportation
5. Sustainable Water and Wastewater Management
6. Eco-efficient and/or circular economy adapted products, production technologies and processes (“Eco-efficient and/or Circular Economy”)

Arca Continental engaged Sustainalytics to review the Green Bond Framework, dated April 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Arca Continental’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Arca Continental representatives have confirmed (1) they understand it is the sole responsibility of Arca Continental to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Arca Continental.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Bond Framework 2021 is available on Arca Continental’s website at: <https://www.arcacontal.com/investors/financial-reports.aspx>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Arca Continental has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on Arca Continental's Green Bond Framework

Sustainalytics is of the opinion that the Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Arca Continental's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, Eco-efficient and/or Circular Economy – are aligned with those recognized by the GBP.
 - Arca Continental has established a three-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Renewable Energy category, Arca Continental intends to finance expenditures related to renewable energy generation projects, in particular, procurement of renewable energy through long-term power purchase agreements from projects such as wind, biogas power generation and solar power projects.
 - The Company has confirmed that the power purchase agreements are for at least the term of the planned green bond;
 - For investments in the bioenergy projects, the Company has confirmed that the feedstock for biogas production will be the anaerobic digestion of wastewater, containing organic waste from their own dairy business in Ecuador.⁴ Sustainalytics views the investment criteria for renewable energy projects to be aligned with market practice.
 - For the Energy Efficiency category, Arca Continental intends to invest in expenditures related to the replacement, operation and maintenance of cooling equipment in retail stores and manufacturing facilities. The Company has confirmed that replacement coolers in retail stores will be at least 25% more energy efficient compared to the current models. In manufacturing facilities, the Company intends to finance projects to upgrade production line filler equipment, resulting in at least 20% energy reductions, and the replacement of cooling towers with an expected reduction of 33% energy consumption.
 - Sustainalytics views positively the inclusion of thresholds and considers investments in energy efficient improvements to be aligned with market practice. Refer to Section 3 for discussion on the importance of energy efficiency in the food and beverage industry.
 - Under the Pollution Prevention and Control category, the Company intends to finance expenditures related to recycling and collection projects, including standardization of recycling bins to increase collection rates; initiatives to increase collection of bottles to 100% by 2030 and expenditures related to infrastructural improvements and training programs that help achieve Zero Residue Certifications⁵ for its production facilities.

⁴ Arca Continental website, "Brand Portfolio", at: <https://www.arcacontal.com/portafolio-de-marcas.aspx>

⁵ Arca Continental has communicated that Zero Residue Certificates are third-party certifications that help achieve 100% waste diversion in Arca's facilities.

- Under the Clean Transportation category, the Company intends to finance expenditures related to the purchase and maintenance of electric vehicles and forklifts and battery-operated tractors. Sustainalytics considers the criteria to be aligned with market practice for green transportation.
- Under the Sustainable Water and Wastewater Management category, Arca Continental intends to finance expenditures towards the purchase of water-efficient equipment for its bottling plants, and projects related to water replenishment and treatment, and wastewater management. Sustainalytics considers these investments to be aligned with market practice.
- Under the Eco-efficiency and/or Circular Economy category, the Company intends to finance expenditures related to the procurement of recycled PET ("rPET") resin for its plastic packing, and efforts aimed at improving the recyclability in its refillable PET packages to 100%.
 - For investments in the procurement of rPET resin, Sustainalytics recognizes that the use of recycled inputs in the manufacturing of plastic packaging plays an essential role in enabling the food and beverage industry to increase its resource efficiency and contribute to a circular economy, especially by keeping materials within a closed loop in order to retain the embodied energy in such materials, as well as by reducing the use of fossil fuels and/or virgin plastics in new packaging to the greatest extent possible. Sustainalytics notes that investments in procurement of rPET is important for the Company to achieve its 2030 goal of 50% of recycled resin in its packaging.
 - Sustainalytics also notes that the extent of recycling of single-use plastics is very low, with an estimated 9% of total global plastic waste having been recycled between 1950 and 2015,⁶ and further recognizes that improved recycling rates alone, even if attainable, will not fully address the major environmental issues associated with plastics, especially single-use plastics.⁷ In order to achieve full circularity, the industry needs to take substantial measures, including an increased use of low-carbon substitute materials that can be recycled indefinitely without a loss of quality. Sustainalytics is of the opinion that Arca Continental's effort to limit the use of virgin resources in its products through reusing/recycling materials in the supply chain will reduce negative environmental impact and contribute to a shift toward a circular economy.
- Project Evaluation and Selection:
 - Arca Continental intends to establish a Green Bond Subcommittee (the "Subcommittee"), comprised of representatives from its Quality and Environmental Affairs, Corporate Finance, Beverage Business Unit and Public Affairs, and Communications, and Sustainability teams that will be responsible for the selection and annual assessment of Eligible Projects per the criteria defined in the Framework.
 - The Subcommittee will also oversee the execution and reporting of Eligible Projects and will report to the Company's Executive Sustainability Committee.
 - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Arca Continental's treasury team, along with the Subcommittee, will be responsible for the allocation and tracking of net proceeds to Eligible Projects.
 - The Company intends to achieve full allocation of the proceeds within 36 months from the issuance date of each Green Instrument, in accordance with the governance established for project selection.
 - The unallocated proceeds may be held in cash or invested in marketable securities, in accordance with Arca Continental's firm-wide liquidity management/investment policy.
 - Based on the management of the bond proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Arca Continental intends to report on the allocation and the impact of proceeds approximately one year from the date of the bond issuance and annually thereafter until full allocation, through the Company's annual reports or standalone reports.
 - The allocation reporting is expected to include category-level details on the allocation of net proceeds, proportion of financed and refinanced projects, and the balance to unallocated proceeds.

⁶ It is estimated that approx. 6300 million metric tons (Mt) of plastic waste had been generated between 1950 and 2015. Additionally, approx. 9% of which was recycled, 12% was incinerated, and 79% accumulated in landfills or the natural environment. Science Advances, Production, use, and fate of all plastics ever made: <https://advances.sciencemag.org/content/3/7/e1700782>

⁷ Unlike steel, glass, and aluminum, plastics can only be recycled a finite number of times before being disposed of. In addition, recycled and bio-based plastics face end-of-life management issues similar to conventional (fossil-fuel) plastics.

- The impact reporting is expected to provide category-wide impact of the projects against respective key performance indicators including (i) percentage reduction in greenhouse gas ("GHG") emissions, (ii) percentage of waste recycled, (iii) water recovered through reuse projects (cubic meter), and (iv) tons of rPET used in PET bottles.
- Based on the Company's commitment to allocation reporting and, where feasible, impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Arca Continental

Contribution of Framework to Arca Continental's sustainability strategy

Sustainalytics is of the opinion that Arca Continental demonstrates a commitment to sustainability through its social responsibility strategy that integrates (i) individual wellbeing, (ii) social wellbeing, and (iii) environmental wellbeing into its organizational structure and strategic priorities that aim to support the achievement of a number of SDGs, in particular 6, 7, 9, 11, 12 and 13.^{8,9,10} The Company's most recent integrated annual report (FY2019) outlines the following relevant sustainability goals as well as its progress so far:

- Renewable Energy – Goal for 30% of all electricity to come from renewable sources by 2020. In FY2019, Arca Continental procured 34% of its electricity from renewable sources, surpassing its goal.¹¹
- Waste collection and recycling – Goal to recycle 90% of waste generated at production centers by 2020. In FY2019, the Company recycled 96.4% of waste generated at its production centers, surpassing the goal.¹² Furthermore, in alignment with The Coca-Cola Company's "World Without Waste" global initiative, Arca Continental has set the following targets:¹³
 - Encourage collection of 100% of its primary packaging by 2030;
 - Create packaging that includes at least 50% recycled material by 2030;
 - Make all consumer packaging 100% recyclable by 2030, including an average of at least 20% recycled content in all PET plastic bottles in all regions by 2025.¹⁴ In 2019 the Company achieved an average of 24.72% recycled material in its packaging, surpassing this target.¹⁵
- GHG emission reduction – Reduce carbon footprint by 21.5% from 2010 baseline by 2020 on a per-liter of beverage basis. In FY2019, the Company achieved a 27.59% reduction in carbon emissions per liter, surpassing its goal.
- Energy efficiency – Reduce the energy footprint of all drinks by 11% from 2010 baseline by 2020 (i.e., 0.273 megajoule ("MJ") per liter produced). This target was surpassed in 2019 with the achievement of 0.265 MJ per liter of beverage produced.¹⁶

Sustainalytics identifies the following elements from the Framework as being particularly aligned with Arca Continental's sustainability strategy and targets:

⁸ Arca Continental, "Social Responsibility Strategy", at: <https://www.arcacontal.com/social-responsibility/strategy.aspx>

⁹ UN Global Compact, "Communication on Progress – Arca Continental, S.A.B de C.V.", at: <https://unglobalcompact.org/participation/report/cop/create-and-submit/active/434410>

¹⁰ Arca Continental, "Environmental Wellbeing", at: <https://www.arcacontal.com/social-responsibility/environmental-wellbeing.aspx>

¹¹ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeanuallIntegrado2019eng.pdf>

¹² Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeanuallIntegrado2019eng.pdf>

¹³ The Coca-Cola Company, "What is world without waste, accessed on August 2020", at: <https://www.coca-colacompany.com/faqs/what-is-world-withoutwaste>

¹⁴ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeanuallIntegrado2019eng.pdf>

¹⁵ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeanuallIntegrado2019eng.pdf>

¹⁶ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeanuallIntegrado2019eng.pdf>

- The procurement of rPET resin for incorporation into the manufacturing of Arca Continental's beverage packaging, with the goal of achieving at least 50% recycled material in all packaging by 2030.¹⁷
- Installation of over 113,000 new refrigeration systems that are hydrofluorocarbon-free and operate at a 25% greater energy efficiency.

Sustainalytics recognizes Arca Continental's commitment to addressing relevant sustainability issues through environmental initiatives, and encourages it to include updated, ambitious and relevant targets for its operations as it moves beyond its most recent iteration of sustainability targets it set for 2020.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that while projects financed through issuances under this Framework are anticipated to provide environmental benefits, some projects may have associated environmental and social risks. Major environmental and social risks include, but are not limited to, risks associated with the supply chain of the Company including procurement, workers' health and safety at factories, and ecosystem impacts from the installation of renewable energy generation systems. Sustainalytics believes that Arca Continental is well positioned to manage and address environmental and social risks accompanying the projects through the following measures:

- Identification of industry-specific material issues through the application of the SASB Non-Alcoholic Beverages Sustainability Accounting Standard¹⁸ as well as ISO 26000. This process is designed to identify relevant topics related to (i) Environment, (ii) Social Capital, and (iii) Business Model & Innovation, and incorporate stakeholder feedback into the process for addressing the identified issues.¹⁹
- A Code of Ethics that applies to all associates, directors, counselors, stakeholders, investors, suppliers, customers, or any other person who engages with, or on behalf of the Company, covering (i) Human Rights, (ii) Law & Governance, (iii) Customers & Consumers, (iv) Human Capital, (v) Councilors, (vi) Suppliers, (vii) Competition, and (viii) Community.²⁰
- Incorporation of The Coca-Cola Company's Supplier Guiding Principles Handbook²¹ into the Company's operating policies which provide social responsibility requirements for each part of the Company's value chain.²²
- A Company-wide "Climate Change Adaptation and Mitigation Strategy" governed by the Company's Human Capital and Sustainability Committee of its Board which oversees biannual revisions of the strategy.²³
- Risk management processes governed by the Audit and Corporate Practices Committee, senior management and the Risk Coordination Committees that ensure business continuity and sustainability through the ISO 31000 standards for preventatively managing reputational, financial, operating, regulatory, strategic, and emerging risks.²⁴

Based on these policies and standards, Sustainalytics is of the opinion that Arca Continental has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP 2018. Sustainalytics has focused the following analysis on where the impact is specifically relevant in the local context.

¹⁷ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeannualIntegrado2019eng.pdf>

¹⁸ Sustainability Accounting Standards Board, "Non-Alcoholic Beverages", available at: <https://www.sasb.org/standards/download/>

¹⁹ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeannualIntegrado2019eng.pdf>

²⁰ Arca Continental, "Code of Ethics and Conduct Policies", at: <https://www.arcacontal.com/media/353948/codigodeeticayconductaeng.pdf>

²¹ The Coca-Cola Company, "Supplier Guiding Principles" (2018), at: [https://www.coca-cola.ca/policies/supplier-guiding-principles#:~:text=Our%20Supplier%20Guiding%20Principles%20\(SGP,laws%20and%20core%20international%20conventions.](https://www.coca-cola.ca/policies/supplier-guiding-principles#:~:text=Our%20Supplier%20Guiding%20Principles%20(SGP,laws%20and%20core%20international%20conventions.)

²² Arca Continental, "Ethics and Compliance", at: <https://www.arcacontal.com/social-responsibility/ethics-and-compliance.aspx>

²³ Arca Continental, "Climate Change Adaptation and Mitigation Strategy", at: https://www.arcacontal.com/media/216516/ac_-_climate_change_adaptation_and_mitigation_strategy_.pdf

²⁴ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeannualIntegrado2019eng.pdf>

Importance of creating a circular economy for plastic packaging

Globally, over 90% of plastics are currently manufactured from virgin raw materials derived from fossil resources including petroleum, and plastics manufacturing accounts for about 6% of petroleum consumption worldwide (of which about a quarter is for containers and packaging).²⁵ The GHG emitted by the plastics industry accounts for about 1% of all emissions worldwide with the extraction, transportation, and refining of oil for use as raw material for plastic production, together playing a significant role in the industry's footprint.²⁶ The volume of plastic packaging used globally is also estimated to increase three-fold by 2050.²⁷ With the use of recycled PET over virgin resources in the manufacturing of plastic bottles resulting in as much as a 71% decrease in lifecycle GHG emissions, recycled PET has a clear role to play in reducing global GHG emissions, as well as contributing to improved natural resource management.²⁸

PET plastic bottles produced and sold by beverage companies are a major source of land and water pollution globally. Needing approximately 450 years to completely degrade,²⁹ it is estimated that of all the plastic waste generated between 1950 and 2015, only 21% has been recycled or incinerated.³⁰ Therefore, approximately 79% of plastic waste ever produced still exists in landfills or in natural environments, such as oceans, lakes and soil.³¹ Approximately 8 million tons of plastics are estimated to enter the world's oceans every year, degrading fragile marine ecosystems and killing millions of marine animals.³² Although recycling rates for plastics are increasing, there is still much room for improvement to meet major global plastic reduction targets, including those set by the Ellen MacArthur Foundation's New Plastics Economy Global Commitment to which Arca Continental is a signatory.^{33,34,35,36}

Sustainalytics is of the opinion that Arca Continental's commitment to achieve 100% collection of its primary packaging and to use at least 50% recycled material in its packaging by 2030, and in particular the activities financed by the Framework, are expected to meaningfully contribute to reducing plastic waste.³⁷

Importance of GHG reductions in food & beverage retail and production

For company's involved in the production, distribution and retail of food & beverage products, a significant portion of their GHG emission footprint is derived from the retail operations that sell their products, with refrigeration systems recognized as one of the primary contributing sources.³⁸ A study conducted by Climate Smart found that refrigeration units can account for up to 90% of emissions for retailers that distribute food and beverages.³⁹ Through the installation, operation and maintenance of improved refrigeration systems as part of its Cold Dominion program,⁴⁰ Arca Continental aims to improve on the energy efficiency of its previous refrigeration-related energy footprint by at least 25%.

Food and beverage manufacturing as an industry is estimated in some regions to have the highest potential for energy intensity reduction.⁴¹ Through production equipment upgrades and cooling tower replacements,

²⁵ World Economic Forum, "The New Plastics Economy Rethinking the future of plastics", at: http://www3.weforum.org/docs/WEF_The_New_Plastics_Economy.pdf

²⁶ World Economic Forum, "The New Plastics Economy Rethinking the future of plastics", at: http://www3.weforum.org/docs/WEF_The_New_Plastics_Economy.pdf

²⁷ Center for International Environmental Law (CIEL), "Plastic & Climate", at: http://www3.weforum.org/docs/WEF_The_New_Plastics_Economy.pdf

²⁸ American Chemistry Council, "Life Cycle Inventory of 100% Postconsumer HDPE and PET recycled resin from postconsumer containers and packaging", at: <https://plastics.americanchemistry.com/Education-Resources/Publications/Life-Cycle-Inventory-of-Postconsumer-HDPE-and-PET-Recycled-Resin.pdf>

²⁹ National Geographic, How the plastic bottle went from miracle container to hated garbage, August 2019, at:

<https://www.nationalgeographic.com/environment/2019/08/plastic-bottles/>

³⁰ Geyer et al., Production, use, and fate of all plastics ever made, 2017, at:

https://advances.sciencemag.org/content/advances/3/7/e1700782.full.pdf?fbclid=IwAR1W32uMhKIVO4MMhpxQ9XJZniVMqilzFDwGYQVNEbV06kB7yte_I9PeYc

³¹ Ibid.

³² National Geographic, "We depend on plastic. Now we're drowning in it", (2018) at: <https://www.nationalgeographic.com/magazine/article/plastic-planet-waste-pollution-trash-crisis>

³³ 29.1% PET bottle recycling rate in 2018. EPA, "Plastics: Material-Specific Data", at: <https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/plastics-material-specific-data>.

³⁴ 35% PET recycling rate National Association for PET Container Resources, NAPCOR 2019 Recycling Report – Press Release, at:

<https://napcor.com/news/4970-2/>

³⁵ New Plastics Economy, "A Vision for a Circular Economy for Plastic", at: <https://www.newplasticseconomy.org/assets/doc/npec-vision.pdf>

³⁶ Arca Continental, "Sustainable Packaging Principles", at: https://www.arcacontal.com/media/341342/sustainable_packaging_principles_2018.pdf

³⁷ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeannualIntegrado2019eng.pdf>

³⁸ Retail Forum for Sustainability, "Measurement and reduction of carbon footprint of stores":

<https://ec.europa.eu/environment/industry/retail/pdf/Issue%20Paper%206.pdf>

³⁹ A Climate Smart Industry Brief, "Carbon Emissions in the Food and Beverage Sector": available at: <https://climatesmartbusiness.com/our-data>

⁴⁰ Arca Continental, "2019 Integrated Annual Report", at: <https://www.arcacontal.com/media/361515/informeannualIntegrado2019eng.pdf>

⁴¹ Millán et al. (2020) "Increasing Energy Efficiency in the Food and Beverage Industry", available at: <https://www.mdpi.com/2071-1050/12/17/7037/pdf>

aspects of Arca Continental's manufacturing processes are expected to see energy efficiency upgrades by 25% - 33%, depending on the technology implemented.

Sustainalytics is of the opinion that through these energy efficiency improvements, Arca Continental is positively contributing to the achievement of its GHG emission reduction goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Eco-Efficient Products	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Conclusion

Arca Continental has developed the Arca Continental Green Bond Framework under which it may issue one or more green bonds and the use of proceeds to finance and/or refinance a range of environmental projects associated with renewable energy, green transportation, pollution prevention and control, sustainable water management, and resource efficiency. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the green use of proceed categories will contribute to the advancement of the UN SDGs 6, 7, 9, and 12. Additionally, Sustainalytics is of the opinion that Arca Continental has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Arca Continental is well-positioned to issue green bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Arca Continental
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 19, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, and Eco-efficient and/or circular economy adapted products, production technologies and processes – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN SDGs, specifically SDGs 6, 7, 9, and 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Arca Continental intends to establish a Green Bond Subcommittee comprising of representatives from its Quality and Environmental Affairs, Corporate Finance, Beverage Business Unit and Public Affairs, Communications, and Sustainability teams that will be responsible for the annual assessment and selection of Eligible Projects per the criteria defined in the Framework. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available
- Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Arca Continental's Treasury team, along with the Green Bond Subcommittee, will be responsible for the allocation and tracking of net proceeds to Eligible Projects. Arca Continental intends to achieve full allocation of proceeds within 36 months from the date of each Green Instrument. The unallocated proceeds will be held in cash or invested in marketable securities, in accordance with Arca Continental's firm-wide liquidity management/investment policy. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Arca Continental intends to report on the allocation and the impact of proceeds approximately one year from the date of the bond issuance and annually thereafter until full allocation. The allocation reporting is expected to include category-level details on the Eligible Projects, proportion of financed and refinanced projects, and the balance of unallocated proceeds. In addition, Arca Continental intends to report on relevant quantitative impact where feasible and has provided indicative metrics within the Framework. Sustainalytics views Arca Continental's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): PET collection rate, and tons of rPET used in PET bottles |

Frequency

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Arca Continental's Annual Integrated Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

