

Second-Party Opinion

The Central America Bottling Corporation Sustainability-Linked Financing Framework

Evaluation Summary

Evaluation Date	January 11, 2022
Issuer Location	Guatemala City, Guatemala

Sustainalytics is of the opinion that The Central America Bottling Corporation Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** The Central America Bottling Corporation Sustainability-Linked Financing Framework includes two KPIs (i) absolute scope 1 and 2 GHG emissions (tCO₂e) and (ii) the number of manufacturing plants operated by CBC that are certified with Carbon Trust Standard for Zero Waste to Landfill (see Table 1). Based on their relevance, materiality and scope of applicability, Sustainalytics considers KPI 1 and KPI 2 to be adequate.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with CBC's sustainability strategy. Sustainalytics further considers SPT 1 ambitious based on its alignment with (i) a 1.5°C scenario, (ii) its peers' targets, and (iii) historical performance. SPT 2 is considered to be ambitious based on past performance and alignment with peers.
- Bond/Loan Characteristics** CBC will link the financial characteristics of its sustainability-linked instruments to the achievement of the SPTs, namely an increase in the coupon rate or premium payment amount. A financial penalty will be applicable if (i) a KPI has not achieved the SPT on the target observation or (ii) the satisfaction of the SPTs has not been confirmed by the applicable External Verifiers in accordance with their customary procedures.
- Reporting** CBC commits to report on an annual basis on its performance on the KPIs. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021.
- Verification** CBC commits to have external limited assurance conducted on its KPIs performance at the communicated SPTs deadline, which is aligned with market expectations.

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI 1	Baseline	SPT 1	Strength of the KPI	Ambitiousness of SPT
Absolute scope 1 and 2 GHG emissions (tCO ₂ e)	2019	<p>1.1 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 70,907 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 28% reduction from the 2019 baseline by 2025.</p> <p>1.2 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 65,983 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 33% reduction from the 2019 baseline by 2026.</p> <p>1.3 Reduce absolute scope 1 and 2 GHG emissions to equal or lower than the lesser of 51,211 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 48% reduction from the 2019 baseline by 2030.</p>	Adequate	Ambitious

KPI 2	Baseline	SPT 2	Strength of the KPI	Ambitiousness of SPT
The number of manufacturing plants operated by CBC that are certified with Carbon Trust Standard for Zero Waste to Landfill	2020	2.1 Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 8 out of the 16 manufacturing plants operated by CBC by 2025, representing approximately 68% of the total operational waste by CBC's manufacturing plants as of December 31, 2020. 2.2 Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 9 out of the 16 manufacturing plants operated by CBC by 2026, representing approximately 76% of the total operational waste by CBC's manufacturing plants as of December 31, 2020. 2.3 Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 16 out of the 16 manufacturing plants operated by CBC by 2030, representing approximately 99% of the total operational waste by CBC's manufacturing plants as of December 31, 2020.	Adequate	Ambitious

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Scope of Work and Limitations

The Central America Bottling Corporation ("CBC", the "Company" or the "Issuer") has engaged Sustainalytics to review the CBC Sustainability-Linked Financing Framework (the "Framework") and provide an opinion on the alignment of the notes with the Sustainability-Linked Bond Principles (SLBP),¹ and the Sustainability-Linked Loan Principles (SLLP).²

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent³ opinion on the alignment of the reviewed Framework with the SLBP, as administered by ICMA, and SLLP, as administered by LSTA.

As part of this engagement, Sustainalytics exchanges information with various members of CBC's management team to understand the sustainability impact of their business processes and SPTs, reporting and verification aspects of the Framework. The Issuer's representatives have confirmed that:

- (1) They understand it is the sole responsibility of the Issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) 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 the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CBC. 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 standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance.⁴ The measurement and reporting of the KPIs is the responsibility of the Bond issuer. 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 The Issuer has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁵ against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI. For inquiries, contact the Corporate Solutions project team:

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¹ The Sustainability-Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-100620.pdf>

² The Sustainability-Linked Loan Principles (SLLP) were launched by LSTA in May 2021. They are administered by the LSTA and are available at: https://www.lma.eu.com/application/files/8416/2210/4806/Sustainability_Linked_Loan_Principles.pdf

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.

⁴ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁵ Benchmarks refers to science based benchmarks

Introduction

The Central America Bottling Corporation (“CBC”; the “Company” or the “Issuer”) is a multinational corporation that manufactures and commercializes bottled beverages. Its diversified portfolio covers over 483 brands in the segments of carbonated soft drinks, bottled water, isotonic, energy drinks, juices, beers and tea. Since 1998, CBC has been the anchor bottler for PepsiCo in Central America and thus has exclusive rights to sell and distribute Gatorade, AMP, H2OH, Lipton and other PepsiCo products in the region. In addition, CBC has a joint venture agreement with AmBev, a subsidiary of AB InBev, to operate as the JV’s exclusive distributor in Guatemala and for distribution in Nicaragua and Puerto Rico of AB InBev’s portfolio of brands, including Brahma, Modelo, Budweiser, Stella Artois, Beck’s and Corona. CBC also produces and sells 50 trademarked products through Beliv, a wholly-owned subsidiary created in 2018 that is dedicated to developing healthier and more natural and nutritional products. CBC currently operates 16 production plants and 77 production lines with a total capacity of over 900 million unit cases per year across Guatemala, El Salvador, Honduras, Nicaragua, Puerto Rico, Jamaica, Ecuador, Peru and Argentina.⁶ CBC products are also exported and sold in over 35 countries.

CBC intends to issue sustainability-linked financing instruments where the coupon rate or premium payment of the bond is tied to the achievement of the SPTs for two KPIs related to: (i) absolute scope 1 and 2 GHG emissions and (ii) the number of manufacturing plants operated by CBC that are certified with Carbon Trust Standard for Zero Waste to Landfill. CBC has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP). The KPIs and SPTs used by CBC are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPIs	Definition
Absolute scope 1 and 2 GHG emissions	Direct absolute GHG emissions (scope 1 and 2) measured in tonnes of carbon dioxide equivalent (tCO ₂ e). CBC follows GHG Protocol to calculate the Company's Scope 1 and 2 emissions. ⁷
The number of manufacturing plants operated by CBC that are certified with Carbon Trust Standard for Zero Waste to Landfill	The KPI is measured as the number of manufacturing plants operated by the Company with Zero Waste to Landfill Standard by the Carbon Trust. The KPI is calculated in compliance with Carbon Trust’s methodology to achieve Zero Waste to Landfill Standard. A manufacturing plant must ensure that at least 99% of the generated waste is recycled, composted, reused, or sent to energy recovery. CBC characterizes residues based on the European Waste Catalogue (EWC) codes. ⁸

Table 2: SPTs and Past Performance

KPI 1	2018	2019 (baseline)	2020	SPT 2025	SPT 2026	SPT 2030
Absolute scope 1 and 2 GHG emissions (tCO ₂ e)	N/A	98,482	N/A ⁹	70,907	65,983	51,211
KPI 2	2018	2019	2020 (baseline)	SPT 2025	SPT 2026	SPT 2030
The number of manufacturing plants operated by CBC that are certified with Carbon Trust	0	0	0	8	9	16

⁷ The GHG Protocol Corporate Standard defines Scope 1 and Scope 2 emissions as follows: “Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy” at: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf.

⁸ The EWC is a hierarchical list of waste descriptions established by Commission decision 2000/532/EC2. See details at: <https://www.eea.europa.eu/help/glossary/eea-glossary/european-waste-catalogue-1>

⁹ CBC has disclosed that 2020 operations results are abnormal in Scope 1, 2 and 3 GHG emissions caused by the impacts of the COVID-19 pandemic.

Standard for Zero Waste to Landfill						
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Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of The Central America Bottling Corporation Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP.



Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

Sustainalytics in its assessment of materiality and relevance considers i) whether an indicator speaks to a material impact of the issuer business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers the KPIs to be material and relevant given the following:

- KPI 1:** Sustainalytics' ESG Risk Rating assessment identifies "Carbon-Own Operations" as a material ESG issue for the Food industry. Additionally, the Sustainability Accounting Standard Board (SASB) identifies fleet fuel and energy management as material topics to track and disclose for the food and beverage sector (non-alcoholic beverages).^{10,11} In addition, in 2020, CBC defined a carbon footprint reduction strategy for its manufacturing and logistics operations, starting with scope 1 and 2.¹²

In terms of applicability, this KPI applies to 100% of CBC's scope 1 and 2 GHG emissions inventory generated by its existing 16 plants located in nine countries, including all expected organic growth during the SPTs' period. Sustainalytics notes that, while CBC has not calculated its scope 3 GHG emissions, the Company has estimated them to be roughly 80% of its total GHG emissions. Thus, Sustainalytics notes that scope 1 and 2 emissions are estimated to represent up to 20% of CBC's total carbon footprint (scope 1, 2 and 3).¹³

¹⁰ SASB, "Non-Alcoholic Beverages", Sustainability Accounting Standard", (2018), at <https://www.sasb.org/standards/download/>

¹¹ CBC communicated to Sustainalytics that beer-related production operations represents roughly 3.1% of CBC's total production volume. As such, the non-alcoholic beverages sector is more representative benchmarking to CBC's business model.

¹² In 2021, CBC has been recognized as a "committed company" by the SBTi. In addition, CBC communicated to Sustainalytics that it aims to submit its decarbonization strategy and targets to the SBTi for presentation during the course of 2022 and validation is expected no later than October 31, 2023.

¹³ CBC communicated to Sustainalytics that while not included in the KPI 1, the Company is committed to mitigating absolute scope 3 GHG emissions from Purchased Goods under the Science Based Targets initiative (SBTi) and has set a goal to reduce its Scope 3 emissions by at least 13.5% by 2030 aligned to a 2 degree scenario.

- **KPI 2:** although this KPI does not cover the Company's post-consumer waste,^{14,15,16} which often represents the most relevant source of the industry's overall waste footprint, Sustainalytics considers the KPI to be material to CBC's overall business given its scope and the potential impact of its operational waste on the environment (in metric tonnes). CBC communicated to Sustainalytics that, in 2020, its total operational waste (28,892 metric tonnes) was approximately 34.9% of its total waste footprint (post-consumer waste and operational waste). In addition, there is increasing awareness regarding the waste generation associated with beverage manufacturing operations, including raw material wastes and packaging on incoming beverages.¹⁷ In this view, CBC considers maximizing reusing and recycling as part of its circular economy approach, an area of focus of CBC's environmental strategy.¹⁸

In terms of applicability, Sustainalytics notes that KPI 2 applies to 100% of CBC's production plants, including all expected organic growth during the SPTs' period.¹⁹

KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the Issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the Issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.²⁰

Sustainalytics considers CBC's definition and methodology to calculate KPI 1 to be clear and consistent based on guidelines from the Greenhouse Gas (GHG) Protocol Corporate Standard. This approach is considered to be industry standard and supports benchmarking against external emission reduction trajectories. Sustainalytics considers KPI 1 to be directly linked to the Issuer's operational climate impact.

Sustainalytics considers CBC's definition and methodology to calculate KPI 2 to be clear and consistent based on the Carbon Trust's Corporate Zero Waste to Landfill Protocol.²¹ Sustainalytics views the methodology to be supportive of benchmarking to external targets while noting that, at this time, there is insufficient comparable peer data to conduct a quantitative analysis. Furthermore, Sustainalytics considers this KPI to be indirect because the use of plants as a unit of measurement does not enable a direct measure of performance, given that plants are not a standard unit of measurement and they vary greatly in size.

Overall Assessment

Sustainalytics overall considers KPI 1, absolute scope 1 and 2 GHG emissions (tCO₂e), to be adequate given that (i) it speaks to a highly material environmental issue, (ii) it directly measures CBC's performance, (iii) it follows a clear and consistent methodology – the GHG Protocol, and (iv) it can be benchmarked against external science-based contextual benchmarks.

Sustainalytics overall considers KPI 2, the number manufacturing plants operated by CBC that are certified with Carbon Trust Standard for Zero Waste to Landfill by Carbon Trust, to be adequate given that (i) it speaks to a material environmental issue with a high scope of applicability, (ii) it indirectly measures CBC's performance, (iii)

¹⁴ The Sustainability Accounting Standard Board (SASB) identifies Packaging Lifecycle Management as a material topic to track and disclose for the food and beverage sector (non-alcoholic beverages).

¹⁵ Approximately 6% of all packaging waste by weight in municipal waste streams is attributed to beverage containers. The Beverage Industry Environmental Roundtable (BIER). at: <https://www.bierroundtable.com/work/beverage-container-recycling/>

¹⁶ CBC communicated to Sustainalytics that while not included in the KPI 2, the company is addressing its post-consumer waste footprint by implementing strategies to boost recycling effort and local infrastructure in order to recover 100% of the PET bottles that the company places to the market by year end 2030.

¹⁷ Journal of Physics: Conference Series, A.U. Samuel et al, "Effects of Waste Management in Beverage Industries: A Perspective", (2019), at: <https://iopscience.iop.org/article/10.1088/1742-6596/1378/2/022048>

¹⁸ CBC, "Sustainability Report 2020", (2021), Solid Waste Management, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

¹⁹ This only applies to manufacturing plants where CBC holds no less than 50% ownership.

²⁰ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

²¹ Carbon Trust, "The Carbon Trust Standard", at: <https://www.carbontrust.com/what-we-do/assurance-and-certification/the-carbon-trust-standard>

it follows a clear methodology – the Corporate Zero Waste to Landfill Protocol, but (iv) is not suitable for external contextual benchmarking (science-based).

Absolute scope 1 and 2 GHG emissions (tCO₂e)	Not Aligned	Adequate	Strong	Very strong
The number of manufacturing plants operated by CBC's that are certified with Carbon Trust Standard for Zero Waste to Landfill	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets (SPTs)

Alignment with Issuer's Sustainability Strategy

CBC has set the following SPTs for its KPIs:

- SPT 1.1 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 70,907 tCO₂e or the SBTi validated target, as of October 31, 2023²², representing at least a 28% reduction from the 2019 baseline by 2025.
- SPT 1.2 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 65,983 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 33% reduction from the 2019 baseline by 2026.
- SPT 1.3 Reduce absolute scope 1 and 2 GHG emissions to equal or lower than the lesser of 51,211 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 48% reduction from the 2019 baseline by 2030.
- SPT 2.1: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 8 out the 16 manufacturing plants operated by CBC by 2025, representing approximately 68% of the total operational waste by CBC's manufacturing plants as of December 31, 2020.
- SPT 2.2: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 9 out the 16 manufacturing plants operated by CBC by 2026, representing approximately 76% of the total operational waste by CBC's manufacturing plants as of December 31, 2020.
- SPT 2.3: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 16 out the 16 manufacturing plants operated by CBC by 2030, representing approximately 99% of the total operational waste by CBC's manufacturing plants as of December 31, 2020.

Sustainalytics considers the SPTs to be aligned with CBC's sustainability strategy (please refer to Section 2 for analysis of the credibility of CBC's sustainability strategy).

- Regarding SPT 1, the Company committed to achieving a long-term pathway to net-zero production and, in 2020, defined a decarbonization strategy focused on manufacturing and logistics operations, including electric energy, fuel usage, fleet and refrigeration equipment.²³ Additionally, CBC has been implementing annual energy and emission reduction strategies since 2016 by optimizing the overall performance of various electrical and thermal equipment used for its operations.
- Regarding SPT 2, the Company recognizes the importance of transitioning towards a circular economy by reducing operational waste in its manufacturing plants. In addition, CBC has some initiatives to address post-consumer waste, including engaging with suppliers in the recycling industry, increasing the percentage of recycled resin in products and implementing recycling programs in partnership with local

²² CBC communicated to Sustainalytics that it aims to submit its decarbonization strategy and targets to the SBTi for presentation during the course of 2022 and validation is expected no later than October 31, 2023.

²³ CBC, "Sustainability Report 2020", (2021), at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

NGOs and communities in operating countries. In 2020, the Company implemented a pilot program of Carbon Trust Standard for Zero Waste to Landfill in its Mariposa Plant in Guatemala to conduct an internal diagnosis and established 2025, 2026 and 2030 goals for the rest of its manufacturing plants. CBC communicated to Sustainalytics that the Mariposa plant has finalized its audit process by the Carbon Trust and has received certification by the Carbon Trust Standard for Zero Waste to Landfill in December 2021.

Strategy to Achieve the SPTs

CBC intends to achieve SPT 1.1, SPT 1.2 and SPT 1.3 through the following strategies:

- **Manufacturing and operational standards:** CBC implemented internal guidelines and practices to manage energy and fuel usage efficiently, focusing on the pieces of equipment and processes used in the production (compressed air, steam, electrical energy, refrigeration, efficient use of water, handling of chemicals, byproduct management, and lighting). These include leakage inspection and repairs (ultrasonic measurements to identify compressed air losses), monitoring energy consumption and increasing efficiency in the packaging lines. In terms of operational optimization, a detailed analysis of planning and production demand is conducted to work with equipment at a power that generates only the necessary output (E.g. compressed air) and avoids waste, driving higher energy consumption.
- **Migrate to a renewable energy mix by contracting and purchasing direct and virtual PPAs:** CBC's Guayaquil and Machachi plants in Ecuador currently operate with 100% renewable energy. The consumption of these two facilities is equivalent to 15% of the total energy consumed by CBC. Furthermore, CBC is committed to increasing the percentage of total electricity consumption from renewable sources to 50% by 2025, to 70% by 2026 and to 98% by 2030.
- **Migrate to more efficient technologies:** replace the Company's coolers inventory with more energy-efficient and environmentally friendly technologies, including the use of refrigerant R290, at the points of sale. CBC communicated to Sustainalytics that it is planning to gradually increase the proportion of these coolers to 70% by 2030 compared to 26% in 2020.
- **Distribution routes optimization:** CBC implemented a Dynamic Dispatch system to optimize the distribution routes, allowing the fleet to be more efficient. The system consists of two software modules: one that optimizes the load capacity of trucks and another that develops more efficient routes.

CBC intends to achieve SPT 2.1, SPT 2.2 and SPT 2.3 through the following strategies:

- **Mapping operational waste sources:** CBC uses a production process outline and waste sorting process to identify the byproducts generated and separate them from regular waste. Furthermore, agencies and production plants have a byproduct classification system that uses bins to classify cans, glass bottles, PET, sacks, HDPE plastic containers, barrels, cardboard, nylon, caps, straps, Tetra Pack, and wood pallets, among others.
- **Increase waste collection and recycling capacity:** CBC's recycling selection and certification process ensure that recyclers have the corresponding environmental licenses and correctly manage byproducts, transforming them into raw material for external processes. Pricing and recyclers are approved by a Byproduct Committee, comprising representatives from the Operations, Purchasing, Manufacturing, Environment, Finance, and Audit areas. In 2020, CBC implemented its first pilot program of the Zero Waste to Landfill methodology at the Mariposa Plant in Guatemala. As a result of this initiative, 97.18% of the waste generated by the Mariposa plant is now recycled, reused or processed. In 2021, with the support of a third-party verifier, the Carbon Trust, the Company was able to identify the areas in which it could improve its waste management. CBC has since implemented measures to reach the 99% operational waste diverted to landfill threshold, and thus the Mariposa Plant now holds the Carbon Trust Standard for Zero Waste to Landfill. Over the next couple of years, CBC aims to achieve and maintain Carbon Trust Standard for Zero Waste to Landfill across all of the 16 plants currently operated by CBC.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs go beyond business as usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.²⁴

For SPT 1.1, SPT 1.2 and SPT 1.3, CBC has set the baseline at 2019, as that is the most recent full year of GHG data available. CBC has disclosed that 2020 operations results are abnormal in Scope 1, 2 and 3 GHG emissions caused by the impacts of the COVID-19 pandemic.

For SPT 2.1, SPT 2.2 and SPT 2.3, CBC has set the baseline at 2020 as that serves as the full year of operation that can be verified by the Company’s external auditors.²⁵

For SPT 1.1, SPT 1.2 and SPT 1.3, CBC’s targets to reduce its absolute scope 1 and 2 GHG emissions to (1.1) 28% BY 2025, (1.2) 33% by 2026 and (1.3) 48% by 2030, from a 2019 base year, are consistent with the reductions to keep global temperature increase by 1.5°C as per the SBTi’s science-based target setting manual.^{26 27}

Based on the analysis Sustainalytics has conducted on CBC’s peer group of eight companies, two companies have SBTi approved absolute scope 1 and 2 targets consistent with the 1.5°C scenario, and two others with targets in line with a well below 2°C scenario. Furthermore, the targeted emissions reductions are considered continued improvements over past performance.

For SPT 2.1, SPT 2.2 and SPT 2.3: Sustainalytics primarily used the Company’s past performance and peer analysis to determine ambitiousness. Sustainalytics considers CBC to go beyond business-as-usual with establishing a pilot program in 2020 in one plant in Guatemala and its ongoing efforts to determine targets for 2025, 2026, and 2030. While there is insufficient comparable peer data to conduct a quantitative analysis based on the Carbon Trust Standard for Zero Waste to Landfill, Sustainalytics considers CBC to be aligned with peers who seek to advance the circular economy and reduce waste within their operations. Furthermore, Sustainalytics positively notes that this SPT requires CBC to achieve and maintain Standard on a bi-annual basis to ensure the 99% threshold by Carbon Trust to each of the certified plants, inclusive of organic operational waste growth each plant.

Overall Assessment

Sustainalytics considers CBC’s SPT 1.1, SPT 1.2 and SPT 1.3 to be ambitious given (i) the alignment with SBTi’s rate of reduction a 1.5°C scenario, (ii) the alignment with peers’ targets, and (iii) the continued improvement compared to historical performance.

Sustainalytics views SPT 2.1, SPT 2.2 and SPT 2.3 to be ambitious given that (i) it presents a material improvement compared to past performance and (ii) its alignment with peers.

<p>SPT 1.1 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 70,907 tCO2e or the SBTi validated target, as of October 31, 2023, representing at least a 28% reduction from the 2019 baseline by 2025.</p> <p>SPT 1.2 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 65,983 tCO2e or the SBTi validated target, as of October 31, 2023, representing at least a 33% reduction from the 2019 baseline by 2026.</p> <p>SPT 1.3 Reduce absolute scope 1 and 2 GHG emissions to equal or lower than the lesser of 51,211 tCO2e or the SBTi validated target, as of</p>	<p>Not Aligned</p>	<p>Moderately Ambitious</p>	<p>Ambitious</p>	<p>Highly Ambitious</p>
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²⁴ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

²⁵ CBC achieved the first Carbon Trust Standard for Zero Waste to Landfill for its Mariposa plant in 2021. However, considering that a transaction was targeted for the last quarter, CBC is not able to set the baseline at 2021.

²⁶ SBTi, "Science-Based Target Setting Manual", (2020), at: <https://sciencebasedtargets.org/resources/legacy/2017/04/SBTi-manual.pdf>

²⁷ The minimum reduction required for targets in line with a 1.5°C scenarios is 4.2% in annual linear terms.

October 31, 2023, representing at least a 48% reduction from the 2019 baseline by 2030.				
<p>SPT 2.1: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 8 out the 16 manufacturing plants operated by CBC by 2025, representing approximately 68% of the total operational waste by CBC’s manufacturing plants as of December 31, 2020.</p> <p>SPT 2.2: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 9 out the 16 manufacturing plants operated by CBC by 2026, representing approximately 76% of the total operational waste by CBC’s manufacturing plants as of December 31, 2020.</p> <p>SPT 2.3: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 16 out the 16 manufacturing plants operated by CBC by 2030, representing approximately 99% of the total operational waste by CBC’s manufacturing plants as of December 31, 2020.</p>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond/Loan Characteristics

CBC has disclosed that it will link the financial characteristics of any security issued under the Framework to the achievement of the SPTs. The financial characteristics may include a step-up margin or a premium payment, as applicable, if (i) a KPI has not achieved the SPT on the target observation date or (ii) the Company fails to provide Satisfaction Notice as of the notification date related to achieving the SPT. Specific details on the financial characteristics selected for each financial instrument will be specified in their respective transaction documentation. Sustainalytics notes positively that all SPTs need to be met; however, it does not opine on the adequacy of the penalty imposed for not achieving the set SPTs.



Reporting

CBC commits to report on an annual basis on its performance of the KPIs and expects to include the relevant figures in its annually published Sustainability Report under the Sustainability-Linked Bond section. The report will also include a verification assurance report outlining the performance against SPTs and other relevant information enabling investors to monitor the level of ambition of the SPTs. Based on the feasibility, CBC may also disclose relevant information, such as, sustainability impact of the performance improvement, reassessments of the KPI and/or restatement of the SPTs and/or pro-forma adjustments of baselines or KPI scope.



Verification

CBC commits to having an external auditor provide limited assurance on the published KPIs’ performance figures at the relevant target observation date, as part of the Company’s annual report audit process. Sustainalytics notes that this is aligned with the SLB Principles on verification.

Section 2: Assessment of CBC's Sustainability Strategy

Credibility of CBC Sustainability Strategy

Since 2013, CBC has been a signatory to the UN Global Compact (UNGC) and has aligned its overall sustainability strategy with the UNGC's Ten Principles.²⁸ This demonstrates CBC's long-term commitment to promoting environmental responsibility and sustainability, operating in a manner that protects human rights, eliminating unfair labour practices, and working against corruption. CBC's 2020 sustainability report²⁹ adheres to the guidelines of the Global Reporting Initiative (GRI). CBC's commitment to sustainable growth is focused on the following environmental and social areas: (i) climate change, (ii) circular economy, and (iii) water security.

CBC has been implementing measures and setting goals to reduce its overall energy consumption concerning climate change mitigation. As part of such measures, CBC estimates the ratio of electricity consumption to the number of eight-ounce boxes produced as a measure of an "energy indicator". CBC sets annual reduction goals to this energy indicator and enables reductions in energy consumption by adopting energy-efficient technologies that optimize the overall performance of various electrical and thermal equipment used in its facilities. CBC's energy indicator reduced from 0.287 kWh/per eight-ounce box in 2018 to 0.272 kWh/per eight-ounce box in 2020, even with the increase of lines or volume in operation.³⁰ Also, the adoption of renewable energy is identified as a key strategy to mitigate climate change. CBC has confirmed that its operations in Guayaquil and Machachi facilities in Ecuador, whose energy consumption contributes to about 15% of total energy consumed across all facilities of CBC, are powered using 100% renewable energy. CBC is committed to increase the renewable energy share in its energy mix to 50% by 2025, to 70% by 2026 and to 98% by 2030. Also, CBC relies on digital solutions to optimize its fleet operations through load capacity and route optimization, enabling the Company to reduce its emissions footprint further.³¹

As part of its sustainable growth, CBC adopts strategies and develops goals to reduce water consumption. Similar to the energy indicator, CBC estimates the ratio of liters of water to liters of beverage as a measure of a "water indicator". CBC's water indicator reduced from 1.999 in 2018 to 1.88 in 2020. Such reductions are achieved by implementing Good Operation Practices (GOPs) across its plants to optimize water use and by conducting periodic training sessions to create awareness among its employees on the importance of water conservation. The Company also treats water for auxiliary services and is part of several global Water Funds, public-private partnerships created to promote long-term conservation of water bodies and improve water security.³²

CBC began implementing its Recycling Program in 2009 with the ambition of classifying, recollecting, and recycling all the materials used across its facilities. CBC's solid waste management strategy promotes recycling by using waste sorting and byproduct classification systems. Additionally, CBC has a Byproduct Committee that has a selection and certification process for procuring recycled goods to ensure that it works only with certified recyclers. The Byproduct Committee comprises representatives from the operations, procurement, manufacturing, environment, finance, and audit areas. The Company aims to implement "Carbon Trust Standard for Zero Waste to Landfill" across its plants and has already commenced a successful pilot program at its Mariposa Plant in Guatemala in 2020 to identify opportunities to improve its waste management.³³ Also, CBC is committed to supporting the recycling goals of its strategic partners, such as supporting PepsiCo's goal of increasing recycled-content threshold in its PET bottles by 2026.³⁴ In this context, CBC is planning to reduce the use of virgin resin by 26% by 2026 through the lightening of preforms and is committed to recovering the equivalent of 100% of PET bottles it places in the market by 2030.

On this basis, Sustainalytics considers CBC to have a strong sustainability strategy and believes that the SLBs/SLLs will further support CBC to advance its sustainability strategy.

²⁸ United Nations, "Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/participants/28571-Central-America-Bottling-Corporation-cbc>.

²⁹ CBC, "2020 Sustainability Report", at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³⁰ CBC, "Sustainability Report", (2020), P. 51, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³¹ CBC, "Sustainability Report", (2020), P. 57, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³² CBC, "Sustainability Report", (2020), P. 46, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³³ CBC, "Sustainability Report", (2020), P. 58, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³⁴ CBC, "Sustainability Report", (2020), P. 61, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

CBC's Environmental and Social Risk Management

Sustainalytics recognizes that while CBC's defined targets are impactful, achieving the SPTs bears environmental and social risks primarily related to the overall environmental and social impact of products and services, resource use and human capital.

In the following section Sustainalytics comments on CBC's ability to mitigate such potential risks.

- CBC has implemented a set of policies and codes of conduct, namely its Corporate Government Policy, Anti-corruption Policy, Risk Management Policy, Health and Safety Policy, Quality and Safety Policy, Environmental Policy and Human Rights Policy. These policies are issued by CBC's Board of Directors, signed for compliance by the Chief Executive Director. Through these policies and codes of conduct, CBC governs the actions of every stakeholder associated with the organization, including board members, senior management, employees, suppliers and the general public. CBC ensures that every supplier is a mandatory signatory of its overarching Code of Ethics.³⁵
- CBC has developed an internal risk management methodology to identify, assess, mitigate, communicate and monitor various risks, including environmental and social risks. The methodology has been developed based on international standards/frameworks such as COSO' Enterprise Risk Management (ERM), ISO-31000 Administration and Risk Management.³⁶
- CBC promotes human rights by adhering to internationally recognized standards and principles outlined in the International Bill of Human Rights, American Convention on Human Rights, and Fundamental Principles and Rights at Work contained in the ILO Declaration on Fundamental Principles and Rights at Work and in the Core Conventions of the International Labour Organization.³⁷
- Growing concerns about obesity and diet-related diseases have prompted consumers to steer away from carbonated sugary drinks, leading to the development of regulatory actions (such as sugary drink tax or soda tax). As a measure of overcoming such risks, in 2016, CBC formed its 'Beliv' business unit that is focused on developing healthy/natural alternatives to sugary beverages.³⁸ Beliv is committed to be aligned with PepsiCo's goal of achieving 100 calories or lesser from added sugars per 12 ounces serving of beverages. To realize such goals, Beliv has set a strategic goal of reducing added sugar in 80% of its product portfolio and using natural flavours without preservatives in 80% of its product portfolio by 2025. Additionally, Beliv is involved in the development of several healthy alternatives such as plant-based and probiotic drinks as a measure of meeting evolving consumer behaviour and regulatory requirements.

In addition to the above, Sustainalytics notes that it has not found evidence of major environmental or social controversies related to CBC's operations. Overall, Sustainalytics considers that CBC has strong management programs and policies to mitigate risks that are material to its sub-industry.

Section 3: Impact of the SPTs Chosen

Impact of investing in energy efficiency in Latin America and the Caribbean

According to the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC), the Latin America and the Caribbean (LAC) region accounts for less than 10% of total global emissions, mostly from the energy sector, agriculture and land-use change. Yet, LAC countries are particularly vulnerable to the negative impacts of climate change.³⁹ In fact, temperatures in parts of LAC are expected to rise between 2°C and 3°C by 2050, and between 2.5°C and 4.5°C by the century's end, posing serious challenges in terms of extreme weather events, loss of biodiversity and deterioration of ecosystems.⁴⁰ Along with adaptation strategies, mitigation in the energy and manufacturing sectors are among high-priority sectors in LAC countries'

³⁵ CBC, "Sustainability Report", (2020), P. 26, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³⁶ CBC, "Sustainability Report", (2020), P. 40, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³⁷ CBC, "Sustainability Report", (2020), P. 28, at: https://cbc.co/wp-content/uploads/2021/CBC_INFORME_2020_EN_8SEPT.pdf

³⁸ CBC, 'Beliv', at: <https://cbc.co/en/strategic-partners/beliv/>

³⁹ Economic Commissions for Latin America and the Caribbean (ECLAC), "Economics of Climate Change in Latin America and the Caribbean", (2019), at: https://repositorio.cepal.org/bitstream/handle/11362/43889/1/S1800475_en.pdf

⁴⁰ WRI, "Latin America and Caribbean Climate Week Is an Opportune Moment to Strengthen Regional Climate Action" at: <https://www.wri.org/insights/latin-america-and-caribbean-climate-week-opportune-moment-strengthen-regional-climate>

national climate change plans.⁴¹ The Technical Needs Assessments conducted in 2020 by the United Nations Environment Programme (UNEP), under the UNFCCC Technology Framework, determined that 88% of LAC countries prioritized energy as a mitigation target.⁴² Furthermore, considering the links between economic growth in LAC and growing energy consumption, the International Energy Agency developed energy efficiency policy recommendations for the LAC region, including investment in energy efficiency.⁴³

In this context, Sustainalytics is of the opinion that CBC’s intended efforts to increase its renewable energy mix and adopt energy-efficient and environmentally-friendly cooling technologies can help contribute to the reduction of GHG emissions.

Importance of mitigating the impact of waste in Latin America and the Caribbean

In the LAC region, 541,000 tonnes of waste are generated daily and more than 25% of the generated waste ends up in open dumpsites.⁴⁴ Beverage manufacturing companies’ activities generate significant amounts of waste, including broken wood and plastic packages and spilled beverages, which can negatively impact terrestrial and aquatic biodiversity, if left untreated.⁴⁵ Furthermore, the data from 2018 Ocean Conservancy International Coastal Cleanup indicates that from among the top ten items littered in the LAC region, plastic beverage bottles are responsible for the largest share (13.3%), and plastic bottle caps account for third largest share (7.38%) of marine litter.⁴⁶ In 2019, the circular economy concept gained significant traction in the LAC region, with many countries introducing policy measures that promote circular economy practices, including policies such as setting material resource efficiency and recycling targets and product policies that include eco-design, single-use product bans and product life extension.⁴⁷ In 2021, UNEP launched a roadmap to establish the requirements and necessary steps to eliminate dumpsites in the LAC region by 2030.⁴⁸ Progressive target-setting and achievement from companies like CBC can contribute to achieving the roadmap targets.

In this context, Sustainalytics is of the opinion that CBC’s efforts to implement Carbon Trust Standard for Zero Waste to Landfill will contribute to the promotion of a circular economy in the countries in which it operates and in the LAC region’s roadmap to eliminate dumpsites.

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 sustainability-linked bond advances the following SDG goals and targets:

KPI	SDG	SDG Target
Absolute scope 1 and 2 GHG emissions (tCO ₂ e)	7. Ensure access to affordable, reliable, sustainable and modern energy for all	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
	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.

⁴¹ Economic Commissions for Latin America and the Caribbean (ECLAC), “Economics of Climate Change in Latin America and the Caribbean”, (2019), at: https://repositorio.cepal.org/bitstream/handle/11362/43889/1/S1800475_en.pdf

⁴² UNEP DTU Partnership, “Technology Needs Assessments – Regional Technology Brief: Latin America and the Caribbean”, (2020), at: https://unfccc.int/ttclear/misc/_StaticFiles/gnwoerk_static/TNA_key_doc/c88e74e06c88435cb3ff3c4ef9ba0fd5/3d92bd20f4aa4dc1a70c1d91bacddf9c9.pdf

⁴³ IEA, “Regional Energy Efficiency Policy Recommendations – Latin America and the Caribbean”, (2015), at: https://iea.blob.core.windows.net/assets/761ae750-0ef2-48cc-b5a8-241e605af41b/EEPPolicyRecom_LatinAmerica_Caribbean.pdf

⁴⁴ NEP, “Waste Management Outlook for Latin America and the Caribbean” at: <https://www.unep.org/ietc/resources/publication/waste-management-outlook-latin-america-and-caribbean>

⁴⁵ Journal of Physics: Conference Series, A.U. Samuel et al, “Effects of Waste Management in Beverage Industries: A Perspective”, (2019), at: <https://iopscience.iop.org/article/10.1088/1742-6596/1378/2/022048>

⁴⁶ Inter-American Development Bank, “Plastic Waste Management and Leakage in Latin America and the Caribbean,” (2020), p. 6, <https://publications.iadb.org/publications/english/document/Plastic-Waste-Management-and-Leakage-in-Latin-America-and-the-Caribbean.pdf>

⁴⁷ Chatham House, “The circular economy in Latin America and the Caribbean” (2020), at: https://www.unido.org/sites/default/files/files/2020-09/circular_economy_lac.pdf

⁴⁸ UNEP, “Roadmap for the Progressive Closure of Dumpsites in Latin America and the Caribbean”, (2021), at: https://wedocs.unep.org/bitstream/handle/20.500.11822/34919/Roadmap_EN.pdf?sequence=7&isAllowed=y

<p>The number of manufacturing plants operated by CBC's that are certified with Carbon Trust Standard for Zero Waste to Landfill</p>	<p>12. Responsible Production and Consumption</p>	<p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.</p>
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Conclusion

CBC intends to issue Sustainability-Linked instruments which will tie the coupon rate to the achievements of the following SPTs:

SPT 1: From a 2019 baseline, reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of the SBTi validated target, as of October 31, 2023, and: 70,907 tCO₂e (28% reduction) by 2025; 65,983 tCO₂e (33% reduction) by 2026; and by 51,211 tCO₂e (48% reduction) by 2030.

SPT 2: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for manufacturing plants operated by CBC, as of December 31, 2020, and: 8 out the 16 plants (68% of total operational waste) by 2025; 9 out of the 16 plants (76% of total operational waste) by 2026; and 16 out of the 16 plants (99% of the total operational waste) by 2030.

Sustainalytics performed a review of CBC's Sustainability-Linked Financing Framework and considers the KPIs to be relevant and material and aligned with the Company's sustainability strategy. Sustainalytics considers KPI 1 to be adequate and SPT 1.1, SPT 1.2 and SPT 1.3 to be ambitious, highlighting the alignment with a 1.5°C scenario. Sustainalytics considers KPI 2 to be adequate and SPT 2.1, SPT 2.2 and SPT 2.3 to be ambitious as it is aligned with peers and represents a material improvement compared to past performance.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers CBC's Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability Linked Loan Principles 2021 and the prospective of achievement of the SPTs to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: The Central America Bottling Corporation

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: January 11, 2021

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

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

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|--|--|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

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

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

CBC intends to issue Sustainability-Linked instruments which will tie the coupon rate to the achievements of the following SPTs:

- SPT 1.1 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 70,907 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 28% reduction from the 2019 baseline by 2025.

- SPT 1.2 Reduce absolute scope 1 and 2 GHG emissions to be equal to or lower than the lesser of 65,983 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 33% reduction from the 2019 baseline by 2026.
- SPT 1.3 Reduce absolute scope 1 and 2 GHG emissions to equal or lower than the lesser of 51,211 tCO₂e or the SBTi validated target, as of October 31, 2023, representing at least a 48% reduction from the 2019 baseline by 2030.
- SPT 2.1: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 8 out the 16 manufacturing plants operated by CBC by 2025, representing approximately 68% of the total operational waste by CBC’s manufacturing plants as of December 31, 2020.
- SPT 2.2: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 9 out the 16 manufacturing plants operated by CBC by 2026, representing approximately 76% of the total operational waste by CBC’s manufacturing plants as of December 31, 2020.
- SPT 2.3: Achieve and maintain Carbon Trust Standard for Zero Waste to Landfill for 16 out the 16 manufacturing plants operated by CBC by 2030, representing approximately 99% of the total operational waste by CBC’s manufacturing plants as of December 31, 2020.

Sustainalytics performed a review of CBC’s Sustainability-Linked Financing Framework and considers the KPIs to be relevant and material and aligned with the Company’s sustainability strategy. Sustainalytics considers KPI 1 to be adequate and SPT 1 to be ambitious, highlighting the alignment with a 1.5°C scenario. Sustainalytics considers KPI 2 to be adequate and SPT 2 to be ambitious as it is aligned with peers and represents a material improvement compared to past performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations. Based on the above, Sustainalytics considers CBC’s Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability Linked Loan Principles 2021 and the prospective of achievement of the SPTs to be impactful.

Section 3. Detailed pre-issuance 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.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable):

Sustainalytics overall considers KPI 1, absolute scope 1 and 2 GHG emissions (tCO₂e), to be adequate given that (i) it speaks to a highly material environmental issue, (ii) it directly measures CBC’s performance, (iii) it follows a clear and consistent methodology – the GHG Protocol, and (iv) it can be benchmarked against external science-based contextual benchmarks.

Sustainalytics overall considers KPI 2, the number of CBC’s plants that are certified with Carbon Trust Standard for Zero Waste to Landfill, to be adequate given that (i) it speaks to a material environmental issue with a high scope of applicability, (ii) it indirectly measures CBC’s performance, (iii) it follows a clear methodology – the Corporate Zero Waste to Landfill Protocol, but (iv) is not suitable for external contextual benchmarking (science-based).

List of selected KPIs:

- Absolute scope 1 and 2 GHG emissions (tCO₂e)
- The number of CBC's plants that are certified with Carbon Trust Standard for Zero Waste to Landfill

Definition, Scope, and parameters

- Clear definition of each selected KPIs Clear calculation methodology
- Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the Issuer’s sustainability and business strategy. Evidence that the KPIs are externally verifiable

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| | <input type="checkbox"/> Other (please specify): |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable):
Sustainalytics considers CBC's SPT 1 to be ambitious given (i) the alignment with SBTi's rate of reduction a 1.5°C scenario, (ii) the alignment with peers' targets, and (iii) the continued improvement compared to historical performance.

Sustainalytics views SPT 2 to be ambitious given that (i) it presents a material improvement compared to past performance and (ii) its alignment with peers.

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the Issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer's peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | <input checked="" type="checkbox"/> issuer's strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable):
CBC will link the financial characteristics of its sustainability-linked instruments to the achievement of the SPTs, namely an increase in the coupon rate or premium payment amount. A financial penalty will be applicable if CBC fails to calculate and report on the SPTs

Financial impact:

- variation of the coupon
- ...
- Other (please specify): premium payment amount

Structural characteristic:

- ...
- ...
- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable):

CBC commits to report on an annual basis on its performance of the KPIs and expects to include the relevant figures in its annually published Sustainability Report under the Sustainability-Linked Bond section. The report will also include a verification assurance report outlining the performance against SPT and other relevant information enabling investors to monitor the level of ambition of the SPT. Based on the feasibility, CBC may also disclose relevant information, such as, sustainability impact of the performance improvement, reassessments of the KPI and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

Information reported:

- performance of the selected KPIs
- verification assurance report
- level of ambition of the SPTs
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- 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.

Level of Assurance on Reporting

- limited assurance
- reasonable assurance
- Other (please specify):

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

Section 4. Post-issuance verification

Overall comment on the section (if applicable):



Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
| | <input type="checkbox"/> Other (please specify): |

Frequency:

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

Material change:

- | | |
|--|--|
| <input type="checkbox"/> Perimeter | <input type="checkbox"/> KPI methodology |
| <input checked="" type="checkbox"/> SPTs calibration | |

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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For more information, visit www.sustainalytics.com

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