



AJE Group Carbon Footprint Report 2015



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Letter from the CEO

It is a pleasure for us to present you AJE's Group first Carbon Footprint Report, which shows our company's clear commitment to measure emissions and fight climate change.

Writing this report and calculating our Carbon Footprint has been a challenge that required involvement of several different departments and it was done with the advice of the international professional services company PwC as our strategic partner.

Our company's international presence means we must highlight the important global event held in Paris to discuss climate change (COP 21). This event drew a large amount of media attention to climate change in 2015 and allowed an agreement to be reached that sets a target of a maximum 2°C rise in temperature by 2100.

The conference, along with the publication of the 5th evaluation report on a range of issues related to climate change by the IPCC (Intergovernmental Panel on Climate Change), both focus on the need to set new targets for reducing emissions, which will help to contribute with the reversal of the current event, global warming.

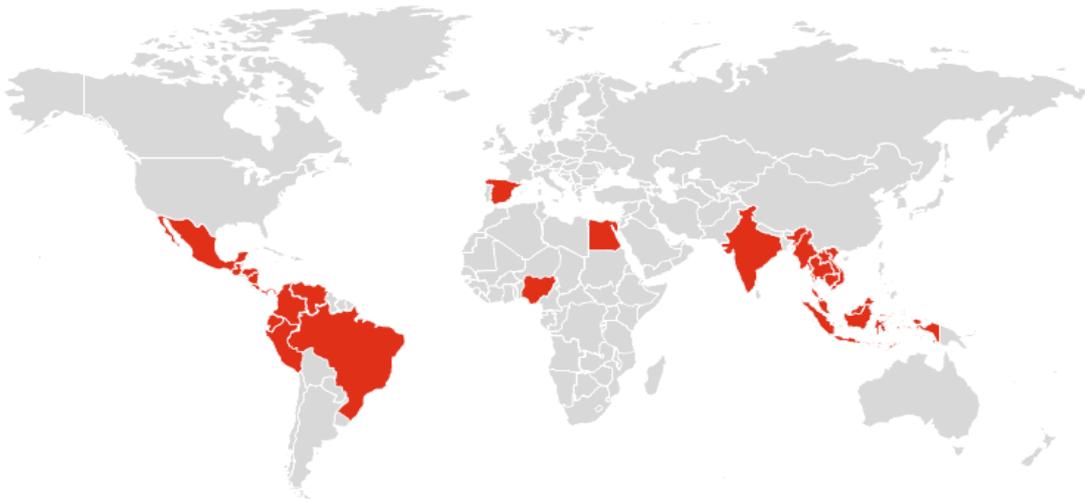
You will find in these pages an inventory of our business' greenhouse gas emissions, joined by the overview of the risks and opportunities that climate change could bring for our company and the main courses of action we have set in our fight against climate change.

Juan Lizariturry

CEO, AJE

Company Description

AJE is one of the world's biggest beverage multinationals with operations in more than 20 countries in Latin America, Asia and Africa: Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Egypt, El Salvador, Guatemala, Honduras, Reunion, Mexico, Nicaragua, Nigeria, Panama, Peru, Venezuela, India, Indonesia, Thailand and Vietnam. AJE products are also exported to and distributed in Cambodia, Malaysia, Myanmar and Laos.



The Añaños family started to produce carbonated drinks under the "Kola Real" brand, beginning with an orange-flavored beverage in 1988. From then on, the company concentrated on selling drinks to population groups not served by leading brands at the time, which focused solely on consumers with a higher purchasing capacity. Now, AJE Group is one of the 10 biggest soft drinks companies in terms of sales volume.

AJE has an extensive portfolio of products, with BIG Cola as its most emblematic brand, complemented by brands like CIELO (water), Cifrut (juice), Pulp (nectar), Sporado (a drink with electrolytes), Cool Tea (a tea drink) and VOLT (energy drink).

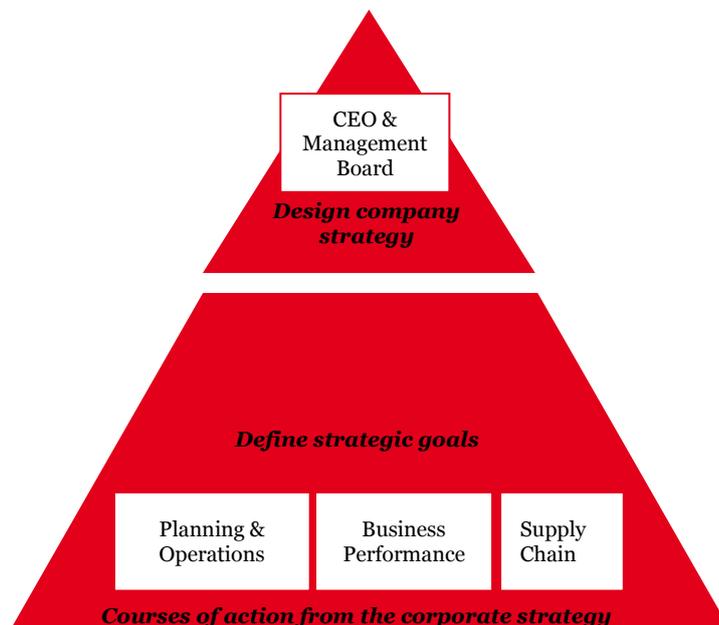


Corporate Governance and Climate Change

Sustainability and climate change are issues that have been incorporated into AJE’s Group business strategy, bringing in all levels of the company to evaluate, develop and implement innovative solutions that minimize the impact on activities arising from AJE Group core business and what effect they have on the environment.

Increased concerns about the environment and about achieving the global target of slowing down global warming to below 2°C has led the company to assign a multidisciplinary team the task of setting goals and defining strategic courses of action for reducing greenhouse gases (henceforth GCG).

This multidisciplinary team is made up of staff from some of the company's main strategic departments (including Business Performance, Supply Chain, Planning and Operations and Communication and Sustainability). The team meets regularly with the Management Committee to evaluate progress and the next steps to be undertaken on issues regarding the fight against climate change. In order to carry out this monitoring work, indicators were set to facilitate constant comparison, checking precise and complete information and allowing us to identify both good practice and deviation. This, in turn, will help with establishing measures for correcting these deviations and providing solutions and courses of action in line with our strategy. The governance team structure for issues regarding sustainability and climate change is the following:



Risks and Opportunities

Climate change has a negative impact on the environment and is responsible for extreme climate events, which lead to changes in ecosystems and in our way of life, for example, due to variations in crop availability. This, in turn, leads to migration based on access to raw materials, energy, water, etc.

In the industrial sector, climate change can affect a company's business, especially the companies that make extensive use of water resources, have high energy consumption levels, emit substances that have a major impact on the greenhouse effect and even make intensive use of arable land. Furthermore, the development of climate risks can lead to an increase in sea levels, affecting production plants/company headquarters, blocking logistics channels and limiting access to natural and human resources.

All this has led to a change in the behavior of clients and stakeholders, who demand increasingly more information on a company's management of climate change and how it handles its actions for mitigating the issue. This new outlook even leads to changes in consumer behavior if a right and proper approach is not taken to managing climate change and its impact on the company.

In light of this situation, a political and social movement has come about that has led to regulations and international agreements being established with the aim of reducing the emission of greenhouse gases into the atmosphere and, through this, limiting the impact of climate change on our surroundings.

AJE Group has spent more than 25 years producing soft drinks and is currently showing major growth potential. This, in turn, has led to it identifying the main risks and opportunities presented by climate change in its strategy. Quantifying the risks and integrating their management into the company's corporate strategy may turn these risks into development opportunities for the company in the face of its competitors, while maximizing the opportunities will help AJE Group optimizing its results.

The graph shown below reflects the probability of the main climate change-related risks and opportunities taking place and their possible impact on the company:

AJE Group Carbon Footprint Report

Risks

- 1 Tax and existing regulation
- 2 Uncertainty about new regulations
- 3 Changes in rainfall patterns
- 4 Changes in climate patterns
- 5 Changes in reputation
- 6 Changes in consumer behavior

Opportunities

- 1 Tax on fuel and energy
- 2 Anticipation of new requirements
- 3 Carbon prices
- 4 Company reputation



Risks

1 Tax and existing regulation

AJE's Group presence in many different countries means it is exposed to different legislation and tax on the fuel and electricity that both the company and its suppliers use within the supply chain, due to the price differences and fluctuations in the different markets.

Modifications or new regulations in this field can impact AJE Group activity. These taxes and legislation cover broader issues, such as the emission trading market, which is operational or close to being operational in several of the countries where the company has business. This also includes increasingly restrictive regulations on the use of refrigerant gases that damage the ozone layer or have high global warming potential.

2 Uncertainty regarding new regulations and international agreements

The appearance of new, more restrictive legislation compared to existing laws may have a direct or indirect impact on AJE Group business (distribution, packaging, raw materials, fuel, water, binding requirements regarding the presentation of emissions reports, etc.) and therefore lead to an increase in the Group's operating costs.

International initiatives or agreements such as those discussed at COP 21 can set greenhouse gas emission reduction targets that may or may not be binding for companies or countries (given that the reduction assigned to each country tends to affect the companies carrying out their business in said country).

3 Changes in rainfall patterns

Changes in rainfall patterns may affect the availability and quality of water supplies—one of the most important raw materials for AJE Group.

Furthermore, water is a key element in agriculture, and a scarcity of this resource in certain regions may lead to a drop in agricultural production, affecting the availability and cost of these raw materials, which include sugar, one of the main substances used by AJE Group.

4 Changes in climate patterns

Changes in climate patterns can lead to fluctuations in the rainy seasons and an increase in temperature and sea levels, with the consequent reduction in arable land, etc.

These changes in climate may affect the company in several different ways, including reducing the amount of raw materials available (with the consequent increase in price), possible flooding of facilities or headquarters located near the coast due to raised sea levels, or an increased use of refrigeration during the production process due to higher temperatures.

5 Changes in reputation

A negative perception of AJE's Group activities in response to climate change could lead to a fall in sales and an increase in the demand for changes in the specifications of the products on sale.

6 Changes in consumer behavior

Climate change is an increasing concern for consumers and this may lead to new consumer habits or changes in existing trends towards a new lower-impact product consumption model, thus rewarding the companies that do better in terms of minimizing and mitigating their environmental impact.

Opportunities

1 Tax on fuel and energy

The optimization of production processes (for example, by applying energy efficiency measures) leads to a minimizing of production costs in order to obtain a margin with which to deal with the rise in prices of raw materials or fuel, the emergence of new taxes affecting energy, fuel, raw materials, etc., or any other environment-related requirement.

2 Anticipation of new regulation and requirements

The setting and signing of international agreements to implement measures for fighting against climate change leads to new demands for reducing emissions or requirements specific to the soft drinks industry. Keeping one step ahead of these agreements can be a strategic advantage as the company will find itself in a beneficial position for dealing with new challenges in comparison with its competitors.

3 Carbon prices

New taxes on emissions caused by production activities or because of their environmental impact, more restrictive regulation regarding the consumption of refrigerating gases or fuel, and even policies regarding waste handling/recovery can constitute a competitive advantage for AJE Group, given the internal policy of using refrigerant gases with low global warming potential and the setting up of PET handling plants for using recycled PET during the bottling process.

4 Company reputation

A favorable corporate position on climate change management may lead to a positive response from environmentally responsible consumers, leading them to acquire and consume more products from the company's brands, with which they identify thanks to the climate change-related policies and activities.

AJE Group Emissions

AJE Group has spent more than 25 years producing soft drinks and it aspires to maintain and increase its presence as one of the world's biggest soft drinks companies. This growth has meant the group must deal with and take a stance on global and multidisciplinary issues, such as climate change.

With its new sustainability-based growth strategy, the company has decided to measure its Carbon Footprint for the first time, using data available from the whole value chain involved in production.

AJE Group has calculated the greenhouse gas emissions associated with a range of factors, including refrigeration for drinks carbonation, transporting raw materials, primary and secondary packaging for its products, transportation for sale and refrigeration of stock. As an initial kick-starter and the first step in applying its new strategies, AJE Group has calculated its Carbon Footprint from its activities carried out in 2015. This involved considerable data gathering and handling work, as well as efforts to manage and coordinate the different departments taking part in the process.

AJE Group emissions in absolute terms and with the scope specified in this report stand at 0.98 million **tonnes of CO₂eq.**

If we break down the overall carbon footprint results according to the three different levels of scope (1, 2 and 3), we would obtain the following results:

Scope 1



Results (MTn CO₂ eq)

0.02

Emission sources

- Fuel consumption
- Refrigerant gas leaks

Scope 2



Results (MTn CO₂ eq)

0.07

Emission sources

- Electricity consumption

Scope 3

Results (MTn CO2 eq)

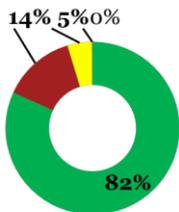
Emission sources



0.89

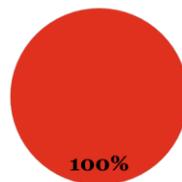
- Raw material consumption
- Packaging material consumption
- Transportation of products
- Transportation of raw materials (including packaging)
- Travel for business reasons
- Employee commuting
- Loss in transportation and distribution of electricity
- Cradle to gate/well to tank emissions from fuel used
- Waste
- Capital equipment

Once AJE Group overall emissions have been analyzed, it is important to look at the data according to the three reported scopes, based on the GHG Protocol methodology. This will allow us to identify the areas within the different scopes in which additional effort is required to properly manage the reduction of our CO₂ emissions:



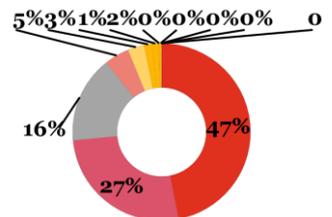
**SCOPE 2
SCOPE 3**

- Fuel
- Refrigeration (production)
- Refrigeration offices)
- Refrigerators



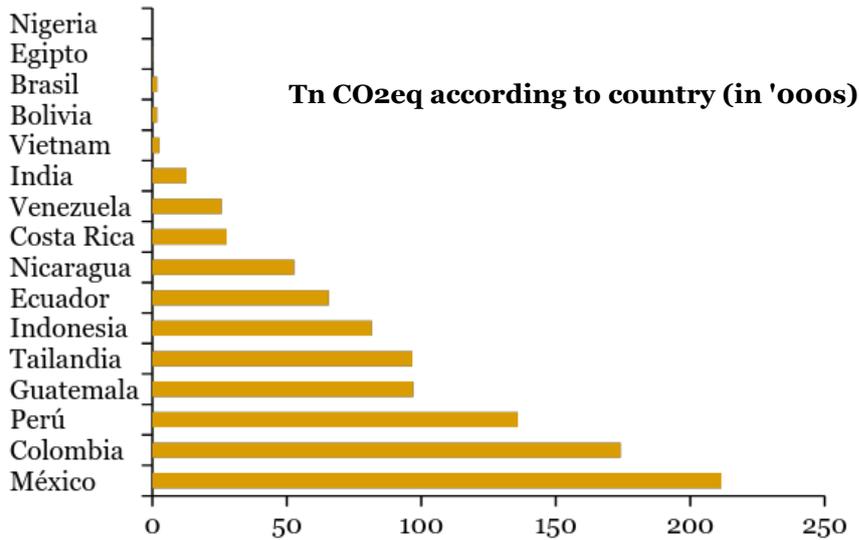
■ Electricity

SCOPE 1



- Raw materials
- Packaging material
- Transportation of products
- Transportation of raw materials
- Waste
- Other

We also believe it is essential to know how each country and each operation contributes to generating GHG emissions. Mexico, Colombia and Peru are the main contributors, both in terms of process type and volume of production.



This country-based analysis shows us where our most carbon-intensive activity takes place. We can also evaluate our exposure to more restrictive regulation in these countries, in order to encourage the implementation and development of the Group's strategy on sustainable development and climate change.

Climate Change Strategy

AJE Group direct activity (drinks production, sales, bottling, etc.) and indirect activity (raw material supplying, distribution, etc.) have a considerable environmental impact. This has led to us establishing a GHG emission reduction strategy that responds to the previously identified risks and opportunities.

Our strategy should be aligned with the overall reduction targets set in the countries in which we have operations, as well as those established by the scientific community. In this regard, we are proposing a strategy based on two fundamental pillars:

- Greater **transparency** with regards to our carbon footprint and the reduction targets we set ourselves. This will be fulfilled through the annual publication of this Report and/or our voluntary response to the Carbon Disclosure Project's Climate Change questionnaire.
- **Reduction of our GHG emissions.** During the first phase, we aim to work on the areas that, following in-depth analysis, we consider to have the greatest potential for reducing our carbon footprint and which are included in the following table.



Refrigerant gases

AJE Group main activity involves the consumption of refrigerant gases during the drinks carbonation and chilling processes.

One of the main problems with these refrigerant gases is their high global warming potential and the negative effects leaks have on the environment. For this reason, the company has replaced these gases with climate-friendly gases, with a far lower global warming potential that therefore have less of an impact on climate change.

Logistics

Transportation and distribution of both raw materials and end products is one of the key strategic points in the company's business.

One of the points we have focused on in recent years in terms of logistics is stock management. This is a very important issue for AJE Group, as it allows us to reduce storage time for products and raw materials. This optimization provides a range of outcomes, including improvement in production, avoiding peaks with subsequent high demands on our energy supply and an improved distribution network based on deliveries that have been scheduled with greater notice. The company has implemented an inventory management system, which allows for greater collaboration between the company's different departments. This encourages the



optimization of resources, with strict planning and management of orders, along with production orders.

Energy efficiency



Energy efficiency has been identified as one of the main tools for taking the next steps in driving our manufacturing towards low-carbon production. In this field, there are a series of measures that will improve the efficiency of our production. They include:

- Administration of energy consumption in production and non-production activities on a daily, weekly or monthly basis, depending on the activity.
- Implementation of lighting systems in our production plants with low-energy lighting.
- Implementation of speed regulators on high-power engines.

Responsible consumption of raw materials in order to avoid their exploitation and the subsequent shortage is everyone's responsibility. For this reason, we have decided to improve our resource management through a climate change strategy based on the following issues:

Water

One of the group's main materials, due to the type of activity we carry out. In order to optimize management of this resource, the following efforts are among those being made:

- Administration of water consumption on a daily, weekly and monthly basis, in order to evaluate deviations.
- We have promoted the application of a water-saving program in our production processes.

Raw materials and waste

PET

This material is one of the main components in the containers for the company's products and consumption of PET has a major impact. We are therefore implementing measures to reduce consumption and reuse waste in order to minimize the impact of our activity. Some of the activities on AJE's Group action agenda are as follows:

- Reduction of container thickness to minimize consumption of raw materials.
- Reduction of packaging used in products sent to distributors.

On the other hand, reusing waste leads to a reduced environmental impact. In terms of this kind of activity, the company is undertaking actions that include:

- Implementing a recycled resin manufacturing plant in order to obtain recycled PET and then use it in our manufacturing plants.
- Transforming recycled PET bottles into flakes for subsequent use in new processes through a washing facility.

Annex I: Methodological Scope

Standards

The calculation of the emissions that correspond to AJE Group activity was based on the following standards:

- The Greenhouse Gas Protocol – A corporate Accounting and Reporting Standard (GHG Protocol).
- ISO 14064 – Greenhouse gases, Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouses gas emissions and removals.

Organizational limits

AJE Group has applied the “operational control” approach for calculating the emissions from its activities, taking into account all the emissions from the facilities over which it has financial or operational control.

Operational limits

AJE Group has included all direct emissions (scope 1) and indirect emissions (scope 2), as well as other indirect emissions (scope 3) generated during the company’s activity. Scope 3 covers the following categories, from within the proposals made by the GHG Protocol:

- Category 1: Purchased goods and services (Consumption of raw materials and packaging material)
- Category 2: Capital goods (Capital goods)
- Category 3: Upstream purchased fuel and energy emissions (not included in scopes 1 and 2) (Loss in electricity transportation and distribution, Cradle to gate/well to tank emissions of fuel used)
- Category 4: Upstream transportation and distribution (Transportation of raw materials, including packaging material)
- Category 5: Waste generated in operations (Waste)
- Category 6: Business travel
- Category 7: Employee commuting
- Category 9: Downstream transportation and distribution (Transportation of products)

Annex II: Glossary of Terms and Definitions

Scope 1 (direct emissions): direct emissions of greenhouse gas from an organization/emissions that come from sources owned or controlled by the reporting company.

Scope 2 (indirect emissions): the greenhouse gas emissions associated with the generation of electric energy consumed by an organization.

Scope 3 (other indirect emissions): the indirect greenhouse gas emissions not covered in scope 2.

CO₂ equivalent (CO₂eq): a unit of measurement that shows the Global Warming Potential (GWP) of each of the six gases included in the GHG Protocol, expressed in terms of the GWP of a unit of carbon dioxide.

Operational control: a situation in which the organization or one of its subsidiaries has full authority to implement procedures or policies.

Direct emissions: emissions that come from sources owned or controlled by the reporting company.

Indirect emissions: emissions that are the result of a company's operations, but which take place at sources owned or controlled by another organization.

Greenhouse gases: gases emitted through human activity, which are responsible for climate change and global warming. The six greenhouse gases listed in Annex A of the Kyoto Protocol are: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆).

Global warming potential: a measure relating to how much heat can be trapped by a specific greenhouse gas in comparison with a reference gas, generally CO₂.