



Integrating Sustainability

ACTIONS CREATING VALUE

FEMSA

Sustainability Report **2016**

About Us

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To know more about our Sustainability programs and to access the online version of this report visit:
www.sustainabilityreport.femsa.com



About this Report

G4-18, G4-20, G4-21,
G4-28, G4-30, G4-32, G4-33

In 2016, at FEMSA we reiterated our commitment to generate economic and social value, and to continue our work on integrating Sustainability into our Business Strategy. In this 2016 Sustainability Report, we share with you the primary actions and initiatives we took in this area, which strengthen our Strategic Sustainability Framework in all four of its pillars: Our Ethics and Values, Our People, Our Planet, and Our Community. We also report on recent projects and results by FEMSA Foundation.

The information in this Annual Sustainability Report covers the period from January 1st to December 31st, 2016, and corresponds to actions by FEMSA and its Business Units, not including Heineken, where FEMSA has an ownership stake but has not operated since 2010. Businesses acquired less than a year ago are not included in this report.

We followed the G4 Guidelines of the Global Reporting Initiative (GRI), with exhaustive in-accordance rating, with independent

assurance by Deloitte Mexico of the material indicators presented for the company (the Independent Assurance Report is presented on page 46). The GRI-G4 indicators are referenced in each corresponding section of the report, and a GRI-G4 content index is included on page 34.

As signatories of the United Nations Global Compact, this report represents our Communication on Progress (COP) for 2016. The progress made in each principle can be identified in the document by the initials "GC", accompanied by the roman numeral corresponding to each principle.

All amounts are expressed in Mexican pesos unless otherwise indicated, with conversion to U.S. dollars based on the exchange rate in effect at mid-day on December 31st, 2016, which was \$20,617 Mexican pesos per U.S. dollar.

All these achievements were made possible thanks to your support and confidence. Let us continue creating value together.



2016

in numbers

12

countries with operations

\$399,507

million MXN in earnings
(USD \$19,377 million)

66

operating plants

\$194,315

million MXN in payment to suppliers
(USD \$9,424 million)

15,225

OXXO stores in Mexico and Colombia

282,656

direct jobs generated

\$1,555

million MXN invested in Our People
(USD \$75.4 million)

\$963

million MXN invested in Our Planet
(USD \$46.7 million)

\$357.3

million MXN invested in Our Community
(USD \$17.3 million)



Carlos Salazar Lomelín
Chief Executive Officer
of FEMSA

José Antonio Fernández Carbajal
Executive Chairman of the
Board of Directors of FEMSA



from the Executive Chairman of the Board of Directors and from the Chief Executive Officer of FEMSA^{G4-1}

Dear friends,

FEMSA's mission is to create economic and social value through companies and institutions. In more than 125 years of continuous growth, the more than 282,000 people who collaborate in FEMSA act every day to fully integrate Sustainability into our Business Strategy.

In the **FEMSA 2016 Sustainability Report**, which we are pleased to share with you, we present the progress and activities that are part of the FEMSA Strategic Sustainability Framework. This project is based on Our Ethics and Values, and focuses on Our People, Our Community and Our Planet.

Identifying achievements, identifying best practices and, above all, discovering the challenges that we face, encourage us to multiply our efforts to achieve sustainable growth and find ways to contribute to the generation of value in all operations, always acting according to the philosophy and the values that distinguish us.

Discovering the challenges
that we face, encourage us to
multiply our efforts to achieve
sustainable growth.

This is our 11th United Nations Global Compact Progress Report, which we adhered to in 2005. It also adheres to the G4 Global Reporting Initiative. We would like you to read more about how FEMSA contributes to the care of the environment and acts to create economic and social value. We also aim to promote greater awareness and collaboration among all to have a better quality of life together, more prosperous communities and a better planet.

José Antonio Fernández Carbajal

Executive Chairman of the
Board of Directors of FEMSA

Carlos Salazar Lomelín

Chief Executive Officer of FEMSA



Profile

G4-4, G4-6, G4-7, G4-8,
G4-9, G4-17, G4-EC8

FEMSA is a Mexican company that was founded in 1890. We currently operate in 12 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Nicaragua, Panama, Peru, the Philippines, and Venezuela. Through our Business Units, Coca-Cola FEMSA, FEMSA Comercio, and FEMSA Strategic Businesses, we generated \$399,507 million MXN (USD \$19,377 million) in revenues and 282,656 direct jobs in 2016. We hold a 20% share in Heineken, making us their second-largest shareholder. We operate 66 bottling plants and 345 distribution centers. We offer more than 150 beverage brands and have 15,225 OXXO stores in Mexico and Colombia.

Is the largest public bottler and retailer in the world by sales volume of beverage brands of The Coca-Cola Company. It has more than 100 thousand employees globally and a broad portfolio that includes 154 brands (Coca-Cola, Coca-Cola Light, Fanta, Del Valle, among others) offered daily to more than 375 million consumers. With 66 manufacturing plants and 328 distribution centers, it places more than four billion unit cases per year in 2.8 million points of sale. Coca-Cola FEMSA has the purpose of generating economic, social and environmental value for its communities and value chain. It operates in territories of Mexico, Brazil, Colombia, Argentina and Guatemala, and nation-wide in the Philippines, Venezuela, Nicaragua, Costa Rica and Panama, globally generating 1,543,612 indirect jobs.

Operational Overview

	Employees ^{2,3}		Plants	Distribution Centers	Millions of customers
Mexico 	200,365	FEMSA Comercio	—	17	10.9 ⁴
		Coca-Cola FEMSA	17	145	71.1
Colombia 	9,203	FEMSA Comercio	—	—	10.9 ⁴
		Coca-Cola FEMSA	7	24	46.9
Central America ¹ 	6,715	Coca-Cola FEMSA	5	34	21.3
Venezuela 	6,464	Coca-Cola FEMSA	4	26	31.7
Argentina 	2,874	Coca-Cola FEMSA	2	4	12.2
Brazil 	27,233	Coca-Cola FEMSA	12	43	87.7
Chile 	11,906	FEMSA Comercio	—	—	—
Philippines 	16,512	Coca-Cola FEMSA	19	52	10.4

Note: Only includes information on our core businesses.

1. Includes Guatemala, Nicaragua, Costa Rica and Panama.

2. Includes third-party and centralized services headcount.

3. Includes all personnel of businesses with operations in the country.

4. Millions of customers per day based on the number of daily transactions. Information for FEMSA Comercio in Mexico and Colombia.

Operates different small-format retail store chains in Mexico, Chile and Colombia. Through its various formats, such as OXXO, OXXO GAS, Doña Tota, Yza and Cruz Verde Pharmacies, and Maicao beauty-product stores, FEMSA Comercio serves more than 10.9 million customers every day. The Retail Division includes 15,225 OXXO Stores in Mexico and Colombia, the Fuel Division 382 Gas Stations in Mexico, and the Health Division 2,120 Drugstores and related operations in Mexico, Chile and Colombia. In 2016, FEMSA Comercio generated 151,771 direct jobs and more than 750,000 indirect jobs.

Comprised by FEMSA Logística, Imbera and PTM, it offers its services to Coca-Cola FEMSA and FEMSA Comercio, as well as to external clients.



FEMSA Logística is a multinational company with presence in seven countries in Latin America: Brazil, Colombia, Costa Rica, Mexico, Nicaragua, Panama and Peru, that offers comprehensive value-generating logistics services, creating jobs for more than 20,000 people.



Is a world leader in the commercial refrigeration industry reaching throughout the American continent, selling commercial coolers and offering integral maintenance service. Since 1941, in its three operating plants in Mexico, Brazil and Colombia, it designs, develops and manufactures commercial refrigeration equipment, exporting to 56 countries.

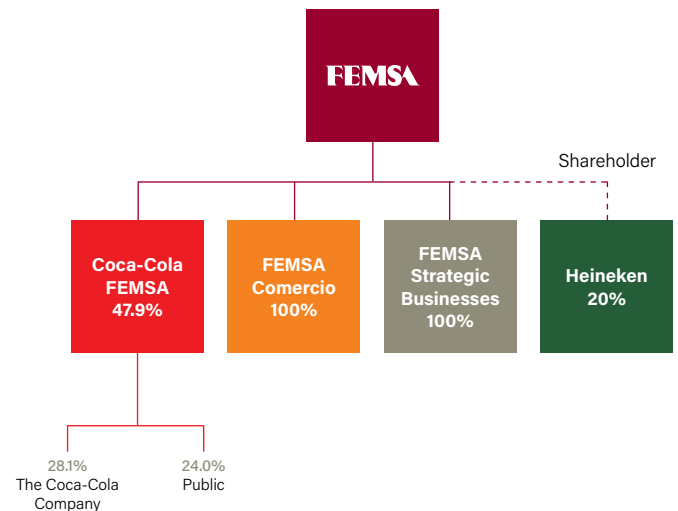


For more than 40 years, it provides solutions and develops customized plastic transformation projects, mainly serving the food and beverage, automotive and retail industries. It is one of the largest plastic recycling companies in Mexico, recovering annually more than 16 thousand tons of plastic, in its two production plants located in San Juan del Rio, Querétaro and Monterrey, Nuevo León.



Corporate Structure

Equity Stake



Actions creating



G4-9, G4-EC1, EN-31

In 2016, we continued to integrate Sustainability into our Business Strategy, in pursuit of our mission of generating economic and social value through companies and institutions.

Economic Value

We continue to create economic value in the countries where we are present, which is reflected in our financial results.

Key financial results	2016 MXN million	2016 USD million	2015 MXN million
Total consolidated revenues FEMSA ¹	\$ 399,507	\$ 19,377	\$ 311,589
Total revenues Coca-Cola FEMSA	\$ 177,718	\$ 8,620	\$ 152,360
Total revenues FEMSA Comercio	\$ 209,166	\$ 10,145	\$ 151,401
Operating income ²	\$ 37,427	\$ 1,815	\$ 33,735
Consolidated net income	\$ 27,175	\$ 1,318	\$ 23,276
Controlling stake ³	\$ 21,140	\$ 1,025	\$ 17,683
Minority interest	\$ 6,035	\$ 293	\$ 5,593
Total assets	\$ 545,623	\$ 26,465	\$ 409,332
Debt	\$ 139,248	\$ 6,754	\$ 91,864
Capital expenditures	\$ 22,155	\$ 1,075	\$ 18,885
Net earnings per share ⁴	\$ 1.18	\$.05	\$ 0.99
Taxes paid in all countries ⁵	\$ 72,731	\$ 3,528	\$ 54,632
Direct Economic Value Generated ⁶	\$ 403,771	\$ 19,584	\$ 314,897
Economic Value Retained ⁷	\$ 4,540	\$ 220	\$ 8,439




1. The sum of the total revenues by Business Unit differs from consolidated revenues due to inter-company transfers that are eliminated in the consolidation process.
2. A key indicator of company profitability.
3. Represents earnings in the period corresponding to the company's controlling (majority) stake.
4. Figures in Mexican pesos based on the number of outstanding shares: 17,891,131,350.
5. Total direct and indirect tax payments by the company.
6. Direct Economic Value Generated = Net sales + Revenues from financial investments + Asset sales.
7. Economic Value Retained = Direct Economic Value Generated minus Economic Value Distributed.



For more information on the economic value of FEMSA and its Business Units, see FEMSA's 2016 Annual Report: <http://www.annualreport.femsa.com>

Social Value

We know that sustainability is achieved not only through successful economic performance, but also by generating the social, environmental and economic conditions necessary to operate today and grow over time, in harmony with our surroundings. That is why we at FEMSA have assumed a commitment to generate value for Our People, Our Planet and Our Community, in accordance with a Strategic Sustainability Framework that guides our actions.

	2016	2015
Investment in the development of our employees	\$1,555 million MXN (USD \$75.4 million)	\$1,152.9 million MXN (USD \$67 million)
 Organizational Climate Result ¹	81.5	81.4
Accident Index ²	2.1	3.9
General Diseases Index ²	47.3	60.9
Investment in mitigating the environmental impact of our operations	\$963 million MXN (USD \$46.7 million)	\$800.2 million MXN (USD \$46.5 million)
 Indirect energy consumption ³	8,803,301 GJ	8,418,810 GJ
Percentage of recycled material	93.6%	82.7%
Water efficiency (liters of water used per liter of beverage produced)	1.72	1.77
Investment in our communities' development	\$357.3 million MXN (USD \$17.3 million)	\$369.8 million MXN (USD \$21.5 million)
 OXXO Customer Round-Up Program	\$98.3 million MXN (USD 4.7 million)	\$100.8 million MXN (USD \$5.8 million)
Food Program	\$43.6 million MXN (USD \$2.1 million)	\$29 million MXN (USD \$1.6 million)

1. According to FEMSA's Organizational Climate Diagnostic

2. Indexes are based on the number of incidents per 100 employees, calculated on the number of FEMSA direct employees reported to SASSO. Includes information on all countries.

3. Consumption of electrical energy from renewable and non-renewable sources

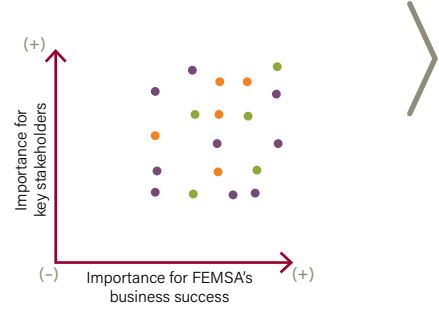


**a part of the
Business Strategy** G4-19, G4-20, G4-21

19

Focus Topics

In which we generate a greater positive impact



At FEMSA, we continue to develop best practices of social and environmental Sustainability.

At FEMSA, we understand Sustainability as the capability to generate the social, environmental and economic conditions needed to operate today and grow over time in harmony with the environment, with actions based on Our Ethics and Values and focused on Our People, Our Planet and Our Community. By acting and making decisions with a sustainable focus, all of us working at FEMSA can help make the company's mission —to generate economic and social value— a living practice in this organization.

Sustainability for FEMSA

FEMSA's Strategic Sustainability Framework enables us to direct and focus our actions, programs and initiatives toward those aspects where we can maximize value generation according to its importance to our stakeholders and the success of our companies.

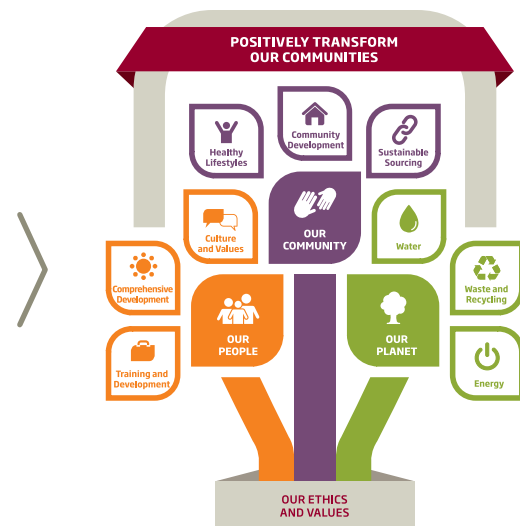
This Framework that guides us today is the result of a process we carried out in 2012 to determine the materiality, or relevant aspects, of our FEMSA Sustainability Strategy. The process involved an analysis of our Business Strategy, risks, trends in the industry and the surrounding environment, as well as interviews with executives of FEMSA's Business Units and representatives of our stakeholders. We also identified best practices among the world's leading organizations in terms of sustainability.

Strengthening Sustainability in a changing environment

Aware that our company is constantly growing and operating in an increasingly diverse range of industries, in 2016 we conducted several diagnoses to evaluate the progress of FEMSA's Strategic Sustainability Framework, to help keep our material issues up to date:

1. We conducted an analysis of FEMSA's Strategic Sustainability Framework to identify opportunities for improvement to increase our social and business impact.
2. We implemented an Environmental Profit and Loss Analysis (EPLA) at FEMSA to quantify and monetize the environmental impact of FEMSA, its Business Units and its value chain. The study covers impacts by suppliers, direct operations, clients and consumers, providing us with relevant information for our decision making processes.
3. We improved our dialogue with stakeholders through an evaluation and strategic consultation process, which will enable us to increase the value of our interactions with them.

PILLARS	ACTION AREAS	FOCUS TOPICS
OUR PEOPLE	Culture and values	Culture and values
	Training and development	Workplace health and safety Compensation Training and development
	Comprehensive development	Comprehensive development
OUR PLANET	Water	Water management
	Energy	Energy use Environmental impact of transportation and logistics
	Waste and recycling	Packaging and recycling Waste
OUR COMMUNITY	Healthy lifestyles	Nutrition and physical activity
	Community development	Responsible marketing and communications Offering sustainable products/services Local environmental impact Safety in the surroundings Social well-being in communities Supplier development
	Sustainable sourcing	Environmental impact of suppliers Labor rights and working conditions of suppliers.



The findings and results of these initiatives will help us strengthen our FEMSA Strategic Sustainability Framework and ensure its integration to the business strategy of each of our companies, taking into account the competitive environment, trends and industry risks we face.

In addition to these actions, we are working on integrating Sustainability into business processes, supporting the adoption of this focus. We want this to become an attribute of our culture and basic criteria in decision-making. We are therefore focusing our efforts on strengthening Sustainability as an organizational capability.* In 2016, we worked on each one of its components:

- Organization: We know that having standard policies and values that favor decision-making with a sustainable focus is key for strengthening this capability. One example of this is the development of our **Anti-Corruption Policy**, to be applied throughout the organization starting in 2017 and which contributes to the practice of our Code of Business Ethics.

- Talent: We are designing a sustainability enabling strategy for employees and leaders, with the purpose of increasing awareness and understanding of how we can integrate the Sustainability focus into the business.
- Processes: Sustainability management requires processes that enable us to articulate the efforts made at FEMSA. Some examples of this are the **Model for Addressing Risks and Relations with the Community (MARRCO)** and processes for managing non-financial information.
- Technology: To facilitate the processes by which we incorporate this Sustainability focus, we need tools and systems. One example is our Sustainability Information System, which consolidates information on all our Business Units and facilitates the management of initiatives in this area.

Being consistent in our efforts and actions to continue generating economic and social value will be key in gradually making Sustainability a distinctive and lasting feature of our company.

Conducting our actions and decisions with a sustainable approach contributes to achieving our mission.



The challenges of the environment require us to evolve and strengthen our processes.

* A combination of organizational elements, talent, processes and technology that provide the company a competitive edge, generating value in a sustainable manner.



Our Ethics and Values

G4-56 / GC I, II, V y X

The way in which we meet objectives and generate results is as important as what we propose to do, which is why Our Ethics and Values represent the compass that guides the creation of economic and social value.



“Respect for human dignity is above all economic considerations.”

– Don Eugenio Garza Sada



FEMSA's Mission

To generate economic and social value through business enterprises and institutions.

FEMSA's Vision

- We satisfy the consumers of goods and services with excellence.
- We double the value of our businesses every five years.
- We are diversified in markets that privilege high growth potential.
- We are leaders in the markets where we operate.
- We positively transform the communities where we participate.
- We are the best place to work.

FEMSA's Values

Our operations and decisions are guided by four values that govern the way we behave within and outside of the company:

- Respect and comprehensive development of employees
- Integrity and austerity
- Passion for customer service
- Creation of social value

We firmly believe that our world requires organizations and individuals that are committed to society, which is why we work to build a **Culture of Lawfulness**, respecting the laws of every country where we are present, operating honestly and with a zero-tolerance attitude toward corruption, because only in this way can we truly embody the mission of our company.

To strengthen this area, in 2016 we evolved the concepts of the Business Code of Ethics, and expressly developed **FEMSA's Anti-Corruption Policy**, which takes effect in 2017 and applies to the entire organization. This Policy explicitly sets forth the behavior the company and its employees must follow to avoid situations involving corruption.



“The experience of our ethics and values, as well as compliance with laws and regulations in all places where we operate, is a fundamental part of the commitment we have to achieve our goal of creating value.”

José González Ornelas
Vice President of
Administration and
Corporate Control at FEMSA

Since 2005 we have been signatories of the **United Nations Global Compact**, through which we pledge to follow and promote its 10 principles in FEMSA and in all its Business Units, relating to human rights, labor practices, the environment, and anti-corruption.

Also, since 2013 we have been active members of **Hagámoslo Bien**¹, a citizens' movement created in Monterrey, Mexico, by companies, schools, universities, non-profit organizations, the media and government, all of them convinced of the need to create a society that works under the principles of a Culture of Lawfulness, which we also promote within FEMSA. Also, our Business Units have various training and awareness-building actions in this matter for their employees.



We work to share our culture to all our employees.

FEMSA's Code of Business Ethics G4-56, G4-57, G4-58, G4-EN34, G4-LA16, G4-HR3, G4-HR12, G4-SO3, G4-SO5, G4-SO11, G4-PR8, GC VI

At FEMSA, we seek to be consistent in our words and actions. We are convinced that adherence to ethics determines the way we conduct our business activities. We therefore have several resources that guide us toward ethical behavior.

The many environments under which we operate from country to country challenge us every day to live by our **Code of Business Ethics**. To keep it up to date, we review it every year, making sure it appropriately establishes the conduct and behavior all of us in the company must follow, both at work and in our daily lives, on the foundations of respect, honesty and integrity.

This document governs FEMSA's relationship with its clients, employees, competitors, suppliers, authorities, community and the environment, the advertising and marketing generated by our Business Units, its position of zero tolerance for corruption, its promotion of workplace health and safety, and its handling of information and conflict of interest.²

In 2016, among the updated sections, we can find:

- Political Contributions
- Supplier Relations
- Community Relations
- Whistleblower System

One of the mechanisms for guaranteeing compliance with FEMSA's Code of Business Ethics is our **Whistleblower System**, through which we can be informed of any illegal practices, inappropriate conduct or violations of the Code of Ethics detected in our operations. Also, possible situations involving any type of risk, corruption, and privacy and human rights violations are identified.

This system, which is managed by an independent entity, is available 24 hours a day, 365 days a year, open to both employees and stakeholders, and offers four different confidential, anonymous channels: phone, webpage, e-mail and chat.

To reinforce the ethics and values-related practices, we continue to work to make sure all of us at FEMSA are clear about our culture and our commitment to ethical action. We will also continue strengthening mechanisms to spread and promote our values and the Whistleblower System among our employees and stakeholders wherever we operate.



Whistleblower System
Number of complaints received at FEMSA and its Business Units

Number of complaints received at FEMSA and its Business Units*

	2014	2015	2016
Number of complaints received	1,930	1,792	2,002
Closed	—	64.6%	82%
In process of resolution	—	35.4%	18%

* Complaints include reported situations relating to workplace or sexual harassment, discrimination, human rights violations, theft, corruption, misuse of information, negative impacts on the community and the environment, among others.

¹ www.hagamoslobien.org

² The situations not foreseen in the Code of Ethics, will be solved according to a criterion of best practices of administration. In case of doubt, the Human Resources area, Internal Audit or, ultimately, the Audit Committee of the Board of Directors will be consulted. (G4-57)

Corporate Governance

G4-34

Operating by reliable, transparent processes has enabled us to grow, position ourselves and evolve as a successful company for more than 125 years. This strength reflects our good Corporate Governance practices, focused without exception on guaranteeing value creation for all our stakeholders.

Corporate Governance is the set of rules, procedures and standards that govern FEMSA. Its highest body of governance is the **Board of Directors**, which is based in Mexico. It is this body that approves the nomination and appointment of the Chief Executive Officer. It is also responsible for regulating the organization through the Code of Ethics, because the Board oversees that it is complied with to the fullest extent, as well as for overseeing the proper management of the company through its three support committees: The Audit Committee, Corporate Practices Committee, and Finance and Planning Committee.

Our corporate practices are bound by the laws of the countries where we operate, as well as the corporate governance standards established in the Mexican Securities Market Act, the Sarbanes-Oxley law and U.S. securities and exchange laws for foreign issuers. We also abide by national and international principles of corporate governance and ethics.

The issue related to compliance with the laws and regulations of all the places where we do business is part of a commitment that all of those who work at FEMSA, have to achieve our goal: to generate value.



For more information concerning our corporate governance practices, as well as the participation and voting rights of our minority shareholders, visit: <http://www.femsa.com/en/meet-femsa/corporate-governance/board-directors>



The Culture of Lawfulness is part of our way of being.

Cuahtémoc Ideology



Our philosophy and values are based on the 17 principles that make up the **Cuahtémoc Ideology**, promoted by Don Eugenio Garza Sada, which provides practical guidelines for putting our Ethics and Values into practice.

This ideology has become more and more prevalent, and at FEMSA, we take it as an indispensable guide in our professional and personal development.

The 17 principles are:

- I.** Recognize the merit in others
- II.** Control your temper
- III.** Never mock others
- IV.** Be polite
- V.** Be tolerant
- VI.** Be punctual
- VII.** If you are vain, you must control it
- VIII.** Do not alter the truth
- IX.** Let others speak
- X.** Express yourself concisely
- XI.** Depurate your vocabulary
- XII.** Be sure to enjoy your work
- XIII.** Recognize the enormous value of the manual laborer
- XIV.** Think in the benefit of the business more than in your own
- XV.** Analyze over and above inspiration or intuition
- XVI.** Be dedicated to work
- XVII.** Be modest



To learn about the 17 principles of the Cuahtémoc Ideology, please visit: <http://www.femsa.com/en/meet-femsa/company-culture/cuahtemoc-ideology>

Our People



Promoting the comprehensive development of our employees.

G4-LA10, G4-LA12 / GC III

Our People are what sets FEMSA head and shoulders above the rest. Their comprehensive advancement and professional growth also represent the growth and evolution of the entire organization. In 2016, we invested \$1,555 million MXN (USD \$75.4 million) in Our People distributed as follows:

Investment in Our People:

81%

Culture and Values
Training and Development

19%

Comprehensive
Development



At FEMSA, we strive to give everyone who works at the company the tools they need to develop themselves with excellence on a professional and personal level, while promoting healthy workplaces and a working environment that improves with every passing day. People that are satisfied and committed is what makes us achieve the results that we have set for the business.

In 2017, we will continue to strengthen this vision, integrating it into the various cultures and operations derived from our organic and non-organic growth, focusing on the three areas of action that make up the Our People pillar: Culture and Values, Training and Development and Comprehensive Development.

Culture and Values

We promote a culture of leadership that responds to the need for global growth.

The culture of leadership we encourage among our employees enables us to fulfill our mission in every country where we are present.

Through the **FEMSA Leadership Model**¹ we make sure that our employees, at all levels of the company, have the necessary skills to contribute to our Business Strategy. In 2016, we continued the process of reviewing competencies, leadership styles and performance measurement tools.

Training and Development G4-LA6, G4-LA10

We are focused on strengthening the skills of our employees so they can respond to current and future challenges and achieve their highest potential as professionals and individuals.

We encourage the training and development of our employees by giving them the tools they need to acquire and build upon the skills and know-how to face changing environments.



“SASSO is a system in constant evolution that allows us to apply the necessary measures to ensure more secure and healthier workplaces.”

Rubén Ángel Montemayor Fuentes

Human Resources Manager at Imbera and PTM

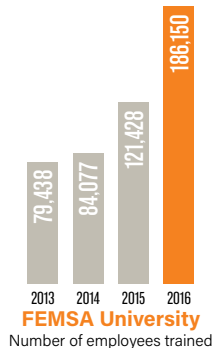
¹ FEMSA Leadership Model competencies:

- | | |
|--------------------------|---------------------------------------|
| a. Impeccable execution | f. Client focus |
| b. Selling the vision | g. Developing strategic relationships |
| c. Talent development | h. Innovation |
| d. Leadership for change | i. Strategic leadership |
| e. Cultural adaptability | |

OUR PEOPLE

In 2016 we made some changes at **FEMSA University**, through which we promote a culture of self-development by making online and in-person courses available to our employees, along with other tools to strengthen their leadership skills and technical knowledge. As part of the improvements, we expanded the number of courses available and worked to make the virtual platform more accessible and friendly to the more than 120,000 employees that currently use it.

More than 186,000 employees received training through 13,260 courses in 2016. We will continue focusing our efforts on the pursuit of the continuous improvement, so that our course offering and learning experiences are appropriate to the development of our employees, the driving force in our growth across 12 countries.



Another top priority for FEMSA is the **health and safety** of our employees. We are convinced that by improving working conditions we not only benefit them, their families and the communities around us, but we grow stronger as a company as well. Today, we reaffirm our commitment to improving their safety with increasingly safe and healthy workplaces.

As part of this commitment, FEMSA carries out all its activities according to the strictest safety standards, while working to improve quality of life for our employees. To this end, for 10 years now all the Business Units operate



During 2016, more than 81,000 volunteer employees participated in our activities.



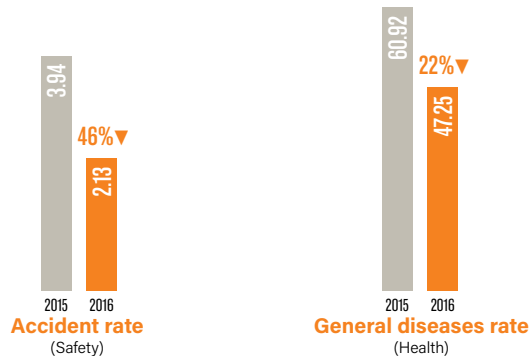
In 2016, the Accident Index decreased by 46% compared to 2015.

according to the **Occupational Health and Safety Administration System** (SASSO, for its acronym in Spanish), which integrates all of FEMSA's strategies in its various businesses and countries in the area of occupational health, hygiene and safety.

Through this system, we promote a culture of prevention and protection for every one of our employees, while establishing safe processes and procedures for them, the company's property, and the environment.

Through SASSO, we have implemented 20 occupational health programs in our work centers in the following fields of action:

- Healthy employees prepared to face new health threats
- Health services focused on present and future needs
- Healthy employees and families in a healthy community
- Healthy employees in safe and healthy workplaces



Indexes are based on the number of incidents per 100 employees, calculated on the number of FEMSA direct employees reported to SASSO. Includes information on all countries.

Our operations also incorporate international standards and practices like those of the World Health Organization (WHO), and of the U.S. Occupational Safety and Health Administration (OSHA).

We work to ensure that our workplaces are fully inclusive and create equal opportunities for all. We consolidated the implementation of the **Universal Accessibility and Design Program (UADP)**, which aims at achieving the highest degree of accessibility so that all persons, regardless of their physical capacities, can enjoy free, autonomous and safe movement throughout our facilities.

Comprehensive Development

We promote wellness and quality of life for our employees and their families, and encourage them to contribute positively to their communities.

Comprehensive development, improved wellness and quality of life for FEMSA employees make it possible for all of us to help create value.

We understand that our employees' advancement takes place both within and outside the company, so we continue to work on implementing the **FEMSA Social Development System**, through which we operate on seven dimensions of the comprehensive development of Our People:



At FEMSA we generate value for our employees, their families and the community. Through the FEMSA Volunteer Network, we implemented actions focused on four lines of action: education and employability, health, environment and community support and legality.

During 2016, more than 81,000 volunteer employees of the **FEMSA Volunteer Network** participated in 1,927 community benefit activities. This amounted to more than 400,000 volunteer hours were added during the year.

Creating conditions that improve quality of life for our employees is a vital part of how we generate social value. With this in mind, we designed the **Comprehensive Quality of Life System**, which based on diagnostics and qualitative and quantitative information, allows us to obtain an overview of our progress in this area.

One of our main sources of information for this system is the **FEMSA Organizational Climate** survey, which was applied to more than 90,000 employees in 2016 and is applied every two years in each of our work centers. This diagnosis measures the degree of satisfaction of the employees in their work and helps us to determine improvement actions.

Talent G4-10, G4-LA12

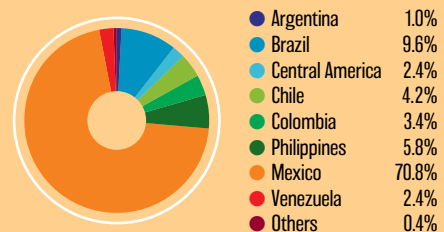


Our competitive advantage for ensuring Sustainability as part of our Business Strategy

The talent and value that our people provide every day are what make our goals a reality. Therefore, it is important for us that our employees find in this organization a place where they can develop and maximize their potential, aspiring that every one of them to evolve alongside FEMSA.

We are convinced that every one of us who works in this organization is responsible for developing our talent, and that this is a fundamental aspect to continue growing in accordance with our Business Strategy.

Employees per country/ region



To learn more about Our People, please go to: www.femsa.com/en/actions-with-value

Our Planet



We minimize the environmental impact of our operations.

G4-DMA, EN-31, GC VII, VIII and IX

Generating value in harmony with the environment is a fundamental part of our Sustainability Strategy, therefore we are constantly working on improving our processes, reducing and making efficient use of the resources we need to operate. We invested \$963 million MXN (USD \$46.7 million) in Our Planet distributed as follows:

Investment in Our Planet:

17%

Water

72%

Energy

11%

Waste and recycling



The actions we take in Our Planet Pillar respond directly to the issues that have been defined as material for our company and our stakeholders: Water, Energy, and Waste and Recycling.

1. Water: We optimize our water consumption to reduce our water footprint.
2. Energy: We work to reduce CO₂ emissions from our operations.
3. Waste and recycling: We optimize our waste management and reduce the impact of the waste created in our processes.

We look forward to continuing our actions focused on minimizing our environmental impact through comprehensive strategies that involve all of our Business Units, such as those that aim to increase the use of renewable energy in our operations, and specific initiatives in keeping with the nature of each Business Unit. For example, minimizing the amount of water we use in Coca-Cola FEMSA products, reducing emissions in FEMSA Logística transportation vehicles, and working on energy efficiency in FEMSA Comercio.

To strengthen our actions, in 2016 we updated the guidelines related to Our Planet through our **Environmental Policy**, which goes into effect in 2017. It establishes the guideline to know, minimize and address the risks associated with the environmental impact of energy, water and waste management throughout the value chain of all our operations.

Water G4-EN10, G4-EN27

We optimize water consumption to reduce our water footprint.

Aware of the importance of water for our operations, we have various initiatives to reduce its consumption, improve its management and conserve watershed.

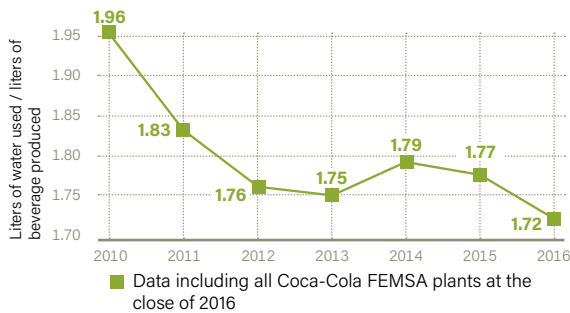
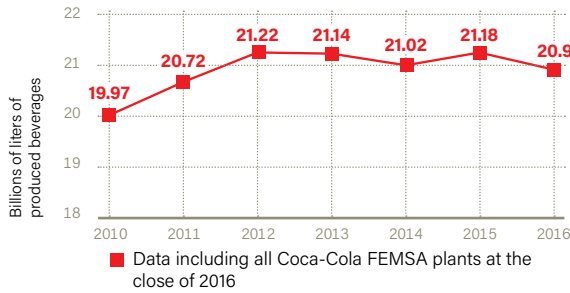
At **Coca-Cola FEMSA**, water is an essential resource for offering our products to clients and consumers. Because this Business Unit accounts for a great percentage of the water FEMSA consumes directly, we are constantly working to be more efficient, optimize its use



“We have the responsibility to collaborate positively on ecological and environmental matters in each of the communities in which we participate, improving with our actions the environment and good neighborliness.”

Miguel Ángel Lira Garza
Equipment and Maintenance
Engineer Manager at FEMSA
Comercio

Water use efficiency vs. Coca-Cola FEMSA beverage production



and incorporate best practices. We have accomplished that in Brazil and Mexico, 100% of the water used to produce its beverages is returned to the environment.

By the end of 2016 we increased our water efficiency per liter of beverage produced in 12% compared to 2010, baseline of our measurement, saving a total of 3 billion liters, equivalent to an 8% reduction on water consumption. This brings us closer to our goal towards 2020 of consuming only 1.5 liters of water per beverage produced.

At **FEMSA Comercio** we introduced new technologies to optimize our use, recovery, recycling and reuse of water. One example is the installation of an irrigation system, where we take advantage of water produced by condensation in our refrigeration equipment to water trees in 2,487 OXXO stores.

We also equipped 88% of our Distribution Centers (CEDIS) of FEMSA Comercio with basket-washing machines that optimize water consumption, and we intend to continue increasing this percentage in 2017.

At OXXO GAS in Mexico, this year we installed more dry urinals in the service station bathrooms. These water-free facilities save an average of 3.8 liters of water with each use.

In 2016, **Imbera** started up its Wastewater Treatment Plant in Querétaro, Mexico, with a capacity of 35 liters per second. This water is used for watering green areas.

Energy G4-15, G4-EN6, G4-EN7, G4-EN19, G4-EN27

We seek to achieve energy sustainability and contribute to reduce CO₂e emissions in our operations.

Energy is a fundamental issue in our business operations, which is why year after year we incorporate new technologies, processes and tools to diversify our energy portfolio and optimize its use, reducing the environmental footprint of our operations.

At **Coca-Cola FEMSA**, we have the goal towards 2020 to supply 85% of the Mexican manufacturing power consumption by clean sources, for which we have achieved 46% by the end of 2016. In our operations in Brazil, 74% of the electrical energy supplied comes from clean sources.

Our efforts to increase consumption of renewable energy are not limited to our operations—through the **C+ Verde** program, we urge FEMSA employees to install photovoltaic solar panels in their homes, offering them technical advice and financing. With this initiative, to date, 230 MWh of energy have been generated, which has prevented the emission of 105.34 tons of CO₂ equivalent to the emissions generated by 131 Mexican households during one year.¹

Besides seeking out clean, renewable energy sources, at FEMSA we are continually working to improve our **electrical energy consumption efficiency**.



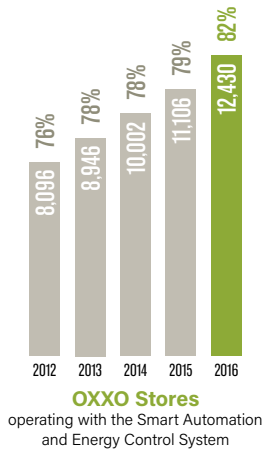
From 2015 to 2016 we increased by 22% the number of CEDIS with basket-washing machines that optimize water consumption.

¹ According to INEGI, each household in Mexico consumes an average of 1,755 MWh / year.



We were recognized for the excellent environmental performance of our fleet.

FEMSA Comercio continued installing the **Smart Automation and Energy Control System** in different working places. By the end of 2016, 81.9% of OXXO stores, 88% of Distribution Centers and 30.7% of offices in Mexico have installed this system, which uses sensors, alarms and controls for regulating refrigeration equipment, air conditioning and lighting circuits. Additionally, we use solar control films in the windows of 3,105 OXXO stores in Mexico, which lower the amount of energy used in air conditioning.



We also have a **Comprehensive Energy Efficiency Program (PIEE)**, through which with training programs, and research and development projects, we have identified and implemented new technologies focused on efficient and rational use of energy. This program comprises training, research and development. In 2016, as part of PIEE, we continued with the integration of LED lighting in sales floor areas, warehouses and exteriors

Renewable Energy



We seek to achieve energy sustainability in all our operations **using renewable energy sources**, and through implementing energy efficiency projects.

In Mexico, which accounts for 81% of FEMSA's total energy consumption, we receive renewable electrical energy from four wind farms: *Bii Nee Stipa* and *Stipa Naya* in Oaxaca, *Dominica II* in San Luis Potosí and *Ventika II* in Nuevo León, the last of which was started operations in 2016. These parks provide us a combined total of 417,256 MWh during 2016 in 3,331 grid connection points, increasing the amount of wind energy we consume by 19%.

To continue toward our goal of obtaining 85% of our energy consumption in Mexico from renewable sources by 2020², in 2016 we signed a contract with a new wind farm in Coahuila, Mexico, which will supply 750,000 MWh and will begin operating in 2018.

² Considering our consumption en 2010 as baseline.

of OXXO stores, improving lighting conditions while lowering energy consumption. Last year, these measures saved 21% on FEMSA Comercio's energy consumption compared to 2009, baseline for our measurement; we also avoided 24,265 metric tons of CO₂e emissions during the year.

At **Imbera**, even as production has increased by 17% between 2012 and 2016, we have been able to reduce our real energy consumption by 16.1% per unit of production in the same period.

We work to reduce the energy consumption of our products bringing benefits to our consumers and the environment. In the last 12 years, we have reduced an average of 44% the energetic requirements of our main equipments.³



We work to reduce the environmental impact of our products.

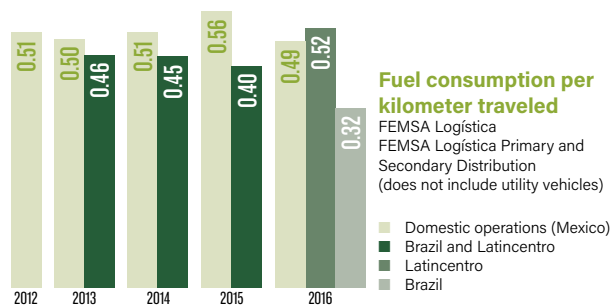
Our initiatives are also focus on reducing the environmental impact of the products we offer, thus, at Imbera, we are working toward a goal of using environmentally-friendly refrigerant gases in 80% of our equipment by 2021. In 2016 we reduced our consumption of R134 and 141B refrigerant gas by 30% compared to 2014.

We have also incorporated actions to improve the efficiency of transport and logistics energy consumption through the **Sustainable Mobility** program, in which all our Business Units participate and through which we evaluate the technical, operational, economic and environmental feasibility of integrating new technologies and alternative fuels to our operations, always prioritizing

road safety. During 2016 tests continued for the use of LP and natural gas in utility vehicles, as well as compressed natural gas in delivery vehicles; while in trucks, tests were carried out for the implementation of liquefied natural gas units. Also, we have integrated electric vehicles into our fleet, as well as installing advanced telemetry and GPS technology to improve the performance of our units.

Since 2010, FEMSA and its Business Units have been founding partners of the voluntary program **Clean Transport**, developed by the Ministry of the Environment and Natural Resources (Semarnat) and the Ministry of Communications (SCT) in Mexico, through which we demonstrate our commitment to the environment by adopting strategies, technology and best practices that make our transport operations more efficient, safe and sustainable. For six years in a row, FEMSA Logística has reported the environmental performance of its Primary and Secondary Distribution fleet, with Semarnat's evaluation, being recognized by SEMARNAT for its excellent environmental performance.

Derived from the various initiatives implemented, **FEMSA Logística** has optimized the use of fuels, reducing our consumption by 12% per kilometer traveled with respect to 2015.



Waste and Recycling G4-EN27, G4-EN28

We work to minimize and optimally manage the waste resulting from our operations and that derived from our products and services.

An example of this is the actions put in place to minimize the **waste generated by our operation**. At **Coca-Cola FEMSA**, we do it through the proper management of industrial waste in our workplaces, where all plants operate with a waste reduction program.

Our goal for 2020 for each of our bottling plants is to recycle 90% of their waste. At the end of 2016, 81% of our plants already achieved the goal.

³ This average considers VR17 and GR319C models.



To learn more about Our Planet, please visit:
www.femsa.com/en/actions-with-value

At **FEMSA Comercio** we have taken action to dispose of equipment and furniture appropriately at the end of its useful life, under a program we began in 2013 called **Sustainable Disposal of Equipment and Furniture**, through which in 2016, we recycled more than 680 metric tons of waste through the responsible disposal of more than 41,000 pieces of equipment and furniture, contributing to the development of recycling companies, the reincorporation of recycled materials into productive processes, and the disposal of non-recyclables in authorized sanitary landfills.

Since 2015, 100% of the new uniforms worn in OXXO stores and the pants used in the Distribution Centers are made with fabrics containing 50% recycled PET, equivalent to recycling more than 1.26 million of PET bottles. In addition to this effort, we have a **Uniform Disposal and Recycling Program** that facilitated the recycling of 33,233 obsolete uniforms in 2016, equivalent to 9.4 metric tons of fabric that can be used subsequently.

At **PTM**, we recovered 24,000 metric tons of recycling material in 2016, which was returned for use in 80% of the components of our products. We intend to steadily increase this percentage in the future.

At FEMSA we also take care of the way the **waste generated by the products we sell** is handled, for example, at **Coca-Cola FEMSA** we innovate with



We invite our clients to join the "No bag, thanks" campaign.



In 2016, in PTM we recovered 24 metric tons of recycling material.

environmentally friendly materials and packaging, lightening the presentations with the use of less raw material. Also, we have set the goal for 2020 to incorporate 25% of recycled or renewable material into our PET packaging for which we have a progress of 19.8%. During 2016, in Argentina, Brazil, Central America, Colombia and Mexico, more than 47,000 tons of recycled resin incorporated in our packages.

FEMSA Comercio works to build awareness about appropriate waste management. Since 2015, we have been carrying out a **Comprehensive Store Waste Management Program**, through which we improve the disposal of waste generated by various processes in 1,899 stores. Also, all our Distribution Centers have a specific area for the confinement, separation and classification of waste and, in 2016, more than 17.7 metric tons of waste were properly confined.

Moreover, we also launched in 2016 the campaign "**No bag, thanks**" campaign, inviting clients to reduce the use of plastic bags in their purchases at OXXO stores in Mexico.

For the equipment produced at **Imbera**, this past year we developed a project for the **Final Disposal of Refrigeration Equipment**, which will start in 2017. This project will allow the proper collection of coolers by the end of its life cycle.



Our Community



We contribute to generate sustainable communities.

G4-DMA, G4-EC7, G4-SO1

In 2016, we invested \$357.3 million MXN (USD \$17.3 million) in Our Community through various programs and initiatives distributed as follows:

Investment in Our Community:

16%

Healthy
Lifestyles

84%

Community Development
Sustainable Supply



Developing and maintaining relations that create mutual value for the communities where we operate is fundamental for the company's Sustainability and for the pursuit of our mission. Companies like FEMSA, which interact in a variety of contexts and with a wide diversity of people, groups and institutions, are faced with the challenge of continuously improving our relationship and acting in an increasingly professional manner with them.

In Our Community Pillar, our work is focused on:

- **Healthy Lifestyles:** We encourage physical activity and balanced nutrition habits to promote the integral well-being of our communities.
- **Community Development:** we contribute to the economic, social and environmental well-being of the communities neighboring our operations.
- **Sustainable Supply:** we work to contribute to the improvement of the labor, social and environmental performance of our suppliers.

Healthy lifestyles ^{G4-15}

We promote active lifestyles and healthy nutrition in our communities.

In 2016, we implemented programs and took actions to strengthen healthy habits in our communities, including our employees, clients and consumers, contributing to improve their quality of life and encouraging a physical, mental and nutritional balance. Some examples of this initiatives are:

Latin American Commitment for a Healthy Future

In 2016, Coca-Cola FEMSA, together with companies from the beverage industry, launched this multisectoral coalition developed with the Healthy Weight Commitment Foundation. Through the initiative, actions are implemented to empower children of school age and their families to make decisions in the integration of healthy habits into their lifestyle.



“MARRCO is a tool that allows us to define a proactive strategy for each stakeholder, with the purpose of achieving the great goal of being an appreciated and valued neighbor by the community, contributing to its development and its positive transformation.”

Jaime Ríos

Director of Coca-Cola FEMSA Bottling Plant at Jundiaí, Brazil



The FEMSA Collection is one of the most relevant internationally.

This effort also includes a collaboration with Discovery en la Escuela for the promotion of the *Juntos Contamos™* (Together we Count) online educational platform that has interactive tools to promote healthy habits.

In Mexico, the **Latin American Commitment for a Healthy Future** developed an alliance with MOVISA (Movement for a Healthy Life), while in Colombia it partnered with other bottlers to execute the program. In both countries, 114,100 people benefited through their content.

Time to Move

This program, conducted in collaboration with The Coca-Cola Company and implemented in Colombia, Costa Rica, Guatemala, Nicaragua, Panama and Venezuela promotes physical activation in students for 60 minutes a day. This is done through the training of teachers and the donation of sports kits. In 2016, more than 178,000 students and teachers participated in this initiative in all countries where it took place.

First MTB Business Circuit

In Querétaro, Mexico, the state of the country where all of our Business Units are present, through Imbera, PTM and Coca-Cola FEMSA Mexico we implemented different activities to benefit the community, such as the First Mountain Bike MTB as a way to support sustainable transport. During 11.3 kilometers, 45 teams and 135 competitors participated.

Community Development † G4-15, G4-SO1, G4-PR1 / GC VIII

We contribute to the economic, social and environmental welfare of the communities where we operate.

Aware of the importance of working on a local scope to improve the communities' quality of life, we support

initiatives and programs relating to art, culture and education, considering local characteristics.

Coordinates for Life

Since 2011, this program has helped strengthen the development of decision-making skills for more than 58,000 children and young people in Argentina, Brazil, Colombia, the Philippines and Mexico. To expand its scope, in 2016 we evolved towards a virtual platform, where the public has access to truthful and dynamic materials and information related to life skills and resilience, as well as the possibility of interaction with experts in these themes.

Cultural Programs

Art brings us closer to each other and helps us strengthen our ties with the countries where we operate. Through the **FEMSA Collection**, which contains more than 1,220 works of modern and contemporary Latin American art, we can make this possible. In 2016, an exhibit entitled **Mexico: Fantastic Identity** traveled to Panama and Costa Rica, attended by more than 28,000 visitors, while in Mexico, more than 67,000 people viewed 7 exhibits of the FEMSA Collection in the cities of Hermosillo, Querétaro, Monterrey, Guanajuato and Mexico City.

We also held the **XII FEMSA Biennial**, a visual arts competition whose purpose is to recognize, strengthen, stimulate and disseminate artistic creation in Mexico. This past year, 42 works by 29 artists were selected for an exhibit at the Monterrey Center for Arts in Nuevo León. In addition to the contest, in this edition a Curatorial Program was held, which offered a space for artistic residencies and a public program. In its twelve editions, the FEMSA Biennial has counted on the participation of 28,033 registered works and 11,158 artists.



Since 1992, the FEMSA Biennial has stimulated and recognized artistic creation in Mexico.

Time Bank

In Colombia, peace and the reintegration of populations demobilized by the armed conflict are important issues, therefore at Coca-Cola FEMSA in that country, our employees participate as volunteers in a training program through labor entrepreneurship workshops to strengthen the productive projects of persons demobilized for their reintegration into civilian life. This program, which was created in 2007, is implemented in four cities: Barranquilla, Ibagué, Cali and Valledupar. Through this and other initiatives such as **Peace and Reconciliation Spaces** and the **Vive Bailando** program, 353 people were supported in 2016.

Citizens' Plaza

In Coca-Cola FEMSA Brazil, together with local governments and other companies, we hold events to support and develop local communities close to work centers, offering advice on health, finance, personal and environmental care to more than 12,000 people in the cities of Moeda, Curitiba, Jundiaí, Sumaré and Mogi das Cruzes.



We promote the culture of recycling in our youth.

I Recycle

We encourage the culture of the recycling of PET in primary and secondary schools through the Coca-Cola FEMSA Mexico **I Recycle** initiative, with which we supported the collection of more than 800,000 kilograms of PET in 1,137 schools in the country. This amount is equivalent to the annual consumption of PET of more than 110,000 people in Mexico.

Community Relations ^{SOI}



In 2015 we developed the Model for Addressing Risks and Relations with the Community (MARRCO) through which we strive for more effective community relations, building with them dialogue, commitment, trust and cooperation, as well as identifying the risks and opportunities of value creation in the communities. The model also contributes to the identification of how we can optimize the actions and programs that are already implemented to maximize their mutual value.

The MARRCO program supports the development of capabilities through multi-disciplinary teams in the workplace—plants as well as distribution centers. In 2016, as part of the first phase of this model's implementation, we set up teams in 23 work centers at Coca-Cola FEMSA, FEMSA Logística, Imbera and PTM in 7 countries: Argentina, Brazil, Colombia, Mexico, Nicaragua, Panama and Costa Rica.



In 2017, we will continue to work on integrating MARRCO into the processes, systems and work culture of each Business Unit. We also intend to expand its coverage and will begin developing an online training tool.

Edison Polygon Trust

This program encourages mutual engagement with the residents of eight neighborhoods near FEMSA Comercio's headquarters in Monterrey, Mexico, helping to improve people's quality of life. Thanks to cooperation between civil society and the public and private sectors, we moved forward on training and capacity-building among neighborhood networks that contribute solutions to the problems faced by communities. We were supported also by the involvement of young agents of change, who received training in life skills and civic values, as well as scholarships. In 2016, 106 scholarship students under the program studied high school and bachelor's degree.

OXXO Customers Round-Up Program

The **OXXO Customer Round-Up Program**, begun in the year 2002, serves as a link between customers and local institutions, creating a circle of mutual support between them. Currently, the program operates in every state of Mexico through OXXO, Mi Súper Bara and Pharmacies. Through the participation of our employees, who invite customers to participate in donating and rounding up their total, in 2016, \$98.3 million MXN (USD \$4.7 million) were raised, benefiting 230 institutions.



In 2016, 1,035 ecological clubs and 20,700 children and young people participated.

Food Bank and three independent food banks), and civil associations dedicated to the recovery of food to address its lack among the population.

FEMSA Comercio Community Actions

Focused on three lines of action—public spaces, environment and sports promotion—at FEMSA Comercio we work together with our neighbors, nonprofit organizations and other stakeholders to positively transform the communities where we operate. Our Community Action Program is present at OXXO and Distribution Centers, OXXO GAS, and Mi Súper Bara in Mexico. In 2016, we invested \$25.5 million MXN (USD \$1.2 million) in 270 community actions.

OXXO Sustainability Prize

It has been awarded since 1986 by OXXO and the Ministries to pre-school, primary, secondary and special education schools that carry out activities in favor of the environment, community service and values. In 2016, 1,035 ecological clubs participated with 20,700 children and young people in the cities of Monterrey, Hermosillo, Chihuahua, Mexicali and Ciudad Juárez in Mexico, with an investment of \$2.1 million MXN (USD \$101,000).

Sustainable products and services ^{PR1}

In addition to local actions and programs, we contribute to improving the conditions of our communities by offering sustainable products and services. For example, this year at FEMSA Comercio in Mexico we worked to improve the packaging of products such as bottled water from our own brands, to make them more environmentally friendly. In addition, we have started offering products of our own brand basic basket to favor customers with lower prices.



In 2016, 230 institutions were benefited from the OXXO Customers Round-Up Program.

Food Program

The **Food Program**, created by FEMSA Comercio in 2010 to channel food, household items and health and hygiene products to people in vulnerable conditions, in 2016 were distributed more than \$43.6 million MXN worth of goods (USD \$2.1 million). The program is the result of a joint effort by the OXXO stores in Mexico with Distribution Centers, trans-shipping posts, food banks (Mexican

Moreover, at Coca-Cola FEMSA we offer a wide portfolio of products from The Coca-Cola Company with options in multiple categories, packages and portions, suitable to hydrate our consumers. Currently, 36% of our brand portfolio corresponds to low or no calorie drinks, while more than 35% has vitamins, fibers, minerals or nutritional supplements. ^{PR1}

Sustainable supply

G4-LA14, / GC I, II, IV, V, VIII

We helped improve our suppliers' labor, social and environmental performance.

We consider our suppliers to be essential to the sustainability of our business, which is why we are interested in helping them improve their labor, social and environmental performance.

In FEMSA and its Business Units, we have a network of more than 68,000 suppliers of goods and services, which in 2016 channeled a total of \$194,315 million MXN (USD \$9,424 million) to the productive sector. To guarantee that the companies and individuals who supply our company with products and services operate based on responsible business policies, principles and practices, we have **Supplier Guiding Principles**, which include matters such as labor rights, environment, community, ethics and values. These principles were designed based on international standards like the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact. In 2016, we continued to work on ensuring our suppliers are informed about and abide by these principles.

Supplier Guiding Principles

Labor rights	Child labor
	Compulsory labor and freedom of movement
	Freedom of association and collective bargaining
	Discrimination and harassment
	Work hours and compensation
	Health and safety in the workplace
	Reporting mechanisms
Environment	Environmental impacts and compliance
Community	Community development
Ethics and values	Compliance with the law
	Fiscal integrity
	Anti-corruption
	Money laundering
	Fair competition
	Conflicts of interest
	Privacy and intellectual property



We contribute to improving the performance of our suppliers.



Currently, 36% of Coca-Cola FEMSA brand portfolio corresponds to low or no calorie drinks.

At FEMSA, we partner with our suppliers to continue training and improving processes. At Coca-Cola FEMSA, we support through the Sustainable Supply System the development of suppliers, promoting self-management and evaluation, generation of business plans, capacity-building in marketing, finance and human resources, among other topics.



To learn more about Our Community, please visit:
www.femsa.com/en/actions-with-value



Our

Legacy

FUNDACIÓN
FEMSA

FEMSA Foundation helps society meet some of its most pressing challenges, through a focus that enables us to change traditional problem-solving paradigms and contribute new methodologies from the private sector. We carry out social investment in two areas, water and early childhood development, generating long-term value in the communities where we operate. In 2016:

552

communities
impacted

493,069

people
benefited

USD \$2.39

For every U.S. dollar
we invested



Our **mission** is to positively impact people and communities by promoting social investment projects on a sustainable basis.

Through social investment, we help generate sustainable, science-based solutions for the conservation and use of water and to foster early childhood development.

We empower communities so they can take the reins of their own development and thus generate a quantifiable return on investment.

We are a benchmark for those who know about and experience our initiatives. We energize the relationships we undertake and inspire people, encouraging a sense of motivation, pride and belonging in both our employees and our allies.

Our work centers on the simultaneous generation of economic, social and environmental value, in three spheres:

- Involving others in resolving social problems in an innovative way.

- Using the tools available to bring about change.
- Building significant, useful knowledge that results in best practices.

In our projects, we believe the participation of strategic partners from all areas is crucial, because with their economic investment, know-how and experience, we can multiply the positive impact we generate in communities of more than 10 countries of Latin America and the Philippines.

We quantify this exponential impact using the **Direct Leverage Factor**, an indicator that measures the resources our partners contribute to projects. In 2016, we guaranteed more than \$279.9 million MXN in social investment, meaning an additional USD \$2.39 for every U.S. dollar we invested.

During the year, at FEMSA Foundation we redefined some metrics and strategies in our areas of action, in order to better focus our efforts and those of our allies and achieve the results we hope for.



“We feel so lucky to have a network of partner organizations with whom we share learning, projects and efforts. It is only through collaboration with them that we can fulfill our mission.”

Mariano Montero Zubillaga
Director of FEMSA Foundation

Water

We support projects that provide safe access to water and sanitation, as well as initiatives that promote the conservation and sustainable use of water sources (watershed regions). We also foster scientific research to strengthen the water sector to improve water resource management.

Water and sanitation

In 2016, we completed the first phase of **Water Links**, a joint effort with Millennium Water Alliance and The Cola-Cola Company Latin America, through which we brought safe water, improved sanitation, and hygiene education to more than 110,000 people in 196 rural communities of Mexico, Guatemala, Honduras, Nicaragua and Colombia. During three years of work, we empowered communities by giving them the tools to make the project sustainable once our intervention was complete.

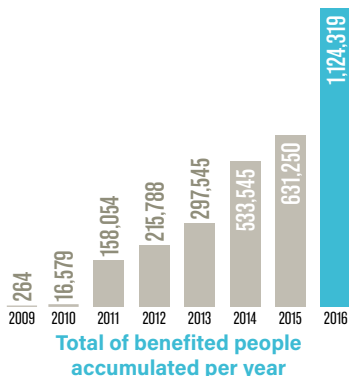
Also, together with other partners, we promoted projects like Green Technologies in the State of Mexico, mobile water treatment plants in Colombia and Ecuador, among others.

Watershed conservation

Since 2011, in tandem with The Nature Conservancy, the Inter-American Development Bank (IDB) and the Global Environment Facility (GEF), we contribute to the sustainability of water sources through the **Latin American Water Funds Partnership**.

Water Funds are financial mechanisms that contribute to the water security of metropolitan areas through investments in natural infrastructure. To date, we have provided technical and financial assistance for the creation of such funds in Brazil, Colombia, Costa Rica, Ecuador, Mexico, Peru, and the Dominican Republic, impacting 195,937.44 hectares directly and benefiting 10,382 families that live in the watersheds.

The **3rd Funds Biennial** was held in Colombia in June 2016, bringing together more than 200 Water Fund representatives, high-level executives from funding institutions and industry specialists. During this event, the Latin American Water Funds Partnership announced the results of its first phase and the signing



Inhabitant of the San Juan watershed getting ready for a reforestation campaign.

of a commitment for the second phase, with Colombian President Juan Manuel Santos and singer Carlos Vives acting as honorary witnesses.

Applied scientific research

In 2008, together with the IDB and the Tecnológico de Monterrey, we created the **Water Center for Latin America and the Caribbean**, an organization responsible for developing capacities and generating and disseminating knowledge to promote the sustainable management of the region's water resources. In 2016, 269 professionals participated in our research and training programs. During the same year, we launched a technological and methodological tool called the Strategic Decision Hub (NED, for its acronym in Spanish), which supports the decision-making process for finding solutions to complex problems, with a multidisciplinary network of experts who guide the process.

Early Childhood Development

We want children, particularly those growing up in difficult conditions, to achieve their maximum potential for development in order to transform the communities where we operate. We promote early childhood development (ECD), which is a tremendously influential phase in the future course of an individual's life. We also support applied scientific research for improving human health.

Ready to Play!

In an alliance with the Sesame Workshop, the Secretariat of Health of Mexico, the Carlos Slim Foundation, UNICEF, Canal Once, and Ecuador TV, we launched Ready to Play!, a multi-platform initiative with the aim of improving the health of Latin America children through educational entertainment. The project involves a 26-episode television series, 12 spots, social network content, a website, a mobile app, and community activities that promote physical activity, personal care, proper diet and emotional wellness for preschool children.



You can learn more about this program at <http://www.sesame.com/listosajugar>

Eating as a Family

With the Mexican Food Banks Network and the Universidad de Monterrey, we empowered mothers to become agents of change and promote childhood development from the home. In 2016, more than 7,000 mothers who came to 15 food banks in Mexico received training in the form of healthy cooking workshops that encouraged family togetherness during the preparation and consumption of food.

We also worked on projects like the Colors Campaign, *Ludonutrición*, Mothers Empowered for Development, Healthy and Active, the Early Childhood Accelerator, and others, conveying education about healthy habits to 20,833 children, 1,777 parents and 779 teachers.

Foundations for the Future

We organized an **Early Childhood Development Symposium** entitled "Foundations for our Future" with the IDB and Save the Children Mexico. With the Secretariat of Health and Televisa Foundation as conveners, and in collaboration with *Un Kilo de Ayuda*, we created space of dialogue with guests of honor like Dr. José Narro Robles, Mexican Minister of Health, and Carlos Salazar Lomelín, Chief Executive Officer of FEMSA. More than 200 specialists in the field from 9 countries analyzed the situation of early childhood, shared lessons learned, discussed the challenge facing the region and pursued collaborative synergies in this area.

Applied research in health and nutrition

We support innovation in applied research in order to help find new ways to address health challenges by developing projects and technologies. This year we collaborated in the development of a device for early detection of diabetes through a saliva indicator.



Guatemalan mother spends quality time with her daughter while cooking lunch.

Early Childhood Development

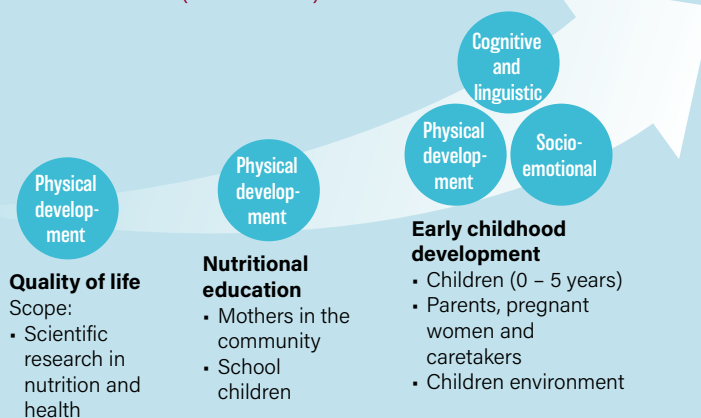


A productive, prosperous and sustainable society is built on the foundations of a healthy childhood. The earliest years of our lives (from gestation to age five) play a determining role in our development.

Early childhood development (ECD) is a comprehensive term referring to the physical, cognitive, linguistic and socio-emotional development of a child's first six years, since gestation. It has been proven that the return on investment in projects focused on early childhood is greater than in any other phase of life.

In 2016, we expanded the focus and impact of our projects, from nutrition education to early childhood development. We directed our efforts toward children, but also toward capacity-building for parents, caretakers and teachers, who have a fundamental influence in their lives.

Focus evolution (2008 – 2016)



For more information about FEMSA Foundation's projects please visit:
www.fundacionfemsa.org/informe2016



Content Index



G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
Strategy and Analysis							
G4-1	Statement from the most senior decision-maker of the organization.	See page 3.	√	√	√	√	√
G4-2	Key impacts, risks, and opportunities.	<p>Among the main risks are:</p> <p>Coca-Cola FEMSA</p> <ul style="list-style-type: none"> • Our business is subject to our relationship with The Coca-Cola Company, and changes in this relationship may affect us. • Changes in consumer preferences and public concerns over health matters may reduce the demand for some of our products. • Brand reputation or brand violations. • Competition may adversely affect our financial performance. • Water shortages or failures to maintain our current concessions. • Increase in the price of the raw materials we use could influence production costs. • Taxes and regulations in the regions where we are present. • Unfavorable outcome in lawsuits or court proceedings. • Adverse weather conditions may affect our results. • Failure to successfully integrate new acquisitions, which would affect our operating efficiency. <p>FEMSA Comercio</p> <ul style="list-style-type: none"> • Competition from other retailers could affect performance. • Impact on sales from changes in Mexican economic conditions. • Significant changes in regulations or tax laws. • Changes, failures or interruptions in information technology systems. • Increase in electricity prices. • Probability of not maintaining historic pace of growth. • Expansion strategy and entry to new markets and retail formats by FEMSA Comercio-Retail Division may result in lower profit margins. • Changes in energy and/or environmental regulations may affect the performance of FEMSA Comercio- Energy Division. • Competition from new competitors in Mexico may affect the performance of FEMSA Comercio - Energy Division. <p>Risks related to the countries where we operate</p> <ul style="list-style-type: none"> • Economic and political conditions. • Depreciation of local currencies. • Crime and violence. <p>The Comprehensive Business Risk Management System is a tool used by senior management to manage, evaluate, control and monitor risks relating to the business.</p>					
			√	√	√	√	√
Company Profile							
G4-3	Name of the organization.	Fomento Económico Mexicano, S.A.B. de C.V.	√	√	√	√	
G4-4	Primary brands, products, and services.	See page 4.	√	√	√	√	

KOF: Coca-Cola FEMSA • **FC:** FEMSA Comercio • **FL:** FEMSA Logística • **I/PTM:** Imbera y PTM
DMA: Disclosures of Management Approach

G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
G4-5	Location of the organization's headquarters.	Monterrey, Nuevo León, Mexico	√	√	√	√	
G4-6	Number of countries where the organization operates.	See page 4.	√	√	√	√	√
G4-7	Nature of ownership and legal form.	See page 4.	√	√	√	√	
G4-8	Markets served (including geographic breakdown, sectors served).	See page 4.	√	√	√	√	
G4-9	Scale of the organization.	See page 4.	√	√	√	√	
G4-10	Breakdown of workforce.	<p>In 2016 FEMSA had 282,656 employees.</p> <p>Employees per age group*</p> <p>Employees per type of contract</p> <p>Employees per gender*</p> <p>* These percentages don't include 3% of FEMSA's employees.</p> <p>See page 17.</p>	√	√	√	√	√
G4-11	Percentage of total employees covered by collective bargaining agreements.	47% of our workers belong to a union, 100% of which are covered by a collective bargaining contract, pact or agreement.	√	√	√	√	
G4-12	Organization's supply chain.	<p>The vendor network of FEMSA and its Business Units consists of 68,452 suppliers, 86% of which are from the same country as the operation to which they supply services.</p> <p>Our value chain generated an economic flow of \$194,315,112,918.77 Mexican pesos in 2016, equivalent to USD \$9,424,994,563.65</p> <p>Excludes: Suppliers or merchandise (OXXO merchandise, finished product, employees or sales representatives, donations, inter-company transfers, government offices, unions, information of operations of FEMSA Logística in Brazil and Coca-Cola FEMSA in Philippines).</p>	√	√	√	√	√
G4-13	Significant changes during the reporting period.	<p>In 2016, we built on FEMSA's expansion by bringing new businesses into the group. We obtained the necessary approvals to acquire Vonpar, one of Brazil's largest Coca-Cola System bottlers. We signed an agreement to buy AdeS*, a leading producer of soy-based beverages present in 8 countries of Latin America, through The Coca-Cola Company and Coca-Cola FEMSA, strengthening our portfolio of non-carbonated beverages.</p> <p>We completed the acquisition of Grupo Torrey, a Mexican company with experience in manufacturing equipment for processing, preserving and weighing food, with five production plants based in Monterrey, Nuevo León, Mexico.</p> <p>Through FEMSA Comercio we acquired Big John, a leading convenience store operator based in Santiago de Chile. Also, through FEMSA Logística, we signed an agreement to buy up a majority of the shares of Open Market, a leading Colombian company that supplies comprehensive logistics and is the main logistical operator for that country's pharmaceutical industry.</p> <p>* This acquisition is in the process of being approved by the corresponding authorities and is expected to close in the first half of 2017.</p>	√	√	√	√	√

G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
G4-14	Precautionary approach.	Our focus on risk management is aimed at detecting, measuring and evaluating risks, preparing strategies to control them, and establishing security measures to ensure these strategies function efficiently. This management entails specific responsibilities for FEMSA's Board of Directors, through the Audit Committee, which is responsible for oversight of procedures for identifying business contingencies, lawsuits and risks, including environmental matters. To address the possible environmental impact, we have the FEMSA Strategic Sustainability Framework, which includes the central pillar of Our Planet, in order to minimize the environmental impact of our operations.	√	√	√	√	√
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Starting in 2005, FEMSA adopted the 10 principle of the UN Global Compact, focused on the issues of human rights, working conditions and the environment. We also continue to participate in efforts to measure greenhouse gas emissions and identify opportunities and risks regarding climate change, among them: the GEI Mexico Program and the Carbon Disclosure Project in its Climate and Water version. For more information, see pages 20, 25, 26 and 53.	√	√	√	√	
G4-16	Memberships of associations in which the company participates.	See page 52.	√	√	√	√	

Material Aspects and Boundaries

G4-17	Entities included in the organization's consolidated financial statements.	See page 4.	√	√	√	√	√
G4-18	Process for defining the report content.	See inside front cover.	√	√	√	√	
G4-19	Material Aspects.	See page 8.	√	√	√	√	√
G4-20	Aspect Boundary within the organization.	See page 8.	√	√	√	√	√
G4-21	Aspect Boundary outside the organization.	See page 8.	√	√	√	√	√
G4-22	Effect of any restatements of information provided in previous reports.	No significant change.	√	√	√	√	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	No significant change.	√	√	√	√	

Stakeholder Engagement

G4-24	Stakeholders.	At FEMSA, we have various stakeholders with whom we engage among them, employees and their families, neighbors, governments, nonprofit organizations, shareholders and investors, suppliers, clients and consumers.	√	√	√	√	√
G4-25	Selection of stakeholders.	FEMSA considers a priority to establish relationships based on dialogue with all the stakeholders with whom we interact due to our operations, and the issues considered material for the organization.	√	√	√	√	√
G4-26	Organization's approach to stakeholder engagement.	Engagement with our stakeholders is a constant process in our organization as a result of our daily operations. To strengthen our relationship with some of our stakeholders, in 2016 we held dialogues to discuss sustainability issues with companies, experts in the field, and non-governmental organizations.	√	√	√	√	√
G4-27	Key topics and concerns that have been raised through stakeholder engagement.	In 2016, we continued implementing stakeholder dialogues including with employees and nonprofit organizations. And as a result we identified the need to continue strengthening communication and synergies in sustainability matters, according to our Business Strategy.	√	√	√	√	√

Report Profile

G4-28	Reporting period for information.	See inside front cover.	√	√	√	√	
G4-29	Date of most recent previous report.	The latest report covered the year 2015, and was published in 2016. Since 2013 we have also prepared a half-year report on our progress from January to June of each year.	√	√	√	√	
G4-30	Reporting cycle.	See inside front cover.	√	√	√	√	
G4-31	Contact point.	See page 54.	√	√	√	√	
G4-32	Report the 'in accordance' option.	This table provides information on the GRI Content of our report. See inside front cover.	√	√	√	√	

G4	Content	Reference or response	Business Unit				External Assurance
			KOF	FC	FL	I/PTM	
G4-33	External Assurance.	See inside front cover and page 46.	√	√	√	√	√
Governance							
G4-34	Governance structure of the organization, including committees of the highest governance body.	See page 13 and G4-45.	√	√	√	√	√
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives.	Among the faculties of FEMSA's Board of Directors is the appointment and, when necessary, removal of the Chief Executive Officer. Our Board has committees integrated with other board members and assigned specific responsibilities, to support it in carrying out its tasks (see G4-38).	√	√	√	√	√
G4-36	Executive-level position with responsibility for economic, environmental and social topics.	The Chief Executive Officer and the management team are responsible for economic, environmental and social affairs. The Chief Executive Officer reports to the Board of Directors on these matters. For more information on our management team, visit: http://www.femsa.com/en/meet-femsa/corporate-governance/management-team	√	√	√	√	√
G4-37	Processes for consultation between stakeholders and the highest governance body.	See G4-43.	√	√	√	√	√
G4-38	Composition of the highest governance body and its committees.	FEMSA's Board of Directors is made of up 19 members and 16 alternates and, in keeping with our corporate bylaws and the Securities Market Act, at least 25% of our board members are independent. The committees of our Board are: <ul style="list-style-type: none"> • Audit Committee: reviews the accuracy and completeness of the financial information; appoints, hires and oversees the company's external auditor; identifies and follows up on contingencies and legal proceedings. • Finance and Planning Committee: evaluates the investment and financing policies proposed by the CEO, the risk factors to which the company is exposed, and its administrative policies. • Corporate Practices Committee: prevents or reduces operating risks that may affect the company's value; approves policies on the use of company assets or transactions with related parties; approves the compensation scheme for directors and key executives and evaluates their performance. For more about our Board of Directors, visit: http://www.femsa.com/en/meet-femsa/corporate-governance/board-directors	√	√	√	√	√
G4-39	Chair of the highest governance body	In October 2013, our Board of Directors agreed to separate the positions of Chairman of the Board and Chief Executive Officer, confirming the position of José Antonio Fernández Carbajal as Executive Chairman of the Board of Directors and appointing Carlos Salazar Lomelín to serve as Chief Executive Officer of FEMSA, so the chairman of the highest governance body no longer holds a position in FEMSA.	√	√	√	√	√
G4-40	Nomination and selection processes for the highest governance body and its committees.	Board Members are elected by company shareholders in the Ordinary Shareholders' Meeting. Committee members are appointed by the Board of Directors and made up of board members. Members of the Audit Committee and Corporate Practices Committee must be independent, in accordance with the Securities Market Act and the applicable provisions of the NYSE. (For more information, see: http://ir.femsa.com/documents.cfm)	√	√	√	√	√
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	The Corporate Practices Committee, which is made up of independent board members, receives information and issues its opinion on transactions conducted between the company and its partners, with its executives and related parties, either by ownership and/or kinship, and other related parties as defined by the Securities Market Act. It is also responsible for preventing or reducing the risks involved in transactions that could damage the value of our Company or benefit one group of shareholders in particular (see G4-42 and G4-45).	√	√	√	√	√
G4-42	Highest governance body's and senior executives' roles related to economic, environmental and social impacts.	The Board of Directors has the authority to take any action relating to its operations that are not reserved for the general shareholders' meeting, including general business strategy, policies, specific goals, risk mitigation and controls.	√	√	√	√	√
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	The committees of the Board of Directors are established as mechanisms to assist the Board of Directors in its functions and support it in making decisions on a variety of topics. The committees of the Board may request that Board Members, executives, employees, external consultants or other parties attend their meetings or meet with one or more of their members in order to provide relevant information, as necessary.	√	√	√	√	√

G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
G4-44	Performance assessment of the highest governance body.	As part of our corporate governance, some of the aspects the Board of Directors and its committees that must be evaluated are: information used in deliberations, attendance at meetings, communication with senior management, and others. Board members self-evaluate primarily in: knowledge of the industry, technology and key company processes, experience in accounting and public reporting matters, among others.	√	√	√	√	
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	The Board of Directors monitors and analyzes the main risks to which FEMSA and its Business Units are exposed. The Audit Committee is responsible for overseeing procedures for identifying contingencies, lawsuits and risks, including environmental risks. The Planning and Finance Committee helps to identify financial risks and evaluate policies to manage them.	√	√	√	√	√
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes.	The Board of Directors' Audit Committee evaluates the effectiveness of the Business Risk Management System created to manage and control risks for the Company and to introduce tracking measures to ensure it functions correctly, informing the Board of the status of the Company's business risk management and internal control systems.	√	√	√	√	√
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Our bylaws stipulate that the Board of Directors must meet at least four times a year, at the end of every quarter, to discuss our operating results and the progress made toward our strategic goals. The Board may also hold extraordinary meetings.	√	√	√	√	√
G4-48	Highest committee that approves the organization's sustainability report.	The Sustainability Area is in charge of the approval of the Sustainability Report.	√	√	√	√	√
G4-49	Process for communicating critical concerns to the highest governance body.	The CEO communicates critical concerns through his report to the Chairman of the Board. The Board in turn is supported by committees that serve as work groups to analyze certain matters and offer recommendations to the Board of Directors regarding their respective areas of competence (see G4-38).	√	√	√	√	√
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body.	Confidential information.	√	√	√	√	
G4-51	Remuneration policies for the highest governance body and senior executives.	Board member compensation is approved by the General Shareholders' Meeting. The compensation policy for senior management is reviewed by the Corporate Practices Committee based on compensation in the industry and/or FEMSA's historic compensation practices and levels. Compensation based on the achievement of specific goals is considered a fundamental tool for pursuing FEMSA's purpose.	√	√	√	√	√
G4-52	Processes through which compensation is determined.	See G4-51.	√	√	√	√	√
G4-53	Stakeholder's view regarding remuneration.	Not applicable.	√	√	√	√	
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual.	Confidential information.	√	√	√	√	
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual.	Confidential information.	√	√	√	√	
Ethics and Integrity							
G4-56	Organization's values, principles, standards and norms of behavior.	See pages 10 to 13.	√	√	√	√	√
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity.	See page 12.	√	√	√	√	√

G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	See page 12.	√	√	√	√	√

Specific Standard Disclosures

Economic Performance





G4-EC1	Direct economic value generated and distributed.	See page 6.	√	√	√	√	
G4-EC2	Risks and opportunities due to climate change.	<p>Risks:</p> <ul style="list-style-type: none"> Changes in the availability of natural resources. Higher likelihood of extreme precipitation and drought. Increase in average temperatures. Changing behavior of meteorological phenomenon. <p>Consequences:</p> <ul style="list-style-type: none"> Reduction or impact on production capacity. Increase in costs of operation. 	√	√	√	√	√
G4-EC3	Coverage of the organization's defined benefit plan obligations.	Employees receive the benefits established by law, and incentives in keeping with their performance. 100% of our full-time and temporary employees receive the benefits required by law. In Mexico, the Savings Fund covers 100% of employees and FEMSA contributes with a percentage. 100% of our employees are eligible for the Voluntary Retirement Savings Plan, and together with FEMSA contribute an additional percentage.	√	√	√	√	√
G4-EC4	Total monetary value of financial assistance received by the organization from governments.	In 2016 we received from the Mexican government a financial stimulus of \$69,871,437 Mexican pesos (USD \$3,389,021).	√	√	√	√	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Compensation at FEMSA is not based on minimum wage ratios. See DMA on equal retribution for men and women.	√	√	√	√	√
G4-EC6	Senior management hired from the local community.	In the countries where we operate, we encourage local hiring. In 2016, 79% (76.7% in 2015) of senior management hired by FEMSA and our Business Units were people from the country where the job is performed.	√	√	√	√	√
G4-EC7	Development and impact of infrastructure investments and services supported.	In 2016, we invested \$273,550,757.39 MXN (USD \$13,268,213.48) in initiatives for public benefit. PTM is not consider in this indicator.	√	√	√	√	√
G4-EC8	Significant indirect economic impacts.	See page 4.	√	√	√	√	
G4-EC9	Proportion of spending on local suppliers.	The percentage of expenses corresponding to local suppliers in 2016 was 82%. Local suppliers are defined as suppliers from the country where the purchase is made.	√	√	√	√	√

Environmental Performance

G4-EN1	Materials used by weight or volume.	<p>Packaging materials used (Tons)</p> <p>2016 517,095</p> <p>2015 361,362</p> <p>2014 312,259</p> <p>2013 282,400</p> <p>FEMSA Logística doesn't generate a significant amount of packaging materials; this information excludes Imbera's materials.</p>	√	√		√	√
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G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
G4-EN2	Materials used that are recycled input materials.	<p>Reused materials (Tons) 29% of our input materials for production processes are recycled.</p> <p>2016 515,095</p> <p>2015 359,520</p> <p>2014 309,906</p> <p>2013 282,400</p> <p>FEMSA Logística doesn't generate a significant amount of packaging materials; this information excludes Imbera's materials.</p>	✓	✓		✓	✓
G4-EN3	Energy consumption within the organization.	<p>Direct energy consumption (stationary) (GJ)</p> <p>2016 2,144,534</p> <p>2015 2,694,817</p> <p>2014 2,682,630</p> <p>2013 2,605,929</p> <p>FEMSA Comercio, FEMSA Logística and PTM don't generate direct stationary energy due to their business model.</p> <p>Indirect energy consumption (GJ)</p> <p>2016 8,803,031</p> <p>2015 8,418,810</p> <p>2014 8,246,774</p> <p>2013 7,814,845</p> <p>Argentina 6.4% Brazil 15.0% Colombia 12.3% Costa Rica 2.7% Guatemala 1.5% Mexico 37.1% Nicaragua 1.4% Panama 1.2% Venezuela 3.8% Philippines 18.7%</p> <p>Argentina 1.51% Brazil 4.58% Colombia 2.55% Costa Rica 0.46% Guatemala 0.32% Mexico 83.35% Nicaragua 0.41% Panama 0.35% Venezuela 1.66% Philippines 4.82%</p>	✓		✓	✓	✓
G4-EN4	Energy consumption outside of the organization.	506,003 GJ. This calculation of emissions considers our client's fuel consumption through our fleet.			✓		✓
G4-EN5	Energy intensity.	<p>Intensive direct and indirect consumption of energy (GJ/FEMSA total revenue in millions of MXN)</p> <p>2013 2014 2015 2016</p> <p>Indirect¹ 30.28 31.3 27.02 22.03</p> <p>Mobile direct² 12.97 19.28 17.34 13.05</p> <p>Stationary direct³ 10.1 10.18 8.65 5.37</p> <p>1 Includes the stationary consumption of non-renewable sources. 2 Includes the fuel consumption of own units. 3 Includes fuel consumption of renewable and non-renewable sources.</p>	✓	✓	✓	✓	✓
G4-EN6	Reduction of energy consumption.	See page 20.		✓	✓	✓	✓
G4-EN7	Reductions in energy requirements of products and services.	See page 22.				✓	✓
G4-EN8	Total water withdrawal by source.	<p>Percentage of water consumption by source (%)</p> <p>2016 67.6 27.8 4.6</p> <p>2015 64.8 32.4 2.7</p> <p>2014 64.1 33.3 2.6</p> <p>● Ground ● Supply ● Surface</p> <p>FEMSA Comercio is not included.</p>	✓		✓	✓	✓
G4-EN9	Water sources significantly affected by withdrawal of water.	Through different programs operated by FEMSA Foundation we dedicate efforts to the protection, preservation, and recovery of watersheds in Latin America, allowing us to satisfy the ecosystem's need in the long term.	✓	✓	✓	✓	

G4	Content	Reference or response	Business Unit				External assurance																																
			KOF	FC	FL	I/PTM																																	
G4-EN10	Percentage and total volume of water recycled and reused.	We have plants for water recycling in 100% of our centers of manufacturing that allows us to recycle and replenish water (see page 19).	√																																				
G4-EN11	Protected areas and areas of high biodiversity.	Non material																																					
G4-EN12	Significant impacts on biodiversity.	Non material																																					
G4-EN13	Habitats protected or restored.	Non material																																					
G4-EN14	Species in affected habitats.	Non material																																					
G4-EN15	Direct greenhouse gas emissions.	Direct and Indirect Greenhouse Gas Emissions CO ₂ e tons (stationary + indirect)	√			√	√																																
G4-EN16	Energy indirect greenhouse gas emissions.	<table border="1"> <tr><th>Year</th><th>CO₂e tons</th></tr> <tr><td>2016</td><td>1,050,751</td></tr> <tr><td>2015</td><td>1,266,732</td></tr> <tr><td>2014</td><td>1,207,727</td></tr> <tr><td>2013</td><td>1,167,698</td></tr> </table> <p>For direct emissions, FEMSA Comercio, FEMSA Logística and PTM don't generate direct stationary energy due to their business model.</p> <table border="1"> <tr><th>Country</th><th>Percentage</th></tr> <tr><td>Argentina</td><td>2.1%</td></tr> <tr><td>Brazil</td><td>2.9%</td></tr> <tr><td>Colombia</td><td>2.2%</td></tr> <tr><td>Costa Rica</td><td>0.5%</td></tr> <tr><td>Philippines</td><td>3.5%</td></tr> <tr><td>Guatemala</td><td>1.1%</td></tr> <tr><td>Mexico</td><td>84.3%</td></tr> <tr><td>Nicaragua</td><td>1.5%</td></tr> <tr><td>Panama</td><td>0.5%</td></tr> <tr><td>Venezuela</td><td>1.5%</td></tr> </table>	Year	CO ₂ e tons	2016	1,050,751	2015	1,266,732	2014	1,207,727	2013	1,167,698	Country	Percentage	Argentina	2.1%	Brazil	2.9%	Colombia	2.2%	Costa Rica	0.5%	Philippines	3.5%	Guatemala	1.1%	Mexico	84.3%	Nicaragua	1.5%	Panama	0.5%	Venezuela	1.5%	√	√	√	√	√
Year	CO ₂ e tons																																						
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Venezuela	1.5%																																						
G4-EN17	Other indirect greenhouse gas emissions.	Tons of CO₂ equivalent from employees flights <table border="1"> <tr><th>Year</th><th>Tons of CO₂ equivalent</th></tr> <tr><td>2016**</td><td>14,011</td></tr> <tr><td>2015*</td><td>8,857</td></tr> <tr><td>2014</td><td>8,299</td></tr> <tr><td>2013</td><td>8,224</td></tr> </table> <p>* Excluding 447 routes on which data was not available ** Routes are calculated based on the International Civil Aviation Organization calculator. The 2016 figure for metric tons does not include 1.5% of the flights and take into account organic and non-organic growth of the organization.</p>	Year	Tons of CO ₂ equivalent	2016**	14,011	2015*	8,857	2014	8,299	2013	8,224	√	√	√	√	√																						
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G4-EN18	Intensity of greenhouse gas emissions.	Total intensive emissions Scope 1 (stationary) + Scope 2 Tons of CO ₂ e/total income of FEMSA in MXN million ● S1 stationary ¹ ● S1 non-stationary ² ● S2 ³ <table border="1"> <tr><th>Year</th><th>S1 stationary¹</th><th>S1 non-stationary²</th><th>S2³</th></tr> <tr><td>2013</td><td>0.81</td><td>0.92</td><td>3.71</td></tr> <tr><td>2014</td><td>0.78</td><td>1.38</td><td>3.80</td></tr> <tr><td>2015</td><td>0.75</td><td>1.28</td><td>3.31</td></tr> <tr><td>2016</td><td>0.55</td><td>0.96</td><td>2.08</td></tr> </table> <p>1 Includes the stationary consumption of non-renewable sources. 2 Includes the fuel consumption of own units. 3 Includes fuel consumption of renewable and non-renewable sources.</p>	Year	S1 stationary ¹	S1 non-stationary ²	S2 ³	2013	0.81	0.92	3.71	2014	0.78	1.38	3.80	2015	0.75	1.28	3.31	2016	0.55	0.96	2.08	√	√	√	√	√												
Year	S1 stationary ¹	S1 non-stationary ²	S2 ³																																				
2013	0.81	0.92	3.71																																				
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2016	0.55	0.96	2.08																																				
G4-EN19	Reduction of greenhouse gas emissions.	See page 20. For more information about the fuel's consumption per kilometer traveled see page 22.		√	√		√																																
G4-EN20	Emissions of ozone-depleting substances.	We don't have significant emissions from Ozone Depleting Substances (ODS).		√		√																																	
G4-EN21	NO _x , SO _x and other significant air emissions.	We do not have significant NO _x and SO _x emissions. FEMCO and PTM are not generating Business Units	√		√	√	√																																
G4-EN22	Total water discharge by quality and destination.	Water discharge <ul style="list-style-type: none"> Wastewater treatment facilities owned by the company: 84% Wastewater treatment facilities of municipal property: 16% <p>100% of our water discharges go to a wastewater plant (local or owned).</p>	√	√		√																																	

G4	Content	Reference or response	Business Unit				External assurance								
			KOF	FC	FL	I/PTM									
G4-EN23	Total weight of waste by type and disposal method.	<p>Waste management (Tons)</p> <table border="1"> <tr> <td>2016</td> <td>209,318</td> </tr> <tr> <td>2015</td> <td>202,479</td> </tr> <tr> <td>2014</td> <td>212,346</td> </tr> <tr> <td>2013</td> <td>210,795</td> </tr> </table> <p> Class 31% Plastic 20% Hazardous 1% Paper / Cardboard 12% Others 21% Wood 13% Scrap and metals 2% </p>	2016	209,318	2015	202,479	2014	212,346	2013	210,795	✓	✓	✓	✓	✓
2016	209,318														
2015	202,479														
2014	212,346														
2013	210,795														
G4-EN24	Total number and volume of significant spills.	No accidental spills.	✓	✓	✓	✓	✓								
G4-DMA of Effluents and Waste	Weight of transported, imported, exported or treated waste deemed hazardous.	All hazardous waste is channeled to companies that specialize in its correct handling and disposal.	✓	✓	✓	✓	✓								
G4-EN26	Water bodies and related habitats significantly affected by discharges of water and runoff.	See G4-EN9.	✓	✓	✓	✓									
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	See page 20. FEMSA Comercio and PTM don't have numeric data.	✓		✓	✓	✓								
G4-EN28	Percentage of products sold and their packaging materials.	See page 22.				✓	✓								
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	No fines were imposed for non-compliance with environmental regulations.	✓	✓	✓	✓	✓								
G4-EN30	Significant environmental impacts of transporting products and other goods and materials.	<p>Direct energy consumption in Mexico (mobile) (GJ)</p> <table border="1"> <tr> <td>2016</td> <td>5,215,033</td> </tr> <tr> <td>2015</td> <td>5,403,429</td> </tr> <tr> <td>2014</td> <td>5,080,423</td> </tr> <tr> <td>2013</td> <td>3,347,429</td> </tr> </table> <p>  Utility vehicles 13%  Lift trucks 2%  Secondary distribution 40%  Primary distribution 46% </p>	2016	5,215,033	2015	5,403,429	2014	5,080,423	2013	3,347,429	✓	✓	✓	✓	✓
2016	5,215,033														
2015	5,403,429														
2014	5,080,423														
2013	3,347,429														
G4-EN31	Total environmental protection expenditures and investments.	See pages 6 and 18.	✓	✓	✓	✓	✓								
G4-EN32	Percentage of new suppliers screened using environmental criteria.	See G4-LA14.	✓	✓	✓	✓	✓								
G4-EN33	Significant, environmental impacts in supply chain.	With the support of Trucost, in 2016 we quantified the environmental impact of our direct operations and supply chain, extending the process to our supply of raw materials. See G4-EN32.	✓	✓	✓	✓	✓								
G4-EN34	Number of grievances about environmental impacts.	See page 12.	✓	✓	✓	✓	✓								
Social Performance- Labor Practices and Decent Work															
G4-LA1	Total number of new employee hires	There were 172,912 new employee hires in 2016.	✓	✓	✓	✓	✓								
G4-LA2	Benefits provided to full-time employees.	<p>Benefits are for full-time as well as temporary employees. Some of the benefits extended to our employees:</p> <ul style="list-style-type: none"> Annual bonus Complementary annual compensation Savings fund Scholarships <p>Additionally, through Sociedad Cuauhtémoc y Famosa (SCYF) in Monterrey, Nuevo León, Mexico, we offer comprehensive development programs for our employees, along with medical care, recreation, food and financial services, to promote a culture of work and savings that encourages family stability.</p>	✓	✓	✓	✓	✓								
G4-LA3	Return to work after parental leave, by gender.	The return to work rate in 2016 was 94% for men and 86% for women.	✓	✓	✓	✓	✓								

G4	Content	Reference or response	Business Unit				External Assurance
			KOF	FC	FL	I/PTM	
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	In all of our operations, we abide by the labor laws of each country and by our collective bargaining agreements. We also have formal communication programs with the union organizations that represent our employees, which enable us to strengthen management process in order to address their suggestions and proposals at the time and place they occur.	√	√	√	√	√
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Each Business Unit has specialized committees for addressing and following up on all matters relating to Industrial Safety and Hygiene and Occupational Health, stemming from the proposals and strategies previously approved by the Board and the Occupational Health and Safety Administration System (SASSO for its initials in spanish) Implementation Committee. Both bodies, which are representative of the entire corporation, meet on a quarterly and bimonthly basis in order to ensure appropriate deployment and the implementation of the SASSO in all of FEMSA's companies, to benefit all of its employees.	√	√	√	√	√
G4-LA6	Lost days, occupational diseases and work-related fatalities	In 2016, the index of days lost due to work accidents was reduced by 39% compared to 2015. For the same period, the general index of days lost due to general illness was reduced by 18%. See page 16 for information on the general accident and illness rate. During the year there were 4 work-related fatalities involving our own employees (two in Mexico, one in Philippines and one in Brazil).	√	√	√	√	√
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	Through our Occupational Health Management Model and twenty preventive programs, we promote and maintain the highest level of physical, mental and social wellbeing in all of our Business Units, by encouraging our employees to adopt healthy lifestyles, minimizing the risk of work-related illness and complying with the laws of all the countries where we operate.	√	√	√	√	√
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	Our collective bargaining agreements include a commitment to fulfill occupational health and safety obligations, prevent accidents through mixed committees and provide safety equipment consistent with the duties performed.	√	√	√	√	√
G4-LA9	Average hours of training	Employees of FEMSA and its Business Units received an average of 25.55 hours of training in 2016.	√	√	√	√	√
G4-LA10	Programs for skills management and lifelong learning.	Change for See pages 14, 15 and 16.	√	√	√	√	√
G4-LA11	Percentage of employees receiving regular performance and career development reviews.	In 2016, as part of our talent management, 24,444 employees received performance and professional development evaluations.	√	√	√	√	√
G4-LA12	Diversity.	See page 17 and G4-10.	√	√	√	√	√
G4-DMA	Management focus on equal compensation for men and women	FEMSA has a policy of compensating its employees in based on the responsibility and contribution of each job and in recognition of individual performance, while being mindful of internal equitability and competitiveness, encouraging productivity and its added value.	√	√	√	√	√
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	FEMSA has a policy of ensuring that the suppliers to each of its operations are properly established, have a solid reputation for fair business dealings, have the necessary legal, technical and operating capacity, high standards of quality, service and supply logistics, and the economy solvency needed to fulfill their labor obligations and properly attend to the needs of the business. In keeping with our Code of Ethics, we encourage all our suppliers to follow good practices in the area of labor and human rights, environment, community, ethics and values, through our "Supplier Guiding Principles," which we provide to suppliers of goods and services and for which we have them sign a "Commitment Letter" accepting those principles (see p. 29).	√	√	√	√	√
G4-LA15	Significant impacts for labor practices in the supply chain.	The company evaluates its suppliers' compliance with the Supplier Guiding Principles when needed. The areas it evaluates include appropriate labor and human rights practices. If a supplier does not meet with the guidelines on one of the aspects included in the guide it will be asked to supply a corrective action plan. The Company reserves the right to revoke its agreement with any supplier that cannot demonstrate its compliance with these requirements.	√	√	√	√	√
G4-LA16	Number of grievances about labor practices.	See page 12.	√	√	√	√	√
Social Performance - Human Rights							
G4-HR1	Significant investment agreements and contracts that include human rights clauses.	In keeping with our Code of Ethics, we encourage our suppliers to adopt good practices in the area of human rights, through our Supplier Guiding Principles. We communicate them to all suppliers of goods and services, and have them sign a "Commitment Letter" accepting those principles.	√	√	√	√	√

G4	Content	Reference or response	Business Unit				External assurance
			KOF	FC	FL	I/PTM	
G4-HR2	Total training on human rights policies or procedures.	In 2016, our employees received 33,103 training hours on Human Rights.	√	√	√	√	√
G4-HR3	Incidents of discrimination.	See page 12.	√	√	√	√	√
G4-HR4	Right to exercise freedom of association.	FEMSA has a policy of respecting employees' freedom of association and union affiliation. In our work centers and among our significant suppliers, we have identified no threats or violations of the freedom of association and right to adhere to collective bargaining contracts.	√	√	√	√	√
G4-HR5	Operations and suppliers identified as having risk for incident of child labor.	FEMSA prohibits the employment of minors, under the labor laws of each country and the international laws on this matter. For information regarding suppliers see G4-LA14.	√	√	√	√	√
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor.	At FEMSA, human beings are the fundamental factor in the organization, and must be treated with dignity. Accordingly, forced or compulsory labor of any kind is strictly prohibited. For information regarding suppliers see G4-LA14.	√	√	√	√	√
G4-HR7	Security personnel trained in the organization's human rights policies or procedures.	83% of our security personnel received human rights training in 2016.	√	√	√	√	
G4-HR8	Incidents of violations involving rights of indigenous peoples.	See page 12.	√	√	√	√	√
G4-HR9	Operations that have been subject to human rights reviews.	At FEMSA we have a Workplace Information System through which each work center can conduct a self-evaluation that includes specific human right issues. Also, at Coca-Cola FEMSA, operations are audited by an external party for issues relating to human rights, among others.	√	√	√	√	√
G4-HR10	New suppliers that were screened using human rights criteria.	See G4-LA14.	√	√	√	√	√
G4-HR11	Significant negative human rights impacts in the supply chain.	See G4-LA15.	√	√	√	√	
G4-HR12	Number of grievances about human rights.	See page 12.	√	√	√	√	√

Social Performance - Society

G4-SO1	Impact in communities	See page 24 and 27.	√	√	√	√	√
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	No significant real or potential negative impacts have been identified regarding the communities where we operate. In keeping with our Code of Ethics, we strive to simultaneously generate economic and social value in all of our actions.	√	√	√	√	
G4-SO3	Operations assessed for risks related to corruption.	See page 12.	√	√	√	√	√
G4-SO4	Training on anti-corruption policies	In 2016, our employees received 67,967 hours of training in the organization's anti-corruption policies and procedures.	√	√	√	√	√
G4-SO5	Confirmed incidents of corruption and actions taken.	See page 12.	√	√	√	√	√
G4-DMA	Disclosure on Management Approach of public policy focus aspect.	We comply with local legislation regarding political campaign contributions in each country where we operate.	√	√	√	√	√
G4-SO7	Legal actions for anti-competitive behavior, anti-trust and monopoly practices.	No lawsuits were filed against FEMSA in connection with anti-competitive behavior, anti-trust and monopoly practices, and thus no sanctions or fines of this kind were imposed.	√	√	√	√	√
G4-SO8	Significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	There were no monetary fines and/or sanctions relating to non-compliance with laws or regulations. Furthermore, no proceedings were brought against FEMSA in arbitration institutions.	√	√	√	√	√
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	See G4-LA14.	√	√	√	√	√
G4-SO10	Significant actual and potential negative impacts on society in the supply chain.	See G4-LA15.	√	√	√	√	
G4-SO11	Number of grievances about impacts on society filed.	See page 12.	√	√	√	√	√

G4	Content	Reference or response	Business Unit				External Assurance
			KOF	FC	FL	I/PTM	
Social Performance - Product Responsibility							
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	See page 26.	√	√	√	√	√
G4-PR2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services.	No incidents were recorded involving noncompliance with legal regulations or voluntary codes regarding the impact of our products and service on health and safety throughout their lifecycle.	√	√	√	√	√
G4-PR3	Product and service information required by the organization's procedures for product and service information and labeling.	To promote the wellbeing of our consumers, all of Coca-Cola FEMSA's advertising material conforms to the Responsible Marketing policies and Global School Beverage Guidelines of The Coca-Cola Company. We also comply with the Code on Self-Regulation of Advertising for Food and Non-Alcoholic Beverages to Children in Mexico (the PABI Code). All of our containers bear information on nutritional content, fats, sugars, sodium and calories, calculated based on a daily diet of two thousand calories, in keeping with the Recommended Dietary Allowance (RDA) Guides and the regulations in effect in each country.	√				√
G4-PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling.	No monetary fines and/or sanctions were imposed for breach of laws, regulations or voluntary codes concerning product and service information and labeling.	√	√	√	√	√
G4-DMA of Product and Service Labeling	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	We make sure to keep two-way communication paths open with our clients and consumers. All of our Business Units have contact numbers and filling forms on their websites (See https://www.coca-colafemsa.com/contacto.html , http://www.oxxo.com/contactanos/ , http://www.imberacooling.com/latam/contacto.html , http://www.ptm.mx/contacto.html , http://www.logisticafemsa.com/contacto/).	√	√	√	√	√
G4-PR6	Sale of banned or disputed products.	We do not sell banned or disputed products. In providing our products and services we comply at all times with official regulations and our own internal rules and guidelines.	√	√	√	√	
G4-PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.	No incidents were recorded involving noncompliance with regulations regarding marketing communications, including advertising, promotion and sponsorship.	√	√	√	√	√
G4-PR8	Complaints regarding breaches of customer privacy and losses of customer data.	See page 12.	√	√	√	√	√
G4-PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	No monetary fines and/or sanctions were imposed for breach of laws or regulations relating to the supply and use of products and services.	√	√	√	√	√



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Independent assurance report on the 2016 Sustainability Report to Fomento Economico Mexicano, S.A.B. de C.V., to the Management of FEMSA

Responsibilities of FEMSA and independent reviewer

The Management of FEMSA is responsible for the elaboration of the 2016 Sustainability Report (SR) for the period from January 1st to December 31st, 2016, as well as its content ensuring to define, adapt and maintain the management systems and internal control from which the information is obtained, and which are also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of FEMSA in accordance with the terms of our letter of agreement dated December 20th, 2016, therefore we don't assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of FEMSA.

Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work, therefore the security provided is also lower. This report in no case can be understood as an audit report.

We conducted the 2016 SR review under the following conditions and/or criteria:

- a) The adaptation of the 2016 SR contents to the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) version 4 (G4) and according to the materiality study provided by FEMSA.
- b) The review of the sustainability performance indicators reported in accordance with the Comprehensive option and specified in the GRI Content Index of the 2016 SR.
- c) The data consistency between the information contained in the 2016 SR with supporting evidence provided by management.

We have complied with the independence and ethics of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Boards (IAASB) of IFAC.

Our review work included the formulation of questions to the management as well as various departments of FEMSA that have participated in the elaboration of the 2016 SR and the application of certain analytical and sample screening tests procedures that are described below.

- a) Meetings with staff of FEMSA to learn the principles, systems and applied management approaches.
- b) Analysis of the process to collect, validate and consolidate the data presented in the 2016 SR.
- c) Analysis of scope, relevance and integrity of the information included in the 2016 SR in terms of the understanding of FEMSA and of the requirements that stakeholders have identified as material aspects.
- d) Selected sample review from the evidence that supports the information included on the 2016 SR.
- e) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

The following table details the revised indicators according with the GRI Guidelines version G4:

G4-1	G4-25	G4-43	G4-EC3	G4-EN8	G4-EN29	G4-LA7	G4-HR5	G4-SO9
G4-2	G4-26	G4-45	G4-EC5	G4-EN15	G4-EN30	G4-LA8	G4-HR6	G4-SO11
G4-6	G4-27	G4-46	G4-EC6	G4-EN16	G4-EN31	G4-LA9	G4-HR8	G4-PR1
G4-10	G4-33	G4-47	G4-EC7	G4-EN17	G4-EN32	G4-LA10	G4-HR9	G4-PR2

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G4-12	G4-34	G4-48	G4-EC9	G4-EN18	G4-EN33	G4-LA11	G4-HR10	G4-PR3
G4-13	G4-35	G4-49	G4-EN1	G4-EN19	G4-EN34	G4-LA12	G4-HR12	G4-PR4
G4-14	G4-36	G4-51	G4-EN2	G4-EN21	G4-LA1	G4-LA14	G4-SO1	G4-PR7
G4-17	G4-38	G4-52	G4-EN3	G4-EN22	G4-LA2	G4-LA16	G4-SO3	G4-PR8
G4-19	G4-39	G4-56	G4-EN4	G4-EN23	G4-LA3	G4-HR1	G4-SO4	G4-PR9
G4-20	G4-40	G4-57	G4-EN5	G4-EN24	G4-LA4	G4-HR2	G4-SO5	
G4-21	G4-41	G4-58	G4-EN6	G4-EN27	G4-LA5	G4-HR3	G4-SO7	
G4-24	G4-42	G4-EC2	G4-EN7	G4-EN28	G4-LA6	G4-HR4	G4-SO8	

DMA	Disclosure on Management Approach on effluents and waste
DMA	Disclosure on Management Approach on equal remuneration for women and men
DMA	Disclosure on Management Approach on public policy
DMA	Disclosure on Management Approach on product and service labeling

Regarding the EN8 and EN22 GRI version G4 indicators the review was carried out according with the quantitative information and FEMSA decided to report them indirectly.

These indicators were selected for the independent review in accordance with the following criteria:

- Materiality of FEMSA referred in the 2016 SR.
- Information included in the 2016 SR.
- Information provided during the meetings with the interviewed staff.
- Review of the evidence provided by FEMSA staff of this project.

Conclusion

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the indicators reviewed in the 2016 SR contains significant errors or has not been prepared it in accordance with the Comprehensive option established in the GRI Guidelines version G4. For those GRI version G4 indicators where FEMSA didn't report in quantitative terms (numeric) the independent reviewer reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

Action alternatives

Additionally we present the most significant action alternatives for future development of SR, which do not alter the conclusions expressed in this report:

- Improve the management and validation process of the corresponding information to the material aspects for FEMSA and its business unit.
- Strengthen the information contained in the material indicators to be reported in the SR in accordance with the Global Reporting Initiative (GRI) aiming to enhance the transparency, balance and comparability towards stakeholders of FEMSA.
- Involve the parties responsible of the information by empowering them on the high relevance of their contribution and on the accomplishments of FEMSA.

Galaz, Yamazaki, Ruíz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited


MBA Daniel Aguiñaga Gallegos
Partner
March, 2nd, 2017

Independent Assurance Report of Greenhouse Gas Emission indicators

Deloitte.

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Independent assurance report of the Greenhouse Gas Emissions indicators to Fomento Economico Mexicano, S.A.B de C.V., to the Management of FEMSA.

Responsibilities of FEMSA and independent reviewer

The Management of FEMSA is responsible for the elaboration of the Greenhouse Gas Emissions (GHG) indicators for the period from January 1st to December 31st, 2016, as well as its content ensuring to define, adapt and maintain the management systems and internal control from which the information is obtained, and which are also free of material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied in our review.

This report has been prepared exclusively in the interest of FEMSA in accordance with the terms of our letter of agreement dated December 20th, 2016, therefore we don't assume any responsibility to third parties and is not intended to be nor should it be used by someone other than the Management of FEMSA.

Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work, therefore the security provided is also lower. This report in no case can be understood as an audit report.

We conducted the GHG Indicators review under the following conditions and/or criteria:

- a) The adaptation of the GHG Indicators contents to the Sustainability Reporting Guidelines of Global Reporting Initiative (GRI) version 4 (G4).
- b) The data consistency between the information contained in the GHG Indicators with supporting evidence provided by management.

We have complied with the independence and ethics of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) based on integrity, objectivity, professional competence and due care, confidentiality and professional behavior principles.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Boards (IAASB) of IFAC.

Our review work included the formulation of questions to the management as well as various departments of FEMSA that have participated in the elaboration of the GHG Indicators and the application of certain analytical and sample screening tests procedures that are described below:

- a) Meetings with staff of FEMSA to learn about the principles, systems and applied management approaches.
- b) Analysis of the process to collect, validate and consolidate the data presented in the GHG Indicators.
- c) Selected sample review from the evidence that supports the information included in the GHG Indicators.
- d) Quality assurance by an independent partner of the project that verifies consistency between this report and the proposal, as well as work process quality and deliverables.

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The following table details the GHG indicators revised according with the GRI Guidelines version G4:

G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)
G4-EN18	Greenhouse gas (GHG) emissions intensity
G4-EN19	Reduction of greenhouse gas (GHG) emissions
G4-EN21	NOx, SOx, and other significant air emissions

These indicators were selected for the independent review in accordance with the following criteria:

- Materiality of FEMSA referred in the 2016 Sustainability Report (SR).
- Information included in the 2016 SR.
- Information provided during the meetings with the interviewed staff.
- Review of the evidence provided by FEMSA staff of this project.

Conclusion

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the GHG Indicators reviewed contain significant errors or have not been prepared in accordance with the GRI Guidelines version G4.

Action alternatives

Additionally we present the most significant action alternatives for future development of GHG indicators, which do not modify the conclusions expressed in this report.

- Strengthen the internal management system of the GHG emissions information generated by FEMSA and its business units.
- Enforcement of the internal communication between FEMSA and its business units for performance tracking on GHG emissions produced.

Galaz, Yamazaki, Ruíz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited



MBA Daniel Aguiñaga Gallegos
Partner
March 2nd, 2017



Alliances

Some of the associations in which we participate:

Argentina

- Association of Coca-Cola Bottlers in Argentina (AFACC)
- Chamber of Non-Alcoholic Beverage Industry in Argentina (CADIBSA)
- Chamber of Commerce Argentina-Mexico*
- Coordinator of the Food Products Industry (COPAL)*

Brazil

- Associação Brasileira das Indústrias de Refrigerantes e Bebidas não Alcoólicas (ABIR)
- Associação Brasileira de Anunciantes (ABA)
- Associação Brasileira de Indústria de Água Mineral (ABINAN / SINDNAN) Associação Paulista de Supermercado (APAS)*

Central America

- American Chamber Costa Rica, Guatemala, Nicaragua (AMCHAM)
- Chamber of Commerce in Guatemala, Nicaragua and Panama

Colombia

- National Businessmen Association in Colombia (ANDI)
- National Businessmen Federation (FENALCO)

Mexico

- Association of Coca-Cola Bottlers (ASCOCA)
- National Association for Soft Drink and Carbonated Beverages (ANPRAC)
- National Association of Private Transportation (ANTP)
- National Association of Supermarkets and Department Stores (ANTAD)
- Chamber of Commerce for the Processing Industry (CANACINTRA)

- National Chamber for the Restaurants and Prepared Food Industry (CANIRAC)
- National Chamber of Commerce (CANACO)
- Mexican Center for Philanthropy (CEMEFI)
- Committee of Private Sector Studies for Sustainable Development (CESPEDES)
- Confederation of Industrial Chambers (CONCAMIN)
- Mexican Confederation of Employers (COPARMEX)
- Business Coordinating Council (CCE)
- Ecology and Entrepreneurial Commitment. A.C. (ECOCE)
- Red SumarSE

Philippines

- Beverages Industry Association of The Philippines

Venezuela

- Association of Industrialists and Businessmen for the Cortijos and the Ruices (ASICOR)*
- National Association for Refreshing Beverages (ANBER)
- Chamber of Commerce and Industry Venezuela-Mexico (CAVEMEX)*

International

- New Employment Opportunities (NEO)
- The Aspen Network of Development Entrepreneurs (ANDE)
- Clinton Global Initiative (CGI)
- Corporate Eco Forum (CEF)
- RedeAmérica
- The World Economic Forum (WEF)
- World Environment Center (WEC)

*Recent incorporation of FEMSA or any of its Business Units during 2016.

Sustainability

Recognitions 2016

Some of the Sustainability recognitions obtained by FEMSA and/or its Business Units during the year include:

FEMSA

- Socially Responsible Company 2016 (CEMEFI, Mexico)
- Award on Industry Ethics and Values (CONCAMIN, Mexico)
- Member of the Good Emerging Markets FTSE4 Index (FTSE Russell, Great Britain)
- Member of the IPC Sustainable Index (Mexican Stock Exchange, Mexico)
- Socially Responsible Company 2016 (CEMEFI, Mexico)
- COAS Solidarity Award (Social Cooperation, Argentina)
- Trófeu Planeta Coca-Cola (The Coca-Cola Company, Brazil)
- Green Manufacturing (Mandaue City, Philippines)

Coca-Cola FEMSA

- Dow Jones Sustainability Index Emerging Markets (Dow Jones, U.S.)
- Clean Industry (Profepa, Mexico)
- Clean Transportation Program
- (Semarnat, Mexico)
- Inclusive Company Distinction "Gilberto Rincón Gallardo" (Ministry of Labor and Social Prevision, Mexico)
- 25 Years without Road Accidents Award (ANTP, Mexico)

- Distinction to the excellent fleet's environmental performance (Semarnat, Mexico)
- Socially Responsible Company 2016 (CEMEFI, Mexico)

Imbera

- Socially Responsible Company 2016 (CEMEFI, Mexico)
- Clean Industry (Semarnat, Mexico)
- Award for Entrepreneurial Merit (Canacintra, Mexico)
- Socially Responsible Company Award (Roberto Ruiz Foundation, Mexico)

FEMSA Comercio

- Inclusive Company Distinction "Gilberto Rincón Gallardo" (Ministry of Labor and Social Prevision, Mexico)¹
- Socially Responsible Company 2016 (CEMEFI, Mexico)
- Best Practices (CEMEFI, Mexico)

FEMSA Strategic Businesses

FEMSA Logística

- National Award for Road Safety: Company Category (ANTP, Mexico)
- National Award for Road Safety: Employee Category (ANTP, Mexico)

PTM

- Socially Responsible Company 2016 (CEMEFI, Mexico)
- Socially Responsible Company Award (Roberto Ruiz Foundation, Mexico)

¹ Distinction awarded to 241 work centers.

Support for the

United Nations Global Compact

Human Rights

- Principle I (GC I)**
Support and respect the protection of human rights.
- Principle II (GC II)**
Not being an accomplice in human rights abuse.

Labor conditions

- Principle III (GC III)**
Uphold the freedom of association principles and the right to collective bargaining.

Principle IV (GC IV)

Eliminate forced and compulsory labor.

Principle V (GC V)

Abolish any form of child labor.

Principle VI (GC VI)

Eliminate discrimination in employment and occupation matters.

Environment

Principle VII (GC VII)

Support a precautionary approach to environmental challenges.

Principle VIII (GC VIII)

Promote greater environmental responsibility.

Principle IX (GC IX)

Encourage the development and communication of environmentally respectful technologies.

Fight against Corruption

Principle X (GC X)

Work against corruption in all its forms, including extortion and bribery.



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Annual Reports



FEMSA

Annual Report 2016

www.annualreport.femsa.com



Coca-Cola FEMSA

Annual Report 2016

www.coca-colafemsa.com



Fundación FEMSA

Annual Report 2016 (online version)

www.femsafoundation.org/report2016

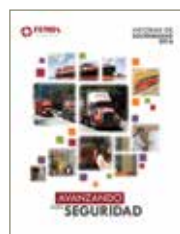
Sustainability Reports



Coca-Cola FEMSA

Sustainability Report 2016

<https://www.coca-colafemsa.com/sustainability.html>



FEMSA Logística

Sustainability Report 2016

<http://www.fl.com.mx>

Visit us on line



FEMSA

Sustainability Report 2016

<http://www.sustainabilityreport.femsa.com/>

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Responsible printing

Aware that all efforts are important and although printing of this report is relatively reduced, we show our commitment with the environment using harmless materials.

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