

FEMSA



Annual Report **2021**



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As of the end of 2021, FEMSA participated in the following businesses.

In the retail industry, through **FEMSA Comercio**, comprising the following:

Proximity Division, which operates the OXXO small-format store chain;

Health Division, which includes pharmacies and related activities; and

Fuel Division, which operates our service stations chain, OXXO GAS.

In the beverage industry, through **Coca-Cola FEMSA**, the largest franchise bottler of Coca-Cola products and trademark beverages in the world by sales volume; and in the beer sector, as a shareholder of HEINEKEN, one of the world's leading brewers with operations in more than 70 countries.

In certain adjacent businesses, through **FEMSA Negocios Estratégicos**, including our Logistics and Distribution business; point-of-sale refrigeration solutions; food service solutions; and plastics solutions for FEMSA companies and external clients.

Underscored by FEMSA's strong [organizational culture](#), the financial and sustainability results presented in this report are for the twelve months ended December 31, 2021, as compared to the twelve months ended December 31, 2020. For complementary information in alignment with the Global Reporting Initiative (GRI) Standards, please see our [2021 Sustainability Report](#)

Fomento Económico Mexicano, S.A.B. de C.V., or **FEMSA**, is a leading company that creates economic and social value through companies and institutions and seeks to be the best employer and neighbor to the communities where it has a presence.

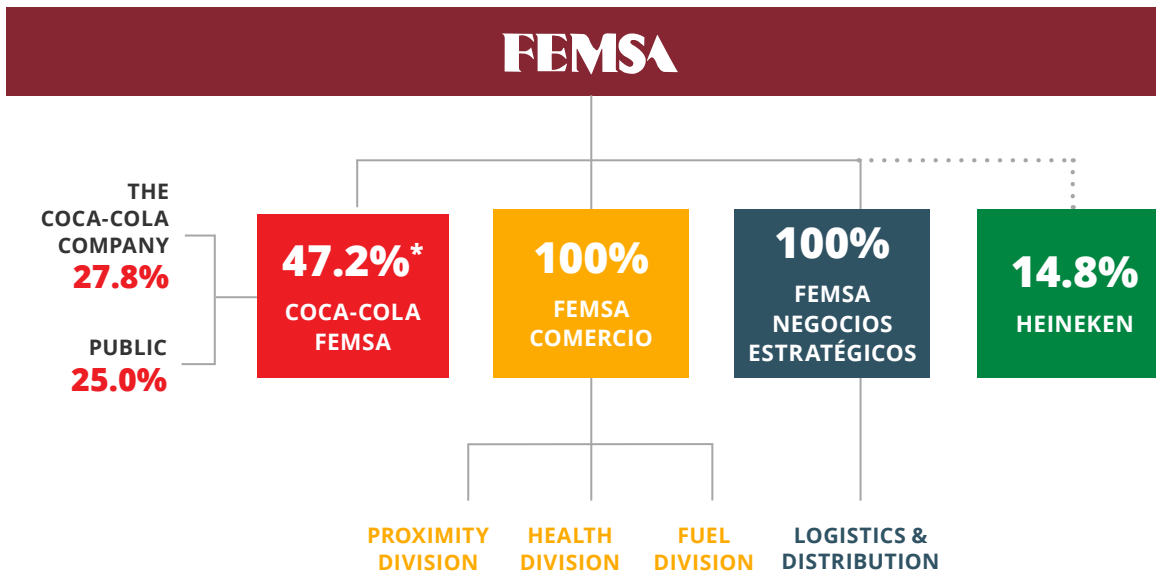


FEMSA AT A GLANCE

FEMSA's mission:

To create economic and social value through companies and institutions.

2021 Corporate Structure
Equity Stakes and Business Units

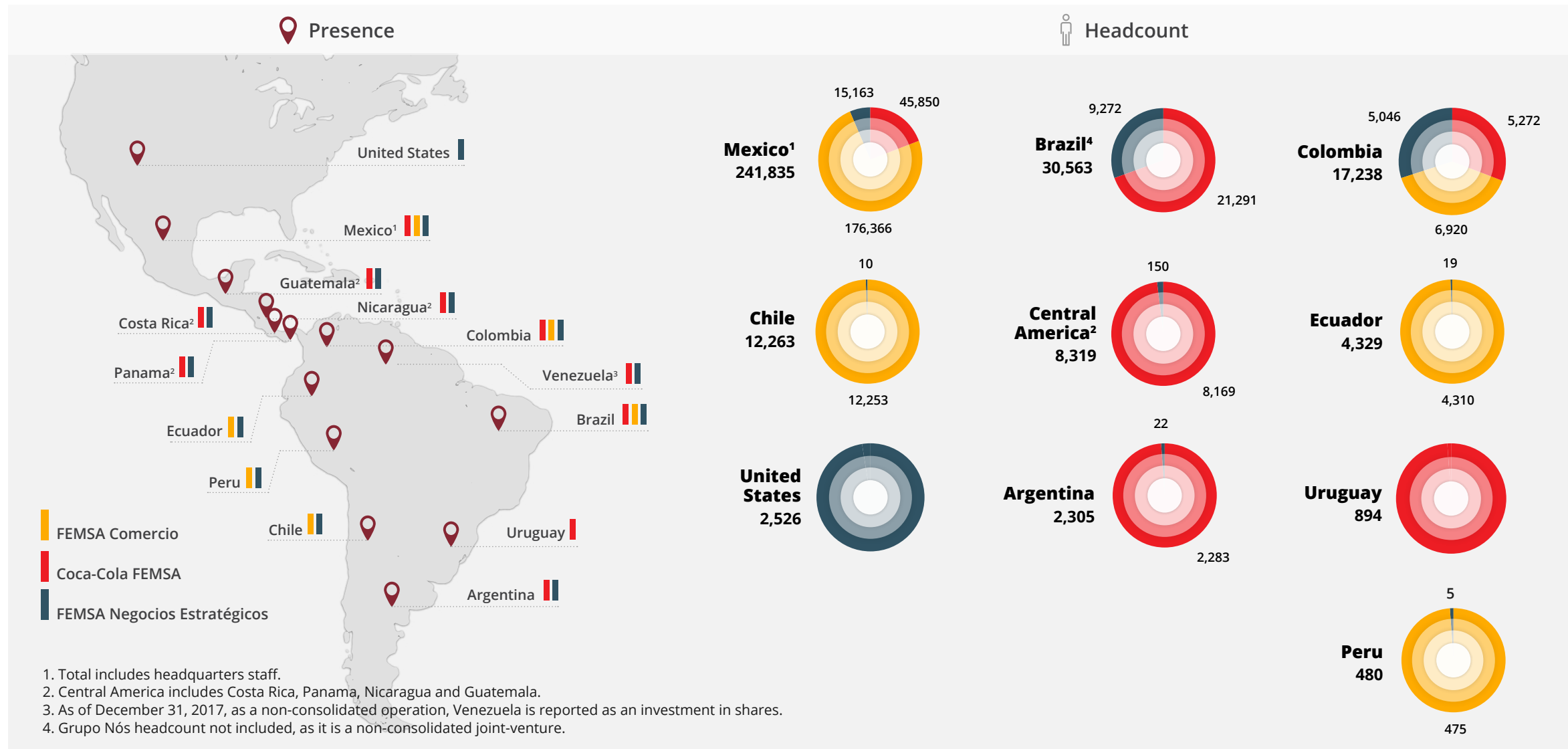


*Represents 56% of voting rights.



FEMSA AT A GLANCE

Through our Business Units, we serve more than 290 million consumers – and have more than 320,000 employees – in 13 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, Panama, Peru, USA, and Uruguay.



VALUE CREATION HIGHLIGHTS

ECONOMIC VALUE	Millions of dollars						
	Millions of pesos	2021 ¹	2021	2020	Change	2019	Change
Total revenues		27,116	556,261	492,966	12.8%	506,711	(2.7%)
Income from operations ²		2,535	51,993	41,503	25.3%	47,152	(12.0%)
Operating margin			9.3%	8.4%		9.3%	
Consolidated net income		1,836	37,678	3,756	N.S.	28,048	(86.6%)
Controlling interest net income ³		1,388	28,495	(1,930)	N.S.	20,699	(109.3%)
Controlling interest earnings per BD unit ⁴		0.4	8.0	(0.5)	N.S.	5.8	(108.6%)
Controlling interest earnings per ADS ⁵		3.9	79.6	(5.4)	N.S.	57.8	(109.3%)
EBITDA		4,018	82,422	71,973	14.5%	75,440	(4.6%)
EBITDA margin			14.8%	14.6%		14.9%	
Total assets		35,951	737,500	684,848	7.7%	637,541	7.4%
Total liabilities		19,615	402,383	377,661	6.5%	311,790	21.1%
Total equity		16,336	335,117	307,187	9.1%	325,751	(5.7%)
Capital expenditures		1,173	24,055	20,893	15.1%	25,579	(18.3%)
Total cash and cash equivalents ⁶		4,748	97,407	107,624	(9.5%)	65,562	64.2%
Short-term debt		227	4,640	8,801	(47.3%)	16,204	(45.7%)
Long-term debt		9,064	185,945	179,864	3.4%	101,747	76.8%
Headcount ⁷			320,808	320,618	0.1%	314,656	1.9%

1. U.S. dollar figures are converted from Mexican pesos using the noon-buying rate published by U.S. Federal Reserve Board, which was Ps. 20.5140 per US\$ 1.00 as of December 30, 2021.

2. Company's key performance indicator.

3. Represent the net income that is assigned to the controlling shareholders of the entity.

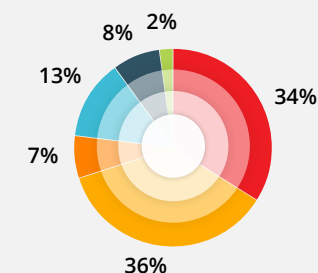
4. BD units each of which represents one series B share, two series D-B shares and two series D-L shares.

Data based on outstanding 2,161,177,770 BD units and 1,417,048,500 B units.

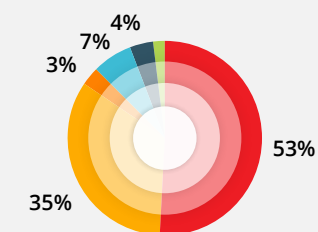
5. American Depositary Shares, a U.S. dollar-denominated equity share of a foreign-based company available for purchase on an American stock exchange.

6. Cash consists of non-interest bearing bank deposits and cash equivalents consist principally of short-term bank deposits and fixed rate investments.

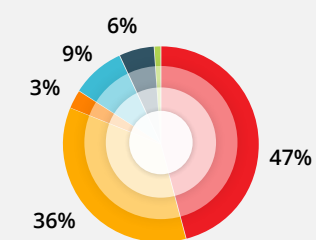
7. Includes headcount from Coca-Cola FEMSA, FEMSA Comercio and FEMSA Negocios Estratégicos and others.



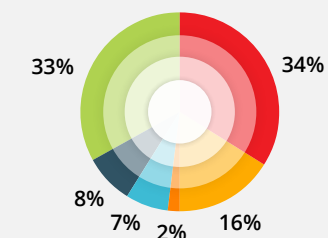
Total Revenues
Ps. 556,261



Income from Operations¹
Ps. 51,993



EBITDA²
Ps. 82,422



Total Assets
Ps. 737,500

Millions of Mexican pesos

■ Coca-Cola FEMSA

FEMSA Comercio:

■ Proximity Division

■ Fuel Division

■ Health Division

■ Logistics & Distribution

■ Others*

1. Company's key performance indicator.
 2. EBITDA defined as Income from operations plus depreciation, amortization and other non-cash items.
- * Includes FEMSA Negocios Estratégicos. Others include intercompany operations.

OUR SUSTAINABILITY STRATEGY

At FEMSA, sustainability is integral to the way we do business. In 2021, we updated our Sustainability Strategy, which is grounded in our ethics and values, to focus on three strategic pillars where we can have the greatest impact.

To design this Strategy, we identified the most important sustainability topics for FEMSA's internal and external stakeholders and conducted business-unit level materiality assessments for FEMSA Comercio, Coca-Cola FEMSA, and FEMSA Negocios Estratégicos.



We seek to transform our communities, earn the right to operate, and align social value with global objectives.






FEMSA's Strategic Sustainability Framework

FEMSA'S STRATEGIC SUSTAINABILITY FRAMEWORK

our people

The wellbeing of our people, dignified work, and professional growth

-  Human and Labor Rights
-  Integral Wellbeing
-  Diversity, Equity, and Inclusion




our community

Development and wellbeing within the communities where we operate

-  Community Wellbeing
-  Economic Development
-  Sustainable Sourcing

our planet

Harmony with the environment and sustainable use of natural resources

-  Climate Action
-  Water Management
-  Circular Economy

governance

The use of corporate governance best practices

-  Corporate Responsibility
-  Ethical and Socially Responsible Behavior
-  Fiduciary Responsibility

OUR SUSTAINABILITY STRATEGY: GOALS & HIGHLIGHTS



our people



Human and Labor Rights

Goal

Workplace survey rating in the top 10 against benchmark of high-performing companies

*According to Mercer Sirota Employee Engagement Survey

2021 Highlights

- 88% score on FEMSA's Organizational Climate Diagnostic
- +600 work centers evaluated for occupational risks



Integral Wellbeing

Goal

8.7 million hours of annual training for collaborators

2021 Highlights

- +14.3 million cumulative hours of employee training
- +360,170 corporate volunteering hours
- +5,050 social development initiatives



Diversity, Equity, and Inclusion

Goal

To have a 20 percentage point increase of women in executive positions by 2030

2021 Highlights

- 24% of women in executive positions
- +3,700 of senior or disabled people employed
- Named to the Bloomberg Gender-Equality Index for the first time

OUR SUSTAINABILITY STRATEGY: GOALS & HIGHLIGHTS

our community



Community Wellbeing

Goal

20 million beneficiaries of our Community Wellbeing initiatives by 2030

2021 Highlights

- +5,900 community actions completed
- +2.9 million beneficiaries of community programs
- Ps. +85 million raised through the “Redondeo” and “Dona tu Vuelto” programs
- +500 micro, small, and medium enterprise suppliers supported through commercial conditions
- +3,305 tons of food donated to various organizations, including the Mexican Association of Food Banks
- +4,000 video calls with customers in need of pharmaceutical guidance (Cruz Verde, Chile)
- Launch of “Social Value Store,” OXXO stores that incorporate elements of quality of life, community development and environmental care in their construction, infrastructure, and operation.

OUR SUSTAINABILITY STRATEGY: GOALS & HIGHLIGHTS



our planet



Climate Action

Goal

85% renewable energy use across all our operations by 2030

2021 Highlights

- +15,800 sites in Mexico powered with renewable energy
- 63.6% of electricity needs in Mexico covered by clean sources, avoiding 597,014 tons of CO₂e per year
- 85% of Coca-Cola FEMSA's manufacturing operations powered by clean energy



Water Management

Goal

Achieve a neutral water balance in all our operations by 2030

2021 Highlights

- Coca-Cola FEMSA improved its water-use ratio to reach 1.47 liters of water per liter of beverage produced
- 100% of water used to produce Coca-Cola FEMSA's beverages returned to the environment in main markets
- 26 Water Funds launched in 10 Latin American countries
- 41,462 people in 5 countries accessing safe water through Lazos de Agua program



Circular Economy

Goal

Zero waste from operations to sanitary landfills by 2030

2021 Highlights

- 100% of our beverage manufacturing plants in Mexico have achieved Zero Waste to Landfill certification
- 1,450 tons of furniture and store equipment recycled in OXXO
- +62,520 refrigerators per year – and 99% of their components – repaired, reused, or recycled by ALPunto at the end of their useful life

Sustainability-Linked Bond

To demonstrate FEMSA's sustainability commitment, in April 2021 we announced the placement of Euro-denominated sustainability linked notes in the international capital markets. FEMSA successfully issued EUR €700 million in senior notes due in 2028 bearing interest at an annual rate of 70 basis points over the relevant benchmark for a yield of 0.551%, and EUR €500 million in senior notes due in 2033 bearing interest at an annual rate of 88 basis points over the relevant benchmark for a yield of 1.068% (the "Notes"). This issuance represents the largest ever sustainability-linked bond by a Latin American issuer, and it was backed by 196 international institutional investors and was oversubscribed 1.9 times.

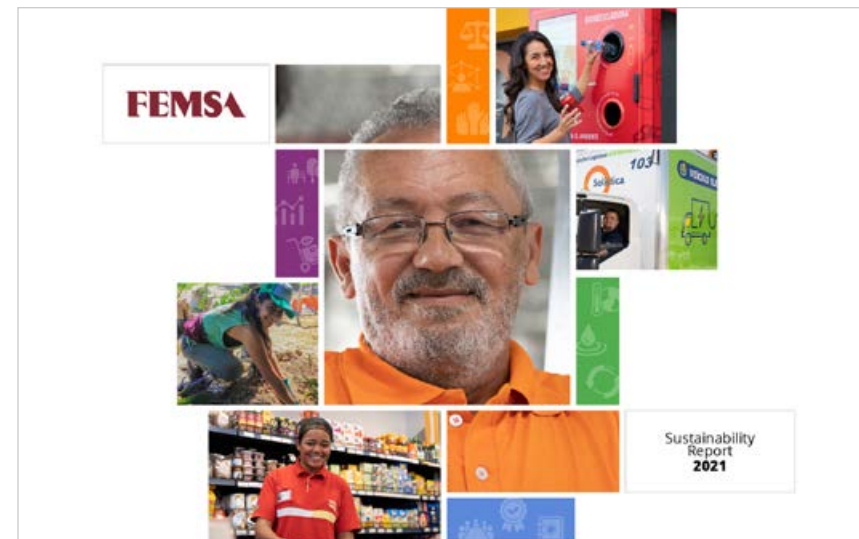
In connection with the Notes, FEMSA developed and published a [Sustainability-Linked Bond Framework](#), which was prepared in accordance with the Sustainability-Linked Bond Principles 2020, as administered by the International Capital Market Association. The Framework includes certain

Sustainability Performance Targets (SPTs) of the Company, which are aligned with the 2030 priorities of our Sustainability Strategy, particularly the transition to a circular economy and the mitigation of climate change. In accordance with industry best practices, we obtained a Second-Party Opinion from Sustainalytics on the Framework, who noted the strength of the ambition level of FEMSA's SPTs. Per the terms of the Notes, the satisfaction of the SPTs will also be verified by an accredited external party, and if such targets are not satisfied by certain dates, there will be an interest rate step up of 25 basis points.

Pursuant to the Sustainability-Linked Bond Framework, FEMSA has committed to annually disclose a Sustainability-Linked Securities update. For more information on our progress against the Framework's key performance indicators and SPTs, please see our [2021 Sustainability Report](#), which accompanies this 2021 Annual Report.



FEMSA's Euro denominated Sustainability-Linked Bond received the "Corporate High-Grade Bond of the Year" award from Latin Finance.



Dear Shareholders:

While we were sorting through the challenges of the COVID-19 pandemic for the second year in a row, 2021 was characterized by resiliency and recovery at FEMSA. While restrictions and operational reductions remained in place in some markets, we began to see gradually improving health and mobility trends as consumers began to feel more comfortable in resuming activity levels. With an unwavering focus on the health and safety of our people, FEMSA stood ready to serve our consumers, support our communities, and boldly push forward in advancing our strategy for sustainable growth and innovation.

Leadership Transitions

We completed the year by thanking Eduardo Padilla for his leadership as Chief Executive Officer of FEMSA since 2018, following the announcement of his retirement. Eduardo achieved an exceptional trajectory of almost 25 years at FEMSA, first joining in 1997 as head of strategic planning, and subsequently taking on multiple leadership roles in the following years, including serving as CEO



Eduardo M. Padilla Silva
Chief Executive Officer (2018 - 2021)

**José Antonio
Fernández Carbajal**
*Executive Chairman
of the Board*

Daniel Rodríguez Cofré
Chief Executive Officer

of FEMSA Comercio for 16 years. During his tenure, FEMSA developed compelling new business verticals, consolidated key partnerships, and even navigated the challenges of a global pandemic. Guided by his vision, he strengthened FEMSA's culture and values while positively impacting the markets and communities where we operate. On behalf of all of us at FEMSA, I would like to thank Eduardo for his tireless service and wish him the best in his retirement.

We also welcome Daniel Rodríguez Cofré as FEMSA's new Chief Executive Officer as of January 1, 2022. Daniel first joined FEMSA in 2015 as Chief Corporate Officer, before assuming the role of FEMSA Comercio CEO one

FEMSA stood ready to serve our consumers, support our customers and boldly push forward in advancing our strategy for sustainable growth and innovation.

We completed the year by **thanking Eduardo Padilla for his leadership** as Chief Executive Officer of FEMSA since 2018.



Our actions are aligned with our ethics and values and focus on where we can have the greatest impact on the three pillars of our new Sustainability Strategy that was launched in 2021:

Our People, Our Planet, and Our Community.

year later. There, Daniel grew OXXO's leadership position, including developing compelling growth opportunities in South America; supported the Health Division's evolution into a powerful regional platform; and helped the Fuel Division consolidate its position in Mexico. Now we look forward to Daniel's leadership through FEMSA's next era – driving growth, innovation, and market leadership while advancing our sustainability vision in support of our diverse people and their families, our communities, and our planet.

The leadership of our business units and the important work of the Fundación FEMSA are fully aligned with our ethics and values, focusing on where we can have the greatest impact on the three pillars of our Sustainability Strategy that was updated in 2021: Our People, Our Planet, and Our Community. These priorities relate the important global topics as well as our businesses' most material issues, that is, the environmental, social and governance (ESG) topics that are most important to both our Company and the concerns of our stakeholders. I am proud to co-lead the new Sustainability, Inclusion & Diversity Committee, which we set up in 2021 as an internal, cross-functional leadership team to further enhance the Company's ESG strategies. Among other objectives, the Committee has set the goal of increasing the representation of women among managers and directors by 20 percentage points by 2030.

Beyond being the right thing to do, sustainability and ESG management at FEMSA is also good for business.



Sustainable Business

For FEMSA, sustainability is about generating the right social, environmental, and economic conditions to operate and continue growing in harmony with the environment and society. FEMSA is a signatory of the United Nations Global Compact (UNGC), and we support and adhere to the UNGC's ten principles to protect human rights, uphold ethical labor practices, preserve the environment, and combat corruption.

Our Sustainability Strategy creates social, environmental, and economic value for all our stakeholders and contributes to lower employee turnover rates, increased customer satisfaction, operational continuity, and lower costs, among other advantages. Following Coca-Cola FEMSA's first green bond issuance in 2020, FEMSA took a next step in our bold sustainable finance vision by announcing in April 2021 the placement of Euro-denominated sustainability linked notes in the international capital markets, representing the largest ever sustainability-linked bond by a Latin American issuer.

Perhaps most importantly, our accompanying **Sustainability Linked Bond Framework** includes ambitious Sustainability Performance Targets aligned with the goals of our Sustainability Strategy, particularly in the transition to a circular economy and the mitigation of climate change. In February 2022, we were honored to be recognized as having issued the "Corporate High-Grade Bond of the

Year" by LatinFinance, as part of their 2021 Deal of the Year Awards.

Value Creation

Through this lens of sustainable finance and business continuity – particularly as we navigated the effects of the pandemic – we upheld our disciplined approach to financial management in 2021 while innovating to drive sales and growth. Total revenues increased 12.8% for the year as compared to 2020 to Ps. 556.2 billion (US\$ 27.1 billion), reflecting growth across our business units, partially offset by increased COVID-19 operating restrictions. Income from operations increased 25.3% and consolidated net income increased significantly to Ps. 37.7 billion (US\$ 1.8 billion).

Net majority income was Ps. 8.00 per FEMSA unit¹ and US\$ 3.9 per FEMSA ADS. Our consolidated net debt position at year-end was Ps. 93.2 billion (US\$ 4.5 billion), and our capital expenditures amounted to Ps. 24.1 billion (US\$ 1.2 billion), reflecting the reactivation of ongoing investment activities in most of our business units.



Total revenues increased 12.8% for the year as compared to 2020 to Ps. 556.2 billion (US\$ 27.1 billion), reflecting growth across our business units.



1. FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2021 was 3,578,226,270, equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.



In the **Proximity Division**, we built on our longstanding history in correspondent banking and financial services to expand financial inclusion in Mexico.

These financial results reflect the agility and resiliency of our business units across the organization during a challenging year and our year-end cash position was more than Ps. 97.4 billion (US\$ 4.7 billion). Although overall we were significantly impacted by COVID-19 and related changes in consumer behavior across markets, today we are in a much better position than we were one year ago, and perhaps than ever before. Our business units delivered solid performance during 2021 and have considerable avenues for growth in the future.

In the Proximity Division, we built on our longstanding history in correspondent banking and financial services to expand financial inclusion in Mexico through digital innovations, including the launch of Spin by OXXO, a brand operating under a conditional authorization. This program facilitates safe and convenient financial transactions and transfers at any OXXO store. We also launched OXXO's first loyalty program, OXXO PREMIA, which will reward our customers for their loyalty while strengthening our relationship with them.



FEMSA Comercio was impacted by reduced consumer and vehicle mobility during the year, resulting in, among other impacts, our decision to slow planned expansion operations. Nevertheless, we finished the year strongly with 865 net new OXXO stores; 284 net new drugstores; and 9 new OXXO GAS stations, and we took the opportunity to expand our businesses in other important ways.

In the Health Division, to support the healthcare needs of our customers during another pandemic year, we leveraged our size, scale, and network to secure important medicines and healthcare products and make them efficiently and safely accessible to those in need.

In the Fuel Division, we celebrated 25 years of operations and launched new

customer engagement campaigns to strengthen our brand in a competitive environment and at the same time continually improve the customer experience.

Coca-Cola FEMSA: In a year of operational and strategic milestones, Coca-Cola FEMSA was able to deliver strong performance and volume recovery ahead of pre-pandemic levels – and expand digital capabilities that drove increased sales in 2021. Despite supply chain disruption and higher raw material costs, Coca-Cola FEMSA delivered another year of resiliency and profitability. On multiple strategic fronts, 2021 was also a year of achievements, including the enhanced Cooperation Framework with The Coca-Cola Company; the redesigned beer distribution agreement with HEINEKEN; a new distribution partnership with Estrella Galicia; and the acquisitions of Therezópolis and CVI, a beer brand and a Coca-Cola bottler in Brazil, respectively. In line with FEMSA's sustainable finance strategy and following the issuance of Coca-Cola FEMSA's green bond in the international capital markets in 2020,

Coca-Cola FEMSA also placed the first sustainability-linked bonds in the Mexican market for Ps. 9.4 billion (US\$ 470 million) during 2021, thereby publicly committing to lowering our water use ratio from 1.47 liters in 2021 to 1.36 by 2024 and to 1.26 by 2026.

FEMSA Negocios Estratégicos:

Our Logistics and Distribution business grew its top-line sequentially during the year and took several important steps to reach new customers through strategic expansions. Solistica began operations in Guatemala, bringing with it an advanced fleet of vehicles that optimize safety and efficiency. And, in alignment with our vision to build a leading national distribution platform in the United States, Envoy Solutions successfully completed several acquisitions that enhanced and solidified our existing footprint, while increasing and consolidating our reach in adjacent regions. Our Food Service Solutions business was impacted by mobility and regulatory changes in 2021 but also continues to find new growth avenues and innovation opportunities.



Envoy Solutions successfully completed several acquisitions that enhanced and solidified our existing footprint, while increasing and consolidating our reach in adjacent regions.



Looking Ahead

As we begin a new chapter at FEMSA with Daniel Rodríguez Cofré as our CEO, we have also announced a new organizational structure at FEMSA as of January 1, 2022. In accordance with our focus on maximizing our value generation, the reorganization of FEMSA Comercio within FEMSA will be made up of the following three divisions, in addition to the already well-known Coca-Cola FEMSA and FEMSA Strategic Businesses:

- **Proximity Division** (comprising OXXO México, OXXO International, OXXO GAS, Bara, and Doña Tota)
- **Health Division** (comprising our pharmacies, laboratories, and beauty stores)
- **Digital Division** (comprising our coalition loyalty program and financial business initiatives)

We are confident that these strategic changes will allow our businesses to continue in the line of growth and expansion we have achieved to date, thanks to the invaluable dedication of our talented people. With this vision for our collective future, I know we have every reason to be excited and optimistic.

But first, I encourage you to read our 2021 integrated Annual Report and learn more about the highlights of our most important work over this past year that have contributed to where we are today.

Thank you for your continued partnership and wishing you a healthy, safe, and sustainable 2022.

José Antonio Fernández Carbajal
Executive Chairman of the Board



In the space that FEMSA Comercio occupied as a Business Unit, there will now be three divisions:
**Proximity Division,
Health Division,
and Digital Division.**





In Memoriam

Don Alberto Baillères González, (1931 - 2022)

Don Alberto Baillères González leaves us a legacy of profound inspiration, not only for our company but also for thousands of Mexicans. He was a great man committed to his family, his community, and the economic, cultural, and educational development of Mexico. Throughout his life he faced great challenges in all the businesses he led, which undoubtedly made him one of the most important businessmen in our country. Along the way, Don Alberto, aware of the importance of giving back to our society, made very valuable contributions in various sectors and social causes that will last for many generations, including the creation of the Instituto Tecnológico Autónomo de México, an institution that awarded him the Doctorate Honoris Causa in 1999, and where he served as president of the Governing Board.

He was a member of FEMSA's Board of Directors since 1989, and was a great friend and partner who contributed his vision, talent, and knowledge to drive the evolution of our company for many decades, some of them with difficult years and challenges. His support in transcendental decisions has made us what we are today.

This outstanding man, who always considered that living is incredible—and did so for 90 years— will always be remembered with great affection, respect, admiration, and deep gratitude.

+13 million
consumers every day



+24,000 points
of sale from our three divisions



+270,000
beneficiaries of our
actions to support
community development



FEMSA Comercio

The three divisions of FEMSA Comercio (FEMCO)—Proximity, Health, and Fuel— deliver economic and social value for all our stakeholders. Our brands include OXXO proximity stores; drugstores under the brands Cruz Verde, Farmacias YZA, Moderna, Farmacon, Fybeca, Sana Sana, and Maicao beauty stores; and OXXO GAS service stations.



Through our divisions we contribute to the direct employment of more than 200,000 people across Latin America, deliver close to 33.1 million products and services, and serve more than 13 million consumers every day.

An important part of our business model is our commitment to sustainability and our alignment with FEMSA's strategy focusing on Our People, Our Community, and Our Planet. FEMCO divisions made significant progress during the year in contributing to FEMSA's Sustainability Strategy and related corporate goals by working on a variety of initiatives and programs.

FEMSA Social Development Model

In alignment with the Our People pillar of the FEMSA Sustainability Strategy, FEMSA Comercio seeks to support the integral wellbeing of our collaborators across three divisions by upholding the FEMSA Social Development Model. Through this guided approach, we promote the personal and professional development of our people, together with their families, through various programs and activities to support an enhanced quality of life for all.



Through our divisions we contribute to the direct employment of more than

200,000 people

across Latin America.

An important part of our business model is our commitment to sustainability and our alignment with FEMSA's strategy focusing on **Our People, Our Community and Our Planet.**

Proximity Division

FEMSA Comercio's Proximity Division operates the largest chain of small-format stores in Latin America with the aim of delivering convenience and simplifying the lives of all our customers.

Under the brand name, OXXO, our value proposition is one of one-stop convenience: responding to our customers' daily, on-the-go needs in ways that will simplify their lives. While mobility did not fully return in 2021 to pre-pandemic levels, we saw increases in store foot traffic as COVID-related operating restrictions eased, establishments opened, and commutes resumed to some degree. Consumer shifts toward in-home food consumption continued and, in all cases, OXXO responded to our customers' evolving needs with agility and resiliency.



OXXO's value proposition is one of one-stop convenience: responding to our customers' daily, on-the-go needs in ways that will simplify their lives.



OXXO responded to our customers' evolving needs with **agility and resiliency**.



We continued to focus on financial discipline, expense efficiencies, and cost containment in 2021, tightening our standards for approving and operating new stores as the pandemic stretched into a second year. Although our expansion plans were slowed, we completed the year with 865 net store additions in Mexico. OXXO same-store-sales were up 7.7% for the year, reflecting a 2.2% drop in-store traffic and an increase of 10.2% in the average customer ticket, both against 2020.



Proximity Division Points of Sale 2021

Mexico	20,121
Colombia	133
Chile	122
Peru	55
Brazil*	1,275
Total	21,706

*Through our joint-venture with Raízen; Grupo Nós. Includes 1,162 Shell Select stores operated by independent franchisees.

FEMCO Proximity Division: Living the FEMSA Sustainability Strategy

 **our people**

In line with FEMSA’s commitment to offer equal opportunities for recruitment and development while supporting inclusivity and non-discrimination, the Proximity Division promotes the labor inclusion of minority groups and those in vulnerable situations. For example, since 2019, OXXO implemented its refugee inclusion program, in collaboration with the UN Refugee Agency (UNHCR) and Tent Partnership for Refugees. At year-end, we have employed more than **400** refugees, and more than **200** migrants in vulnerable situations at OXXO. We also employ more than **2,680** senior adults and **1,042** people with disabilities at OXXO stores as of 2021.




 **our community**

Our strategy to support community development focuses on investing in social impact opportunities, leading on local actions that involve communities and authorities to mitigate social risks, volunteerism, and supporting our neighbors in times of emergencies or natural disasters. In 2021, Ps. **36.5** million (US\$ **1.8** million) was invested in **560** actions to support community development in the areas of health, food security, and economic recovery, with more than **270,000** direct beneficiaries.


 In 2021, Ps. 36.5 million (US\$ 1.8 million) was invested in more than 560 actions to support community development.

At year-end, we have employed more than **400 refugees, and more than 200 migrants in vulnerable situations at OXXO.**

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100% of the energy consumed in 15,400 of our stores and 13 OXXO distribution centers powered with renewable wind energy.



FEMCO Proximity Division: Living the FEMSA Sustainability Strategy



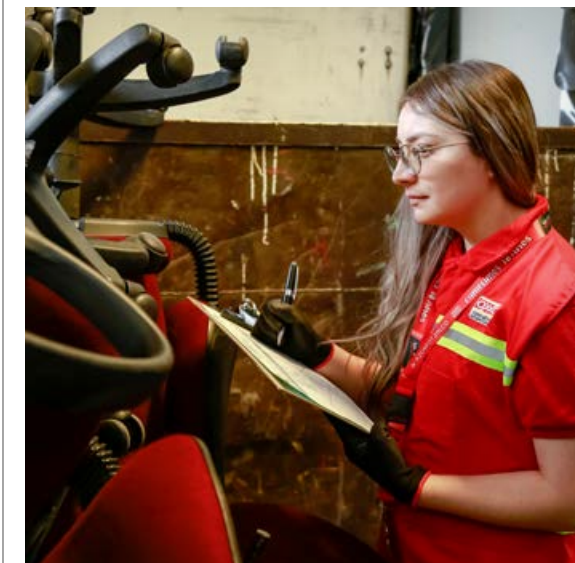
our planet

To continually drive energy efficiency in our operations, we invest in equipment upgrades and technological innovations while incorporating new tools, processes, and best practices in support of climate action. For example:

- **100%** of the energy consumed in **15,400** of our stores and **13** OXXO distribution centers powered with renewable wind energy
 - **17,042** stores, **18** OXXO distribution centers, and **27** offices equipped with smart energy systems
 - **6,750** stores utilizing solar control films to optimize heating, ventilation, and air conditioning
 - **+37.5%** reduction in energy consumption per store compared to 2009 baseline
- In support of the circular economy, we work to reduce the amount of material we use so that any waste generated from our operations can be recovered, recycled, or reused. For example:
- **12,675** stores equipped with waste separation capabilities and recycling bins
 - **79%** of the waste generated in OXXO distribution centers recycled
 - **13,485** used OXXO uniforms upcycled, equivalent to 4,495 kg of recycled PET
 - **80%** reduction in plastic bag utilization since 2015 through the “¡Sin Bolsa, Gracias!” (“No bag, thank you!”) campaign
 - **1,450** tons of end-of-life equipment and furniture diverted from landfill through recovery and recycling

Continued from previous page

79%
of the waste generated in OXXO distribution centers recycled.



Redefining Food, Beverage and Self-Care Convenience

As mobility and on-the-go consumption needs began to recover during the year, we reinforced our value proposition to best meet customer needs.

In 2021 we focused on:

- » **Strengthening our offerings for fresh, hot meals at affordable costs.** We continued to offer our popular freshly prepared food brand *¡O'Sabor!* in Mexico, which includes a variety of specialized items such as tacos, tortas, and fresh sandwiches. As of the end of 2021, 1,183 stores now offer the *¡O'Sabor!* concept and we expect to continue its expansion. This year we also installed new equipment and reconfigured displays to freshly prepare new perishable concept offerings, including pizzas and bread. We also added new modules for rotisserie chicken in select locations.
- » **Adjusting SKUs in our portfolio to continue responding to consumer habits related to health, hygiene, groceries, and self-care.** In response to the needs of the pandemic-era consumer and demands for products that promote health and wellness, we strengthened our portfolio and in-store displays of personal protection products such as sanitizing gels, disinfectant wipes, and face masks. We also expanded affordable pantry items for increased at-home consumption patterns, including cooking oil, milk, eggs, rice, cheese, nuts and seeds, pet food, and even OXXO's own brand of sandwich bread. Further, we adjusted and improved the nutritional content of several OXXO private label products by reducing excess calories, sugar, or fat.
- » **Expanding our selection of alcoholic beverages by increasing sales in adjacent categories such as the Wines & Spirits category.** In 2021 we continued working closely with suppliers on packaging and flavors exclusive to OXXO, making wider selections available for affordable new consumption occasions. We also continued to offer brands produced and distributed by HEINEKEN Mexico and Grupo Modelo, adding several markets this year where both portfolios of brands are available, representing more than half of our stores in Mexico.



As of the end of 2021, **1,183 stores now offer the *¡O'Sabor!* concept** and we expect to continue its expansion.





More than a Coffee

- On any given day in Mexico, OXXO stores may sell hundreds of thousands of cups of andatti coffee, the Mexican-grown brand exclusively offered at our stores and online. Through a new campaign in 2021, “andatti más que un café” (andatti more than a coffee), we are now making changes for a sustainable planet to ensure our customers can enjoy their hot beverages in the most eco-friendly ways. In addition to preparing coffee with renewable energy in **70%** of all OXXO stores, key efforts include:

- The transition of all single-use disposable polystyrene coffee cups to cardboard paper cups, avoiding the use of **540** tons of plastic annually.
- A nationwide andatti refill campaign that invites customers to bring their own mugs to OXXO stores so they can purchase a coffee in a reusable vessel and refill it again at a discount, avoiding the generation of more than **100** tons of waste each year.
- A pilot program in **50** OXXO stores in Mexico City in which spent coffee grounds are made available for customers to use at home as a nitrogen-rich compost and garden fertilizer.



Financial Inclusion & the Digital Opportunity

As part of our commitment to communities and generating economic and social value, OXXO plays an important role in expanding financial inclusion. With OXXO's strong infrastructure and unmatched geographic network of locations, the Proximity Division is well positioned to build on our strengths in correspondent banking and financial services to capture our next stage of promising growth in the digital world.

- » In March 2021, we announced 'Spin by OXXO' a new platform that offers financial services including sending and receiving funds through a cell phone; accepting deposits, withdrawals, and balance inquiries at any OXXO store; facilitating purchases via a VISA card; and completing SPEI® transfers and transfers between app users. 'Spin by OXXO' is a brand operating under a conditional authorization.

This innovation aims to simplify our consumers' daily needs while bringing secure financial services to

the entire population through mobile device innovation and technology.

- » We also launched our new loyalty program, **OXXO PREMIA**, across Mexico in October 2021, which operates either as a stand-alone program, or in tandem with 'Spin by OXXO' by creating a membership account for every 'Spin by OXXO' customer. Members receive benefits such as OXXO PREMIA points (earned from purchases), SelloXXOs (free products when reaching a certain goal), and other exclusive promotions. In addition to rewarding our customers, this program allows us to use loyalty program insights to continuously improve our products and services while offering customers more personalized communications according to their profiles and needs. As of year-end, more than 3 million accounts had already been created. Looking ahead, we will continue to improve the app's user experience and functionality as we aim to increase membership to 5 million users by next year.



As part of our commitment to communities and generating economic and social value, OXXO plays an important role in expanding financial inclusion.



» Through our **OXXO PAY** service, powered by Conekta, customers can easily make cash payments at any OXXO store for digital goods and services, such as initiating or renewing Spotify Premium subscriptions. In 2021, we again achieved strong performance in real-time service payments, with OXXO PAY representing 48% of the growth in payment receipts (accumulated to September), representing 24.4% of the volume of total payments received. Through our alliance with Amazon México, customers that do not have a credit or debit card can purchase any Amazon product and pay for it at their local OXXO store using an auto-generated Amazon PayCode via OXXO PAY. After paying, customers can then return to retrieve their packages at one of 787 stores currently operating as secure “pick up points” in Mexico. Since this program began in 2018, more than one million packages have been safely delivered and picked up at OXXO stores.

These digital innovations build on the strong foundation and trust we have built with our customers over many years through the correspondent banking services we offer in our more than 20,000 stores throughout Mexico. Through these offerings, customers can access approximately 7,400 electronic and financial services, such as deposits, cash withdrawals, remittances, money transfers, payment of services or household bills, such as internet or electricity. In addition to our existing partnerships with BBVA, Santander, Scotiabank, HSBC, Inbursa, Bancoppel, Afirme, and Caja Popular Mexicana cards, among others, we continued to grow this network and expand financial inclusion in 2021 by also integrating service for Banregio and Hey Banco cardholders.



Customers can access approximately **7,400 electronic and financial services.**

Through our **OXXO PAY** service, powered by Conekta, customers can easily make cash payments at any OXXO store for digital goods and services.

OXXO International

Beyond Mexico, we continue to strengthen our value proposition and leverage our scalable business platform through expansion to new markets. As mobility trends improved in 2021, we profitably accelerated store openings (increasing the store base by 14%) despite uncertain and restrictive environments. We focused expansion in residential areas, a large segment where our value proposition proved to be highly resilient and well received. In both Peru and Chile, same-store-sales surpassed 2019 pre-pandemic levels, with both achieving margin expansion and relevant contribution growth versus 2019 in all international operations. These improvements resulted from an agile adaptation of our value proposition to the prevailing consumer context, as well as structural operational efficiencies

across all markets. For example, in Chile, Colombia, and Peru, we revamped our convenience food offerings with the launch of new concepts, including a line of artisan pizza that complements the reactivation of core concepts such as andatti coffee and the Vikingo sandwiches line.

In Colombia, to better serve our customers' daily needs, we also profitably ramped up the development of our digital platform to quickly strengthen online sales and home delivery capabilities in response to increased demand (delivery sales represented 6% of total sales). This move set a strong foundation for us to work toward a longer-term digital strategy to capture new business opportunities and deliver the ultimate convenience experience.

In Chile, Colombia, and Peru, we revamped our convenience food **offerings with the launch of new concepts.**

We focused expansion in residential areas, a large segment where our value proposition proved to be highly resilient and well received.



In Brazil, we continued to grow our presence during the year through our 2019 joint venture with Raízen, “Grupo Nós”. Our value proposition for the Brazilian consumer maintains the flagship elements of the OXXO chain that have been so successful in Mexico, while also “regionalizing” the stores to deliver the most competitive solutions that cater to local tastes. We also successfully expanded to a second local market (Brazil’s largest), São Paulo Capital, where OXXO’s revenue performance exceeded expectations. In total, we opened 230 new stores in Brazil in 2021, including 117 franchised Shell Select stores (to reach a total of 1,162 franchises) and 113 company-owned and operated stores (to reach a total of 73 OXXO and 40 Shell Select stores). Looking ahead, we will continue to strengthen our international presence by continuing to grow in Brazil and across our South American markets.



We opened **230 new stores**

in Brazil in 2021, including
117 franchised Shell
Select stores.

We also successfully expanded to a second local market (Brazil’s largest), São Paulo Capital, where OXXO’s revenue performance exceeded expectations.



Health Division

FEMSA Comercio’s Health Division responds to the pharmacy, health, and wellness needs of the communities where we have a presence. Through a large and growing network of drugstores and related operations in four countries, we represent the third largest pharmacy chain in Latin America in terms of sales. We distribute and sell patented and generic pharmaceutical drugs, beauty products, medical supplies, and wellness and personal care products, among other categories.

As we have grown, we have evolved from a set of local operations in a historically fragmented industry to a consolidated and centralized regional system. Our size, scale, and unified network differentiates us from our competitors because we are able to use these advantages to work with our producers and suppliers on a regional scale to secure the best health and beauty products, for the best prices, which we then pass on to all our customers. 100% ownership of our health platforms in Mexico and South America since



We represent **the third largest pharmacy chain** in Latin America in terms of sales.



Health Division Points of Sale 2021

Ecuador	813
Colombia	520
Chile*	891
Mexico	1,428
Total	3,652

*Including 172 Maicao beauty stores

100% ownership of our health platforms in Mexico and South America since 2020.

2020 has also allowed us to strategically deploy talent in different parts of the platform, establishing a free flow of best practices across brands and countries.

Our pharmacies play an essential role in ensuring that people across Latin America can access important medicines, sanitizers and other self-care, beauty, and immunity-boosting supplies. We also participate in every part of the medicine business. For example, in Colombia, where we recently opened our 520th point of sale – becoming one of the country’s largest drugstore operators – we also deliver daily medicines to 3,500 beds in 28 intra-hospital pharmacies, as well as directly serve more than 5 million people in the public health system through our medicine dispensing business.

Total revenues increased 12.1% as compared to 2020 and same-store sales increased an average of 9.5% from 2020, mainly reflecting higher consumption in Chile coupled with positive trends in our Mexican and Colombian operations. We expanded our drug store count by 284 net additions to reach a total of 3,652 open units across our territories as of year-end.

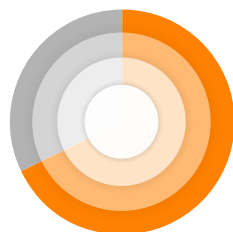
FEMCO Health Division: Living FEMSA’s Sustainability Strategy

our people

We provide specialized training to our employees to support their professional growth and development in a variety of topics. Priority is given to offering health-related trainings to better equip employees to answer customer questions and meet their needs in our stores.

In support of our ongoing diversity and inclusion efforts, we have more than **983** employees in our workforce that represent senior adults and people with disabilities and **68%** of our employees are women.

68% of our employees are women



our community

We advocate for the accessibility and affordability of healthcare in the communities where we operate, an approach that is adapted to the unique environments of each country, such as health programs for the elderly, mobile pharmacies and clinics, and healthcare for children, among others. Through the “Redondeo” or “Dona tu Vuelto” (Donate your Change) programs, customer donations are directed to support institutions that work for the benefit of society. In 2021, these programs at Farmacias YZA in Mexico channeled more than Ps. **4.9** million to **13** local institutions.



our planet

As of 2021, **640** pharmacies are now powered by energy from renewable sources. We also reduced our greenhouse gas emissions through route optimization, maintenance improvements and other adaptations to our facilities.

To support the circular economy and FEMSA’s corporate zero waste to landfill by 2030 goal, in 2021 we achieved:

- **Zero** use of plastic bags in our South American operations and a **60%** reduction in use of plastic bags in Mexico since 2019.
- **100%** of distribution centers now equipped with infrastructure and processes to recycle packaging and waste.
- **100%** of the Health Division operation has inverse logistics for the retrieval and recycling of cardboard boxes from the supply chain.
- **2,243** pieces of end-of-life equipment and furniture recycled, and **100%** of electronic waste is disposed of responsibly in Mexico.

Enhancing our Customer Value Proposition

In 2021, we continued to enhance our customer value proposition in several important ways:

» **Loyalty program:** We are proud to offer our customers in Chile and Colombia a free loyalty program that offers discounts twice a week on products that support health and wellness needs. As of 2021, we have 7 million customers enrolled in our loyalty program in Chile, representing more than 50% of the country's total population older than 18 years of age and driving approximately 87% of our pharmacy sales. In Colombia, as of 2021 we have approximately 1 million customers enrolled, with plans to expand similar programs to Ecuador and Mexico.

Our loyalty program not only helps inform our product sourcing and geographic distribution decisions, but also allows us to expand digital marketing and communicate in a very personalized way with our customers. Monthly, we launch 420 digital campaigns based on targeted interests and preferences. We also have special opt-in groups based on specific healthcare issues, such as cholesterol or diabetes, through which we offer additional discounts on products related to those concerns. This data helps us communicate directly with producers to ensure we are bringing the best products and offerings for specific customer needs.



Monthly, we launch 420 digital campaigns based on targeted interests and preferences.



» **Digital inclusion:** An important part of our transformation of the customer pharmacy experience has been through the development of a digital ecosystem and online order management system. In 2020 in Chile and Colombia, and in 2021 in Mexico and Ecuador, we launched an e-commerce website and app, which account for approximately 3% of our sales in Chile and approximately 7% of sales in Colombia. Home-based purchases have increased during the pandemic, but we have also learned that not all customers are interested in changing their consumption habits or paying delivery fees for smaller ticket sizes. We continue to

offer the popular “click-and-collect” service (through which customers can go to our website or app, confirm inventories, compare prices, click on the products they need, pre-pay, and collect purchases quickly and at their convenience). More than half of our online sales are through the click-and-collect service, where pickups are currently available in 70 pharmacies in Chile.

Looking ahead to 2022, we are aspiring to expand these capabilities to become a full omnichannel service, first in Chile and Colombia, followed by Ecuador and Mexico.



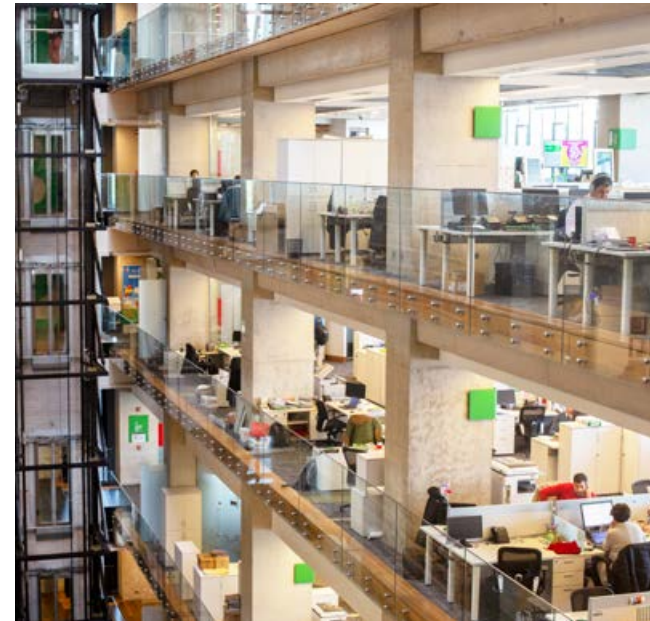
We launched an e-commerce website and app, which account for approximately **3% of our sales in Chile** and approximately **7% of sales in Colombia**.



» **Transparency:** In June 2021 in Chile, we launched a campaign focused on expanding the transparency of our customers' purchases and transactions. Monthly, we share via email the breakdowns of the margins and pricing structures of medicines with 1.5 million customer accounts.

In another initiative in support of transparency and inclusion, we are also expanding access to very affordable, generic medicines through the Maicao chain of stores, which has historically been positioned as a beauty store. For those customers who are looking to pay less for medicines, we will be opening specialized pharmacies in close to 100 Maicao stores in Chile.

We are **expanding access to very affordable, generic medicines** through the Maicao chain of stores.



Monthly, we share via email the breakdowns of the margins and pricing structures of medicines with **1.5 million** customer accounts.

Fuel Division

FEMSA Comercio's Fuel Division operates the OXXO GAS brand of retail service stations in Mexico, selling gasoline and diesel to both retail and Business-to-Business (B2B) customers. With a network of 567 service stations (out of approximately 12,000 total stations in the country) in 17 states, OXXO GAS is one of the largest operators in Mexico. OXXO GAS' value proposition aims to provide the customer with a superior and distinctive service, supported by the values of honesty and trust.

During 2021, mobility restrictions related to COVID-19 continued to impact vehicle usage and fuel consumption. As the year progressed, restrictions relaxed, and we experienced improvements in fuel demand. However, OXXO GAS sales for the full year remained below pre-pandemic levels. We continued to implement the sanitization protocols established in 2020 in all our service stations to safeguard our employees and customers.

We have improved our value proposition for our B2B customers, to whom we offer personalized service and access to reliable and easy-to-use technological platforms for efficient fuel and fleet management. This allowed us in 2021 to provide service to more than 5,000 corporate fleets and grow the volume for this segment by 22% versus the prior year.

With a network of **567 service stations** (out of approximately 12,000 total stations in the country) in **17 states**, OXXO GAS is one of the largest operators in Mexico.



We continued to implement the sanitization protocols established in 2020 in all our service stations.



OXXO GAS celebrated 25 years of operations in 2021. The business that began with just two stations in Nuevo León has gone through many changes over the years. During that time, we have focused on changing the way fuel is sold in Mexico by offering a trustworthy and high-level service to our customer, while prioritizing the development and wellbeing of our employees.

100 service stations are powered by renewable energy and 100% of service stations have energy efficient LED illumination systems.

FEMCO Fuel Division: Living the FEMSA Sustainability Strategy

our people

Through the *Cuídase con OXXO GAS* (Take Care with OXXO GAS) program, the Fuel Division covers approximately **7,800** employees and their immediate family members with a minor medical expenses policy. We also support the children of our employees by providing school supplies and contributing to their educational needs. In 2021, **5,493** school kits were delivered to families.



our community

We strive to “Be the Energy that Moves our Communities” by helping our neighbors improve their quality of life and ensuring they benefit from the contributions of our employee volunteers. In July 2021, together with OXXO and Fundación FEMSA, we contributed **Ps. 660,000** for the remodeling of the public space in Manuel J. Clouthier Park in San Pedro Garza García, Nuevo León, so that families could enjoy spending more quality time together through playtime, recreation, and sports. The renovation included cleaning up and enhancing the park’s natural green spaces, and adding new games and activities in a special area designated for early childhood development.



As part of our COVID-19 response in 2020, we launched “*Un Litro Con Causa*” (A Liter with a Cause) initiative, through which we donated more than **32,000** liters of fuel to the Mexican Red Cross. Continuing the importance of this support to our communities, in 2021 we donated more than **36,000** liters of fuel to the Mexican Association of Food Banks, helping to transport food to people in need in five states and benefiting more than **350,000** people.

our planet

In alignment with FEMSA’s commitments to climate action, water management, and circular economy, we continue working toward the incorporation of green technologies that contribute to reducing our environmental footprint. **100** service stations are powered by renewable energy and **100%** of service stations have energy efficient LED illumination systems to reduce energy consumption. We have waterless urinals in restrooms to reduce water consumption, as well as infrastructure for the separation, sorting, and recycling of waste through our Safe Waste Management System.

Competitive Differentiation

In an increasingly competitive environment, we focus on differentiating ourselves by delivering the industry's most efficient, friendly, and reliable customer service. We also pride ourselves on exemplifying trust and honesty, as well as offering conveniently located, safe and clean facilities with excellent sales promotions.

We have strict security and maintenance protocols for calibrating our gas pumps to guarantee full liters. To further strengthen our customers' confidence that the liters they pay for are the liters they receive, we launched the "Prueba de Litros Completos" (Complete Liters Test) program in nine states in Mexico in July 2021. Through this initiative, which we plan to extend to more locations, customers can request to fill a liter of gasoline into a glass measuring container, showing that the liter is indeed complete.

Another way we improved the customer experience is through technology. Last year, we installed a new contactless point of sale system, coupled with handheld devices that allow us to make customer interactions at our service stations faster, more convenient, and efficient, including real-time billing at the pump. We also continue to offer an app that allows users to locate our service stations and see all the services available, such as payment methods, prices, available fuel, and access to billing options.

We installed a new contactless point of sale system, coupled with handheld devices that allow us to make customer interactions at our service stations **faster, more convenient, and efficient.**



Committed to our Employees

We are only able to deliver the strongest customer service and maintain our competitive edge because of our employees, who are committed to upholding our organizational culture. We seek to ensure that our collaborators have all the tools, training, and motivation they need to do their jobs well, and we take active steps to support their quality of life, both professionally and personally. In 2021, we redesigned and evolved our training program to help employees better respond to the needs of each type of customer. Through constant communication, targeted engagement activities, career development plans, and coaching programs – along with above-industry wages and compensation structures – we reduce turnover and support continued employee growth within the company.

The Fuel Division has also implemented strategies for the benefit of a diverse, inclusive, and equitable culture, transforming our team of more than 7,000 employees. In an industry that was historically made up mostly of men, today 25% of the OXXO GAS team is made up of women, 63 collaborators are senior adults, and 24 employees represent people with disabilities. In 2021, we won the “Gasoline Leadership” award by Onexpo Nacional, in recognition of our social responsibility efforts related to occupational health and inclusion and diversity, further solidifying our commitment to the Our People pillar of FEMSA’s Sustainability Strategy.

Looking ahead, to maintain our status as a leading brand in the fuel industry, our strategy is to sustainably grow our footprint by bringing our quality services – and the advantages of our promotions, accessibility, proximity, safety, and full liters – to more people in Mexico.



Today
25%
 of the OXXO GAS team is
 made up of women,
 63 collaborators are
 senior adults, and
 24 employees represent
 people with disabilities.



31%
recycled PET used on
average across our plastic
bottle presentations



Volunteering activities
impacting more than
300,000 people



Coca-Cola FEMSA

With 131 leading brands produced in 49 bottling plants, Coca-Cola FEMSA is the largest franchise bottler of Coca-Cola products in the world by volume.



1.3 million
beneficiaries in
activities focused on our
sustainability pillars

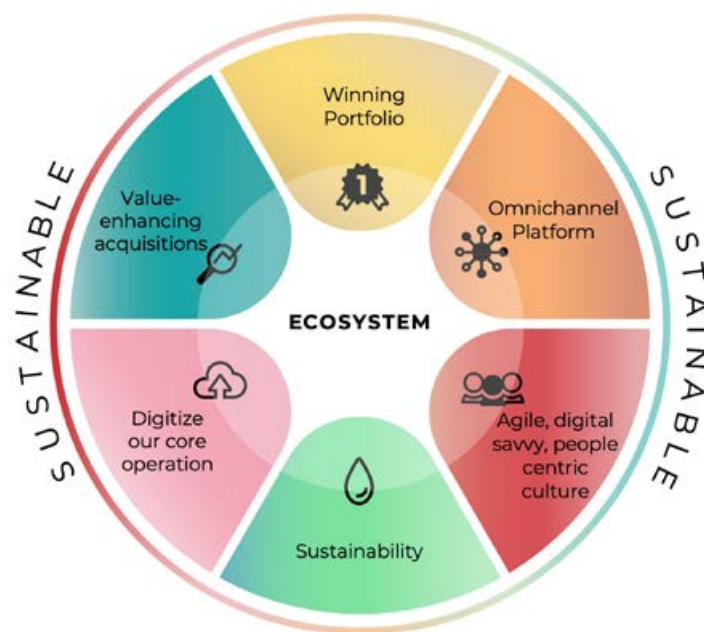


In 2021, Coca-Cola FEMSA took significant steps across all strategic fronts while making key decisions for future growth. Importantly, we worked with The Coca-Cola Company to bolster our successful, longstanding relationship. Our enhanced cooperation framework ensures the long-term alignment of our partnership, growth plans, and strategies—enabling us to not only continue building a winning consumer-centric portfolio, but also explore new multi-category opportunities across our markets while we develop new strategic digital initiatives.

Our strategic growth and industry leadership is driven by our purpose to refresh the world anytime, anywhere—always finding the most efficient and sustainable way to put our consumer's choice in their hands whenever and wherever they want it.

Guided by our purpose, we're working seamlessly, collaboratively, and agilely across six strategic corridors:

- Build Out an Open Omnichannel Platform
- Develop a Consumer Centric Winning Portfolio
- Foster an Agile, Digital Savvy and People Centric Culture
- Place Sustainability at the Heart of our Organization
- Digitize the Core
- Actively Pursue Value Enhancing Acquisitions



Notably, 2021 was a year of recovery and margin protection in the context of a challenging raw materials environment. Despite supply chain disruptions and market volatility, we were able to manage our working capital while leveraging very disciplined raw material and currency hedging strategies to substantially protect our margins. We also strengthened profitability by segmenting consumers and selectively increasing prices, while continuing to offer affordability where our consumers needed it.

Our volumes for the year increased 5.3% (or 2.6% higher than pre-pandemic levels in 2019), and total revenues increased 6.1% to Ps. 194.8 billion (US\$ 9.5 billion). Results reflected the easing of restrictions throughout the year, and Coca-Cola FEMSA's ability to execute in the marketplace and gain market share. Additionally, operating income improved 8.6% to reach Ps. 27.4 billion (US\$ 1.3 billion), driven mainly by favorable hedging initiatives and price-mix effects, coupled with solid top-line performance.



We were able to deliver solid top-line performance while leveraging very disciplined hedging strategies to substantially protect our margins.

Our **volumes for the year increased 5.3%** (or 2.6% higher than pre-pandemic levels in 2019), and total **revenues increased 6.1%** to Ps. 194.8 billion (US\$ 9.5 billion).



Building Out an Open Omnichannel Platform

During the year, we markedly accelerated the evolution of our customer-centric B2B omnichannel multi-category commercial platform.

In 2021, we continued to deepen our ongoing digital transformation by developing and deploying omnichannel capabilities to offer new solutions for order taking, customer service, route-to-market, and logistics models.

We continued to grow the capacity and reach of our omnichannel commercial platform, which is currently centered in a B2B digital order-taking chatbot that was first rolled out in Brazil and Mexico last year. The number of orders placed through this channel since launch have continued to climb exponentially, exceeding expectations. With fully automated and user-friendly functionality, the platform offers a differentiated customer experience with a convenient selling window that is accessible 24 hours a day, 7 days a week. We are serving over 500,000 registered clients, including almost 300,000 active purchasers monthly, on our B2B platform.

This year, we also reached an inflection point— with digital purchases accounting for over 6% of our total orders or almost US\$ 360 million.

Importantly, during 2021, our Brazilian operation reached approximately 270,000 active users —including over 130,000 monthly buyers— on our B2B omnichannel multi-category commercial platform.

We are also focused on growing our direct to consumer (D2C) capabilities through our home delivery program, **“Coca-Cola en tu hogar”** (Coca-Cola in your home), which achieved double digit growth in 2021. We now serve close to 600,000 households in Mexico, and we continued to reinforce this growing value proposition by increasing the number of home delivery routes by more than 400 to reach more than 1,200.



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Developing a Consumer Centric Winning Portfolio

We are developing a winning multicategory portfolio with compelling options for every consumer taste and lifestyle.

To further consolidate a winning total beverage and consumer-centric portfolio that satisfies all tastes and lifestyles, we are continuing to improve our competitive position across all products, price points, and distribution channels.

- **Portfolio Innovation**

In 2021, we diversified our portfolio to capture market share and incentivize growth in the sparkling, low- and no-sugar, juice, hydration, tea, nutrition and energy categories, ahead of consumer trends.

- We successfully launched the new formula and visual identity of **Coca-Cola Sin Azúcar**, or Zero Sugar, which grew double digits in Mexico, Brazil, Argentina and Uruguay.

- **Topo Chico** premium sparkling mineral water grew over 60%, reinforcing its position as a highlight of our portfolio in Mexico, achieving consistent share growth and signaling its potential for continued expansion in sparkling water moving forward.
- In high-growth categories, such as energy drinks, our volumes increased more than 50% in Mexico and 80% in Brazil, strengthening our competitive position in this high-potential segment.



Among our initiatives, **we continue to drive the growth of our no and low-sugar portfolio** of sparkling beverages to satisfy and stimulate demand for our products, while adapting our portfolio to evolving consumer behavior.



- **Affordability**

As consumers continued to face challenging economic environments amidst an ongoing pandemic, we continued to prioritize and simplify our portfolio with an emphasis on affordability. This included responding to the demand for affordable single-serve bottles, multipacks, and multi-serve returnable presentations.

We rolled out our multi-serve, returnable PET universal bottle, or “*Botella Única*,” to more of our core markets in 2021. Bottles are returned, fully washed, and refilled with the same or another beverage (such as Coca-Cola, Sprite, Fanta or Valle Frut, a non-carbonated fruit-based beverage) and re-marked with a new label. Designed to be reused

up to 25 times before recycling, the bottle not only delivers affordability to the consumers seeking it but is also an important example of the circular economy. Through this approach, we have gained up to three percentage points of market share in our flavored sparkling category and have also seen great success in the non-carbonated beverage category.

Finally, to incentivize and accelerate “easy” transactions, we continued to execute on our **Magic Price Points** strategy across our markets, which conveniently prices single-serve beverages at the value of a single common coin or bill.



We continue investing in affordability, including **more than US\$ 500 million in production lines and returnable bottles and cases** over the past two years.



- **Building a winning consumer-centric beer portfolio**

This year, together with HEINEKEN, The Coca-Cola Company, and the rest of the Coca-Cola System in Brazil, we successfully redesigned our beer distribution partnership in the country. As a result, during the year, we completed the transition of the Heineken and Amstel brands to HEINEKEN's distribution network, and we proactively evaluated and rolled out promising new brands to complement our beer portfolio. Leveraging our continued relationship with HEINEKEN, we incorporated and launched two brands from HEINEKEN's portfolio: Eisenbahn, a premium brand, and Tiger, a pure malt mainstream brand.

We further capitalized on market opportunities to acquire Brazilian craft beer brand Therezópolis together with Coca-Cola Andina, and announced a new agreement to distribute leading Spanish brewer Estrella Galicia's portfolio, together with the Coca-Cola System in Brazil.

Additionally we continue to roll out pilot programs to test the distribution of complementary categories such as leading spirit brands, other alcoholic beverages, and leading consumer products in certain markets.



Fostering an Agile, Digital Savvy & People Centric Culture

Consistent with our commitment to foster an agile, digital savvy, and people-centric culture, we defined our Human Resources (HR) function's long-term strategy.

To facilitate this strategy, HR acts as agents of change—leading our cultural transformation journey, reshaping our company through talent, enabling key organizational capabilities, and improving HR data and processes to deliver faster and better services to our organization. Additionally, from digital acceleration to the rise of remote, flexible or hybrid arrangements, the working world has changed, and in response, Coca-Cola FEMSA has been developing more agile, flexible structures to support these new business models.

We continue to reinforce our “KOF DNA” – a model made up of five key values that guide our people with the tools and capabilities they need to succeed: Obsessive focus on consumers and clients, Operational excellence, Owner's mentality, People first, and Agile decisions. Grounded in this values-based culture, in 2021 we achieved several employee engagement highlights:

- Completed a self-development week of on-demand learning modules featuring 17 workshops on reskilling and upskilling.
- Accelerated our leadership development agenda by equipping more than 5,500 managers with the tools to lead strategic conversations with their teams about leadership transformation.
- Launched new KOF Academy offerings, including 300 courses across eight functional schools for up to 49,000 collaborators. We also utilized virtual KOF classrooms on mobile devices for 6,000 leaders and launched the pilot program, APPRende KOF, an app to help enable core business capabilities for front line personnel in Brazil, Mexico, Colombia, and Costa Rica.



We continued to create mechanisms and practices to live and refresh our DNA throughout our organization.



Placing Sustainability at the Heart of our Organization

We are leading a sustainability strategy that incorporates environmental stewardship, social license, ESG metrics, and governance practices.

At Coca-Cola FEMSA, we are convinced that to create sustainable economic value, we need to simultaneously generate social value in collaboration with all of our stakeholders. In alignment with FEMSA's Sustainability Strategy to support people, communities, and the planet, we continued to strengthen our key performance indicators in 2021 while extending our leadership in ESG management.

Coca-Cola FEMSA reinforces its leadership in sustainable finance by issuing the first-ever sustainability-linked bonds in the Mexican market.

Leading on Sustainable Finance

In September 2021, Coca-Cola FEMSA issued the first sustainability-linked bonds in the Mexican market for a total amount of Ps. 9.4 billion (US\$ 470 million). We priced bonds at a fixed rate of 7.36% (Mbono+0.34%) for an amount of Ps. 6.97 billion due in seven years, and bonds at a variable rate of TIIE + 0.05% for an amount of Ps. 2.43 billion due in 5 years.

In a sustainability-linked bond, the issuing company commits to achieve certain targets related to its sustainable initiatives, however unlike a green bond, the net proceeds are not limited to finance these objectives. Through this sustainable financing strategy, Coca-Cola FEMSA aims to address one of the most important issues where we believe we can generate the most positive environmental impact: the efficient and sustainable use of water. We have therefore made a public commitment to achieve a water use ratio of 1.36 liters of water per liter of beverage produced by 2024 and 1.26 liters by 2026. If these indicators are not met by the dates established in the pricing documents, the interest rate will increase by 25 basis points to remain at 7.61% and TIIE + 0.30%, respectively.

The net proceeds from these pricings will be used for debt refinancing.

As part of this issuance, we also published a [Sustainability Linked Bonds Framework](#), which is aligned with the 2020 Sustainability Linked Bonds Principles, as administered by the International Capital Market Association. The sustainability-linked bonds will allow Coca-Cola FEMSA to complement the financing alternatives with high environmental standards, enhancing the investments we previously committed in the issuance of our first ever green bond in the international capital markets in 2020. See our first [Green Bond Report](#) and for updated information see [Green Bond Report 2021](#).



In support of the Planet pillar of FEMSA's Sustainability Strategy, and the United Nations Sustainable Development Goals, we are focused on leadership and transparency in climate action, water management, and the circular economy. In 2020, we became the first Mexican company and the third Latin American company to achieve the approval of the **Science Based Targets initiative (SBTi)** for our 2030 greenhouse gas (GHG) emissions reduction goals, confirmed to be aligned with what is necessary to meet the goals of the Paris Agreement.



- **Climate action:** In alignment with FEMSA's goal to reach 85% of renewable energy use across all our operations by 2030, Coca-Cola FEMSA's SBTi-approved 2030 Emissions Reduction Plan aims to drive positive environmental change across our entire value chain. To this end, Coca-Cola FEMSA will:
 - Reduce absolute scope 1 and 2 GHG emissions by 50% below 2015 levels
 - Reduce absolute scope 3 GHG emissions by 20% below 2015 levels
 - Increase annual sourcing of renewable energy to 100% by 2030
 - We also expanded the use of clean energy in our manufacturing facilities to 85% for 2021 across all of Coca-Cola FEMSA, up from 80% in 2020.
- **Water management:** In alignment with FEMSA's focus on water and achieving a neutral water balance in all operations by 2030, Coca-Cola FEMSA will seek opportunities to use water more efficiently and to further protect water security in the territories where we operate. By 2030, we will continue to return to the environment the same amount, or more, of water used in the production of beverages.
 - As of 2021, we achieved a water-use ratio of 1.47 per liter of beverage produced, down from 1.49 liters in 2020.



We also expanded the use of clean energy in our manufacturing facilities to 85% for 2021 across all of Coca-Cola FEMSA, up from 80% in 2020.

- **Circular economy:** In alignment with FEMSA's goal to send zero waste from operations to landfills by 2030, Coca-Cola FEMSA will focus on zero waste to landfill priorities. We also remain committed to World Without Waste, the global initiative led by The Coca-Cola Company, which includes 2030 targets to collect and help recycle the equivalent of 100% of the primary packaging we place in the market, as well as integrating 50% of recycled PET resin into our bottles.
- As of 2021, 46% of our bottling plants have earned Zero Waste to Landfill certification, including 100% of our manufacturing facilities in Mexico. We have also increased our use of recycled PET to 31% up from 29% in 2020.
- We began the planning and construction for our new recycling plant, PLANETA (*Planta Nueva Ecología Tabasco*) that, together with 18 collection centers, will be able to process up to 50,000 tons of post-consumer PET, creating around 20,000 jobs in southeastern Mexico.



Our new recycling plant, PLANETA will be able to process up to

50,000 tons of post-consumer PET, creating around 20,000 jobs in southeastern Mexico.

ESG Performance Highlights

As of 2021, Coca-Cola FEMSA was the only Latin American company in the beverage industry included in the [FTSE4Good Emerging Latin America Index](#) for the sixth consecutive year; and remained part of the Dow Jones Sustainability™ Emerging Markets Index for the ninth consecutive year; and remained part of the Dow Jones Sustainability MILA (*Mercado Integrado Latinoamericano*) Pacific Alliance Index for the fifth consecutive year. In February 2022, Coca-Cola FEMSA was included for the second consecutive year in the S&P Global Sustainability Yearbook 2022 due to our high performance in the S&P Global Corporate Sustainability Assessment. Coca-Cola FEMSA is ranked within the top 15% of leading beverage companies in sustainability under S&P Global's proprietary annual evaluation of the environmental, social, economic, and corporate governance dimensions of more than 7,000 companies around the world.

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

We were also proud to be included in the [FTSE4Good Emerging Latin America Index](#) for the sixth consecutive year, and the Bloomberg Gender-Equality Index for the third consecutive year. For the third time, we were recognized as one of the best places to work for the LGBTQ+ community by the Human Rights Campaign Foundation and HRC Equidad MX. For the first time in 2021, Coca-Cola FEMSA was named the winner of the Bonds & Loans Latin America & Caribbean Award for Investment Grade Corporate Bond Deal of the Year by GFC Media Group, in recognition of our first green bond in the international capital market placed in 2020.



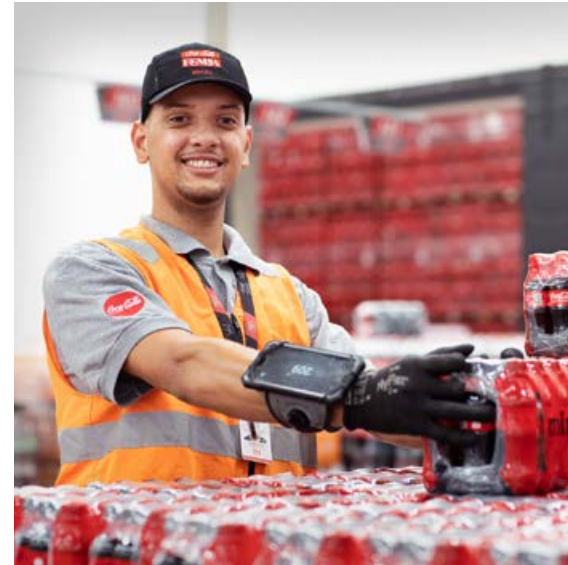
FTSE4Good

Digitizing the Core

We are implementing new digital tools, automating our processes, and developing the architecture needed to enable our transformation.

In line with the development of our omnichannel capabilities, we continue to leverage data analytics to continuously improve machine learning techniques capable of suggesting orders and increasing sales. We have also been focusing on other financial enablers to digitize our core, including automating several back-office processes with the support of KOF Financial Services (KFS). This includes internal automations such as scaling and optimizing human resources and finance processes.

As part of our digital re-evolution, an agile cell is working to design and deploy a safe, frictionless, end-to-end digital payment solution to customers and consumers across all channels. Thus far, we've rolled out the digital credit card payment feature to almost 600,000 households throughout our over 1,200 D2C home delivery routes in Mexico. We've also enabled 1,200 customers to make digital QR code payments, along with over 6,600 customers who pay digitally through our B2B web portal in our Argentine franchise territories.



Through our digital and analytics hub, **we're re-evolving our advanced analytics and data management capabilities to produce valuable insights, tools, and solutions** for any area of the company.



Actively Pursuing Value Enhancing Acquisitions

Aligned with our strategy, we are not only exploring opportunities to shape our company's portfolio and footprint of the future, but also prioritizing adjacent categories and capabilities to enhance our value proposition.

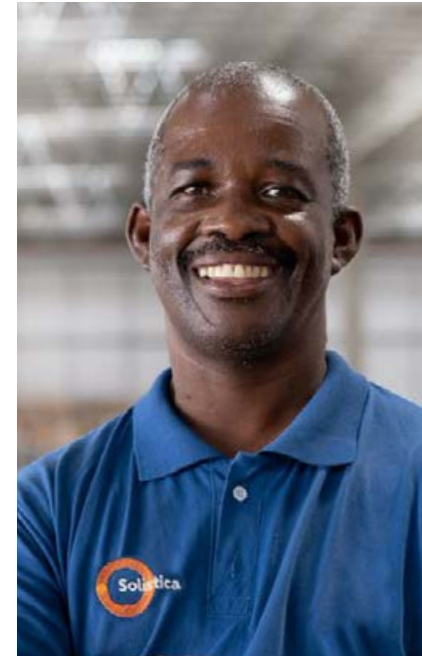
Consistent with the enhancement of our Cooperation Framework with The Coca-Cola Company, we will bring together the strength of Coca-Cola's sales and distribution network with our unmatched execution capabilities to explore potential new businesses, ventures, and inorganic growth opportunities that can enhance our overall value proposition and bring a positive impact to the communities where we operate.

To this end, in January 2022, in a move that complements our footprint in southern Brazil, Coca-Cola FEMSA, through our Brazilian subsidiary Spal Indústria Brasileira de Bebidas, acquired CVI Refrigerantes, which operates one bottling facility and three distribution centers in the state of Rio Grande do Sul, serving approximately 13,000 points of sale and more than 2.8 million consumers.

For more information, please visit [Coca-Cola FEMSA's 2021 Annual Report](#)



We distribute high-quality products in **50 countries** across five continents



Solistica offers its logistics solutions portfolio to close to **5,000 customers** in Latin America



Through Envoy Solutions, we serve **+67,000 customers** in the United States



FEMSA

Negocios Estratégicos

FEMSA operates several strategic businesses that are leaders in their industries or sectors and provide solutions to FEMSA's core business segments and other companies, amplifying our competitive advantage.



Deploying industry-leading capabilities and cost-effective strategies that amplify FEMSA's competitive advantage, FEMSA Negocios Estratégicos comprise Logistics & Distribution (including logistics and transportation, as well as specialized janitorial, cleaning, and sanitation product distribution) and Food Service Solutions (including cooling and refrigeration systems and food service solutions).

In alignment with the FEMSA Sustainability Strategy, our FEMSA Negocios Estratégicos prioritize the development and integration of sustainable products and eco-efficiency services, such as increasing the content of recycled materials and identifying energy-saving solutions and opportunities.

Logistics & Distribution

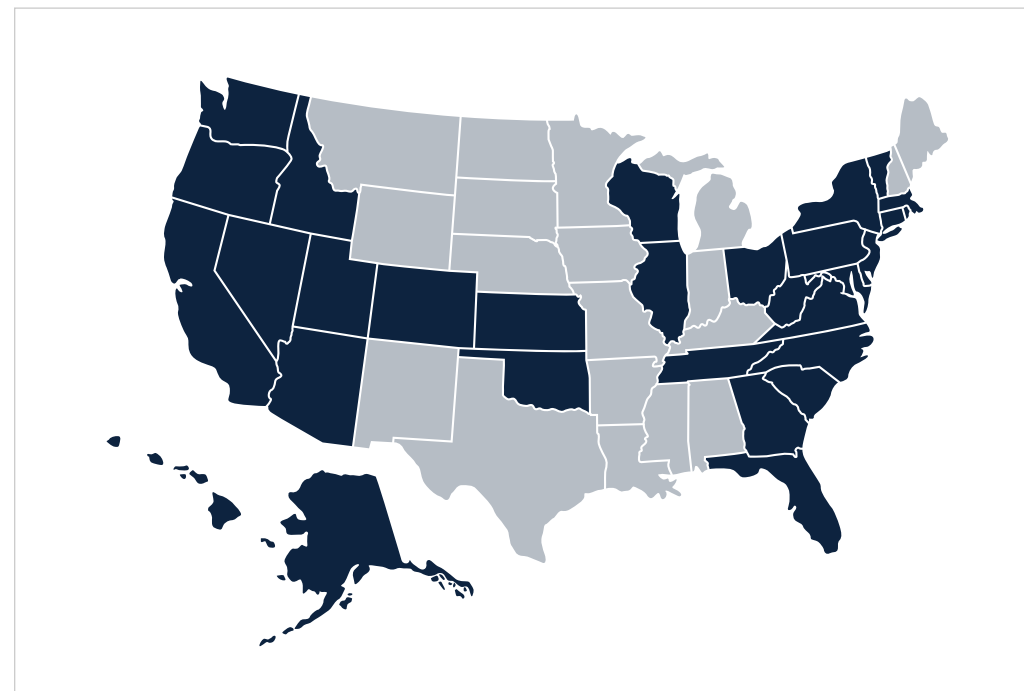
Envoy Solutions

In 2021, FEMSA took several key steps on our long-term strategic path to building and consolidating a leading specialized distribution platform in the United States that will best serve the needs of our customers. Envoy Solutions is our diversified distribution subsidiary that includes the legacy operations of North American Corporation,

WAXIE Sanitary Supply, Southeastern Paper Group, Daycon, Penn Jersey Paper, North Woods, Johnston, Next-Gen, Swish White River, Weiss Bros., General Chemical, Valley Janitor Supply Company, and Bio-Shine. With this series of acquisitions, we continued to consolidate our footprint across key regions of the U.S. and began to solidify our national presence. Now with 50 distribution centers and more than 200,000 locations served, our strengths, capabilities, and geographic footprint are positioning Envoy Solutions as the premier specialty distribution platform in the United States.

We are working to integrate all recent acquisitions into a single business model, leveraging a consistent "winning formula" management approach across all entities to reinforce the collaboration of our national team and exemplify one, unified Envoy Solutions culture. This integrated approach, which differentiates us from our competitors, will allow us to leverage our scale and best practices, share knowledge, and cross-collaborate among regions, serving our customers in the most effective way.

Presence in the United States



With **50 distribution centers and more than 200,000 locations served**, Envoy Solutions is the premier specialty distribution platform in the United States.



During 2021, the specialized distribution business continued to feel the impacts of the pandemic, balancing positive dynamics in several markets with some end-user segments in the U.S. that continue to operate below 2019 levels, such as facility supplies, hospitality, and office buildings that continue to operate at low capacity. In response, Envoy Solutions took the opportunity to leverage and expand adjacent capabilities to continue serving our customers. As we did at the beginning of the pandemic in distributing gloves, gowns, and masks, in 2021 we increased our volumes and offerings for food service delivery needs, including disposable food packaging solutions for home deliveries, as well as other packaging products.

For more information, please visit <https://www.envoyolutions.com>

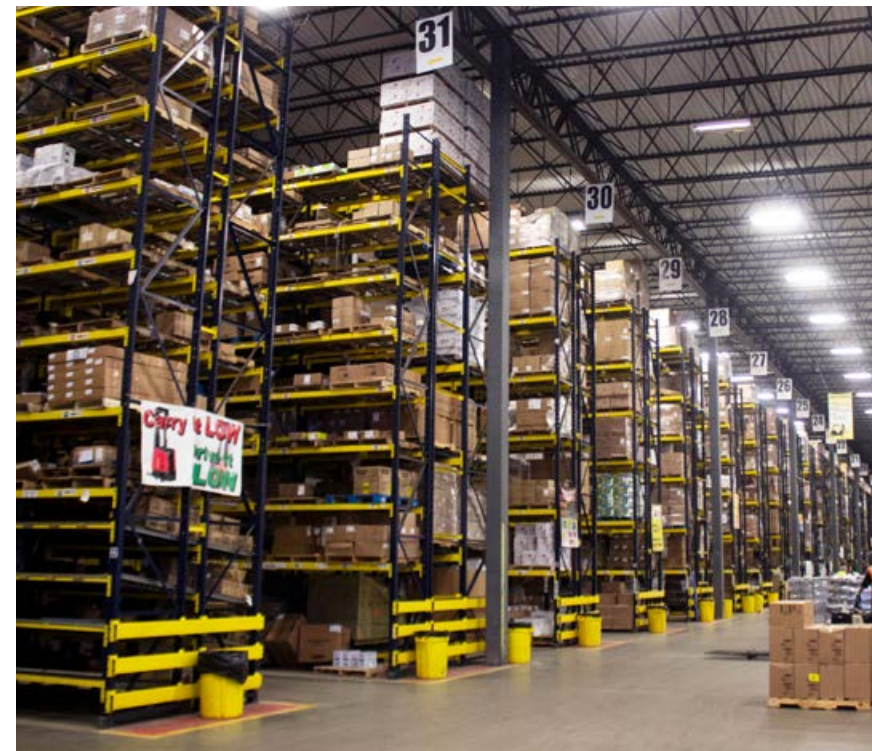
Solistica

Solistica is a leading third-party logistics (3PL) solution provider for Latin America, serving more than 4,000 customers in seven countries across diverse

industries, such as: pharmaceuticals, automotive, technology, and consumer goods. Our more than 22,000 employees offer comprehensive solutions in three areas of expertise: Transportation, Warehousing, and Other Value-Added Services. Approximately 60% of our business is made up of the services we provide to companies outside of FEMSA.

Solistica continues to advance our vision of being the preferred 3PL partner in Latin America, recognized for our regional expertise and innovative solutions, and for consistently exceeding customer expectations. We continue to advance this vision by leveraging expert talent in the region and consolidating our capabilities and infrastructure.

By leveraging our synergies and scale, this year we further unified our capabilities to significantly enhance our customer value proposition in the Latin America region. Building on our recent expansion in both warehousing and distribution capabilities in Brazil, we are the first fully integrated 3PL solution provider in the Brazilian market.



Approximately 60% of Solistica's business is made up of the services we provide to companies outside of FEMSA.

Culture Model

As Solistica has transformed, our culture has also evolved, and in 2021, we developed a new Culture Model reflecting our five most important business values that are in the center of everything that we do: accountability; integrity; customer centricity; agility; and passion to winning together.

With a focus on becoming more aware of the expected and potentially unexpected behaviors associated with each of these five values, we developed Culture Rituals focused on aligning the understanding of each of the five values based on significant learning experiences. These were shared with employees through trainings, evaluations, and other engagement activities, reaching 10,000 collaborators, thanks to the support and commitment of more than 400 strategic and tactical leaders deploying the sessions.

In alignment with the value of customer centricity, our brand promise seeks to not only meet but exceed the expectations of our customers and to be dedicated to our customers' business. We launched the brand campaign, "Solistica, quality from dawn to dusk," as a unifying communication strategy in all regions that allows us to highlight our 3PL services.

For more information, please visit <https://solistica.com/en/>

Solistica Culture Model



Food Service Solutions

FEMSA Negocios Estratégicos also include a group of companies focused on providing solutions in food service equipment, commercial refrigeration, materials handling, and integral services at the point of sale. These operations serve markets across Latin America and beyond, through AlPunto Food Service (Torrey and Cooking Depot), AlPunto (Imbera-REPARE) and PTM. With our five manufacturing plants, eight distribution warehouses and 13 retail stores, we distribute high-quality products in 50 countries across five continents.

ALPUNTO Food Service

Torrey and Cooking Depot manufacture and market equipment to process, weigh, and preserve food and beverages. We understand the needs of our users and develop profitable solutions for them with the best functionality. In 2021, we delivered strong results and managed to gain market share. The food service business faced significant supply chain challenges throughout the year, but we offset the impacts we faced on supplies, transportation, and shipping costs through price management and operational efficiencies.

- **Torrey:** Since 1960, Torrey has utilized an extensive distributor network to deliver high-quality food processing, preservation, and weighing equipment for butcheries, small retailers, supermarkets, convenience stores, hotels, and restaurants in more than 50 countries worldwide.
- **Cooking Depot:** For 50 years, Cooking Depot has been meeting the kitchen equipment and accessory needs of the market's points of sale and consumption centers through continuous innovation in service and by making hundreds of useful products available to its customers.

[🔗 Learn More](#)



With our **five manufacturing plants, eight distribution warehouses and 13 retail stores**, we distribute high-quality products in **50 countries** across **five continents**.



ALPUNTO

- 🔗 **Imbera-REPARE:** As the world leader in the commercial refrigeration industry, Imbera-REPARE's more than 4,500 employees export equipment to 60+ countries from three production facilities in Brazil, Colombia, and Mexico. Through innovation and high-performance engineering capabilities, Imbera has enabled faster, smarter, and more sustainable products and service solutions. REPARE is the largest purveyor of comprehensive maintenance and sale of parts services in the Americas. It provides maintenance and installation services for Imbera, Torrey, Coca-Cola FEMSA, OXXO and various other clients in the industry. Our REPARE facility recovers, repairs, redesigns, reuses, or recycles up to 99% of the interior parts of refrigerators at their end of life.

Imbera's refrigerators consume 85% less energy than 2009 models did (thanks to upgrades such as energy efficient LED interior lighting) and by 2025 we aim to reduce an additional 50% from where we are today. Accelerating the transition to the circular economy, Imbera is committed to supporting steps for the responsible disposal of manufactured equipment, and Imbera's coolers use R290 refrigerant, which has a low environmental impact. In 2021, we grew our capabilities by 35% for the responsible final disposal and recycling of coolers. Looking ahead, we will continue capturing new opportunities to increase our market share, such as expanding our investments in the Coca-Cola System, consolidating the outsourced manufacturing ("maquila") segment for the U.S., and growing in the micro market retail industry through technology. We will also capture new opportunities through product development, including developing a new stainless-steel line of refrigerators.

Imbera-REPARE's more than **4,500 employees** export equipment to **+60 countries** from three production facilities in Brazil, Colombia, and Mexico.



- 🔗 **Plásticos Técnicos Mexicanos (PTM):** Through its high-performance engineering and recycling capabilities, PTM's more than 1,000 employees design and manufacture plastic transformation projects tailored to each customer in support of their operational and marketing strategies for materials handling, food, beverages, and automotive. Its facilities include modern production capacity for processes such as injection, thermoforming, extrusion, and blow molding. PTM's business model, products and services address the waste challenge and promote the principles of the circular economy.

In 2021, PTM achieved strong financial results. In most verticals, except for automotive, we are continuing to develop new sources of materials through recycling, to help compensate for scarcity of supplies in the market. During the year we recovered more than 45,000 tons of plastic resins and recycled more than 34,000 tons of plastic (including automotive operations) – reflecting the highest annual volumes processed to date. In addition, 80% of PTM's products — including plastic pallets and plastic crates, among others — were made from recycled materials in 2021. Looking ahead, we will continue to increase our capabilities for recycling and recycled raw materials, as well as increase our participation in the materials handling industry (i.e., pallets).



Through its high-performance engineering and recycling capabilities, PTM's more than **1,000 employees** design and manufacture plastic transformation projects.



13 tons
of waste were collected
in Tulum, Mexico
through the "Puntos
Limpios" program

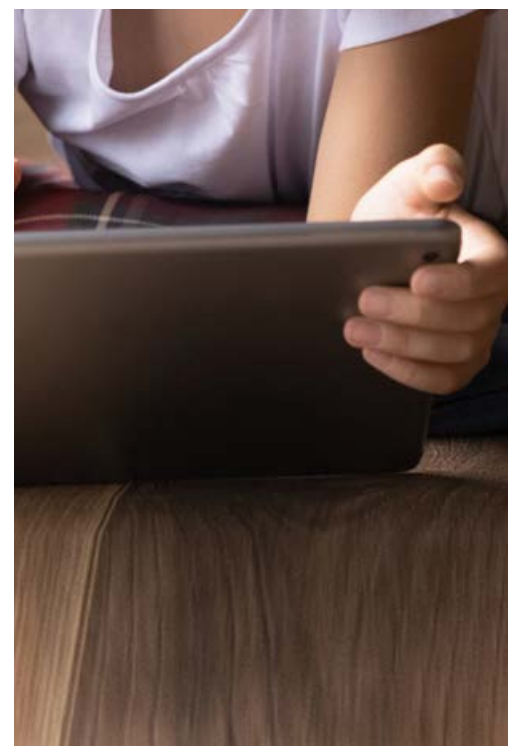


We launched the
Caravana radiofónica
podcast to share the stories
of migrant families and children
in their own voices as part of
"Puerto Abierto" initiative



Fundación FEMSA

Fundación FEMSA was created in 2008 on the premise that a sustainable company can only exist with sustainable communities. Today, it is an important part of the way FEMSA creates value by making a positive difference.



+US\$ 240,000
invested in enabling public
spaces with a childhood
perspective in five countries



Created in 2008, the mission of the Fundación FEMSA* is to make social investments that will have a positive impact on people's lives and to build more solid and sustainable communities where we operate. This includes our purpose of combating systemic problems today for the health and prosperity of future generations. In 2021, we advanced the four pillars of the Fundación FEMSA's long-term impact agenda: Water Security, Circular Economy, Early Childhood, and the Arts & Culture, which contributes to FEMSA's Sustainability Strategy.

Water Security

Our actions in support of water security for the communities where we operate include expanding sustainable access to safe water, improving sanitation conditions, and strengthening watershed conservation through applied scientific research. Programs include:

- **Fondos de Agua.** First launched in 2011, Fundación FEMSA co-founded the **Latin American Water Funds Partnership (LAWFP)**, an agreement to

contribute to water security in Latin America and the Caribbean through the creation and strengthening of Water Funds – coalitions of organizations that promote water security through stakeholder engagement, informed decision-making, and responsible governance. To date, 26 Water Funds have been launched in ten Latin American countries.

Each Water Fund has a strategic plan that focuses on the dynamic needs of the location and related water security situation. Pilot programs help to execute on those strategies and identify innovative solutions. In 2021, through the **Fondo Ambiental Metropolitano de Monterrey** (FAMM, by its Spanish acronym), we launched a pilot to change the culture of water management in local communities through citizen activations, including high school students. This approach is expected to be replicated in more locations in the state and in others where Funds are installed.



In 2021, through the **Fondo Ambiental Metropolitano de Monterrey**, we launched a pilot to change the culture of water management in local communities.

* Fundación FEMSA is made up of two organizations that share the same purpose: Difusión y Fomento Cultural, A.C. and Fundación FEMSA A.C.

In partnership with [Agua Capital](#), we also developed a series of projects aligned with our strategy to achieve water security in Mexico City, including one in which 100 rainwater harvesting systems were installed across the city, benefiting more than 600 people.

- **Lazos de Agua.** In partnership with the Inter-American Development Bank, The Coca-Cola Foundation, One Drop, and the Cirque du Soleil Foundation, this program focuses on promoting behavior change toward embracing water care and hygiene practices through social awareness and art interventions based on traditions and customs of communities in Colombia, Guatemala, Mexico, Nicaragua, and Paraguay. As of 2021, we have supported the access of nearly 150,000 people to water and sanitation services, and more than 195,000 have participated in “Social Art for Behavior Change” activities.

To assess the progress, scope, and impact of this complex program, in 2021 we employed multiple new quantitative and qualitative tracking methods – from observational surveys of households and water utility service providers to a software-based research tool that captures insights from storytelling. These inputs confirmed that the Social Art for Behavior Change interventions have already resulted in significant increases in handwashing, prioritizing the payment of fees for local water services, and safe storage of drinking water in homes.

To listen to some of the most compelling stories of the role of water in Latin America, tune into the *Lazos de Agua* podcast, *Entre dos aguas*, on [Spotify](#) or other podcast applications.



As of 2021, we have supported the access of nearly 150,000 people to water and sanitation services, and approximately 195,000 have participated in “Social Art for Behavior Change” activities.



- Collaboration on water security & COVID-19.** In 2021 we worked with the United Nations Development Program, [Ayuda en Acción](#), Fundación Zurich, Rotoplas S.A. de C.V. and the government of the Mexican state of Morelos to improve access to water and sanitation services for rural and indigenous communities in areas of water risk, specifically eight central and southeastern states of Mexico impacted by COVID-19. The vision of this collaboration is to strengthen local governance and community water management through participatory planning and the development of local technical and functional capacities that encourage resiliency, recovery, and local economic reactivation following the impacts of the pandemic. Toward this end, the initiative supported actions of reforestation and watershed conservation that reinforced local water supplies and recharge areas, thereby strengthening water security, and reducing conditions of vulnerability for more than 6,000 families.

We collaborated with **Ayuda en Acción** to **improve access to water and sanitation services for rural and indigenous communities** in areas of water risk, specifically eight central and southeastern states of Mexico impacted by COVID-19.



Through [Ayuda en Acción](#), the local water supply and recharge areas were reinforced, strengthening water security and reducing the conditions of vulnerability of more than 6,000 families.

Circular Economy

In support of the circular economy, we focus on understanding how we can stop the post-consumption leakage of waste into the environment by identifying solutions that support a clean and healthy environment for current and future generations.

- Circularity Assessment Protocol (CAP).** In 2021, Fundación FEMSA undertook a series of studies to gain a greater understanding of the current state of waste disposal in five cities in Mexico. Using the CAP developed by the Circularity Informatics Laboratory at the University of Georgia in the United States, the model provides data for local, regional, or national authorities to help reduce the leakage of single-use plastics and other waste into the environment, while increasing opportunities for improved circular materials management. We are using the insights to help inform our strategies in this area and, as a next step, we will also share the data and results from the study with policymakers to encourage public interventions that support the shift towards a circular economy.

- Puntos Limpios.** To reduce waste generation and increase material recovery rates in Tulum, Quintana Roo, Mexico, we launched Puntos Limpios in 2021. By including the community as part of the solution, this initiative promotes environmental education, encourages waste separation at the source, and expands the capacities of waste collectors to help prevent waste leakage into the environment or the landfill. In alliance with strategic partners, including Sustainable Tulum, TETRAPAK, and the Coca-Cola Foundation, among others; in 2021, the program installed nine collection modules, achieving a collection of more than 13 tons of waste, we have trained more than 1,700 homes in the community with this program, as well as dissemination through social networks and local media. Following this pilot program, we hope to replicate this initiative in other states in Mexico as well.



In 2021, Fundación FEMSA undertook a series of studies to gain a greater understanding of the current state of **waste disposal** in five cities in Mexico.

- **#SinDesperdicio.** Approximately 127 million tons of food are lost and wasted every year in Latin America and the Caribbean, despite being a region where 42 million people suffer from hunger. First launched in 2018, #SinDesperdicio is a platform of non-profit, corporate, and advisory partners – including the Inter-American Development Bank, Nestlé, Grupo Bimbo, The Global Food Banking Network, Dow, World Resources Institute, OXXO, IBM, and Food and Agriculture Organization of the United Nations - committed to reducing regional food waste through innovation, public policy changes, knowledge sharing, and the promotion of sustainable behaviors. Directly supporting the twelfth U.N. Sustainable Development Goal, “Responsible Consumption and Production,” the program grants seed capital and personalized incubation opportunities to social entrepreneurs that present the most viable solutions.

Since its creation, more than 500 startups have participated in innovation initiatives, specifically in

waste and loss of food. During 2020, 12 projects benefited from seed capital to implement their innovative solutions to this pressing challenge, closing the first stage in 2021. We hope to further amplify scope of this platform in 2022. [🔗 Learn more.](#)

- **Expanding Waste Recycling in South America.** In collaboration with the Inclusive Waste Recycling Consortium (iWrc), we launched the first pilot program of a new initiative to strengthen the informal sector of waste recycling in Brazil and Colombia by setting up a socially responsible network of cooperatives that are now digitally connected through an online platform that allows the tracking and purchasing of certified recycled materials for their reinsertion into the market. We secured the participation of several large multinational companies to buy recycled materials for their supply chains, which benefits the cooperative network and its more than 2,000 members.



We closed the first stage of #SinDesperdicio, having engaged more than **500 startups and benefiting 12 projects** with seed capital to implement their innovative solutions to food loss and waste.



Early Childhood

At Fundación FEMSA, our vision is for all children to achieve their maximum developmental potential and transform their communities. To nurture crucial life skills – and help overcome inequality or other gaps arising from living environments – we invest in the physical, cognitive, linguistic, and socio-emotional development of Latin American youth, particularly early childhood from gestation through age five. It is in these first stages of life that children’s brains grow and develop at tremendous speed – making more than a million new neural connections per second – representing a vital foundation not only for health and wellbeing, but for the social and emotional capacities that will last them a lifetime.

Our strategy is focused on nurturing three primary areas: Care, Communities, and Policies.

Nurturing Care

Through unique educational tools, content, training, and support services, we seek to strengthen early childhood development by building socio-emotional skills and competencies for parents, caregivers, and children.

For the last four years, we have supported *¡Listos a Jugar!*, a cross-platform educational program – created by Sesame Workshop in collaboration with Fundación FEMSA and other partners – to promote healthy habits in preschool children related to eating, playing, and personal care. The program uses technology to bring useful content to children in 13 Latin American countries through episodes and songs starring Sesame Street characters. In 2021, in cooperation with our network of regional allies, we focused on strengthening the program’s community component within educational and childcare centers by launching a new module to support social-emotional skills and positive parenting. Bringing together more than 30 experts from four countries, we created a new awareness campaign that reached five million people, including 150 educational centers, 750 educators, and 15,000 children and their families.



We created a new awareness campaign that reached **five million people**, including **150 educational centers, 750 educators, and 15,000 children and their families.**

Caring in an Ongoing Pandemic

Stretching into a second year, the global health crisis has continued to bring incredible challenges for millions of families, caregivers, and schools around the world. From social isolation stemming from school closures to ensuring safe returns to classrooms, Fundación FEMSA has endeavored to extend nurturing care to the people and institutions responsible for the wellbeing of children impacted by the pandemic.

- #PotencialParaTransformar.** In alliance with United Way, Fundación FEMSA worked in Colombia, Chile, Brazil, and Costa Rica in 2021 to provide socio-emotional and technological support to parents, educators, and caregivers of children struggling with pandemic-related isolation and related challenges at home, such as lack of internet access. The program, customized by country, was launched through the communities of 67 educational institutions, reaching more than 33,000 families. In Colombia, the “Socio-emotional Learning Route” program was created; in Chile, “Educational Communities: Support for Health & Emotional Management in Crisis Situations;” in Brazil, “*Crescer Aprendendo*” offered digital content and guidance for accessing hygiene and food supplies; and in Costa Rica, 50 companies were impacted or involved in the early childhood topic and a research project on the subject was developed.
- Safe Returns to Classrooms.** As some facilities prepared to reopen their doors in 2021, Fundación FEMSA sponsored multiple projects prioritizing safety and the emotional health of educators, including by strengthening their capacities to identify and follow-up on unsafe environments. In October, Fundación FEMSA and a network of organizations joined forces with community NGO, ENSAMBLE, and early childhood specialists, Proyecto DEI, to provide guidance to more than 4,600 caregivers of the Mexican Institute of Social Security (or IMSS by its Spanish acronym), which offers daycare for children of working mothers covered by social security. Through a two-week online training and networking platform, IMSS nursery staff were equipped with practical tools and emotional support to safely prepare for the re-opening of childcare centers in Mexico.



Continues on next page

Caring in an Ongoing Pandemic *Continued from previous page*

- **ChildTech Challenge.** With the pandemic exacerbating lags in education and exposure to online toxicity, Fundación FEMSA, in alliance with other partners, joined with social innovation platform, [Impactus Ventures](#), to launch the ChildTech Challenge in July 2021 – a call to social entrepreneurs for high-impact technological solutions aimed at stimulating mental wellbeing and cognitive development in youth. Winners each received US\$ 30,000 to launch a new program in Chile, with the idea to scale to other countries in the region. From among more than 100 startups answering the call, the first two winners were announced in October:
 - [BRAVE UP!](#) was recognized for the success of their digital platform in detecting bullying and cyberbullying in schools. Their mobile app and website increase communication, identify risks, and generate real-time data to support responsive strategies that improve the safe coexistence of schools and the digital world.
 - [Afinidata](#) was recognized for their early childhood education platform that uses artificial intelligence and a chatbot to deliver relevant content and guidance to parents through their existing social networks. Using this model, the new program in Chile will support the cognitive development of 1,700 children under the age of six.



Nurturing Communities

We recognize that the environments in which children develop not only influence their own growth and development, but also impact the surrounding communities and society at large. Through this lens, we focus on promoting healthy, sustainable, and stimulating public spaces where children can feel safe and spend quality family time.

Tactical implementations allow us to bring improvements in public spaces to communities with an early childhood perspective, and in 2021 we benefited more than 22,000 people through seven interventions in Guatemala, Colombia, Chile, and Mexico. For example:

- We partnered with [Urban 95](#), specialists in urban planning for early childhood, and other organizations in Latin America to begin creating a regional platform in Colombia, Guatemala, and Chile for greener, safer public spaces that encourage safe and educational playtime outside, particularly important to combat pandemic-related isolation indoors.
- In partnership with Glasswing International, Fundación FEMSA has committed to contributing to the quality of life of children and families. Wellness kits were delivered with the aim of reducing stress levels caused by the pandemic and improving interactions between caregivers and children. This year, a public space with a childhood perspective was enabled in each of the countries, with an investment of more than US\$ 240,000. The objective of the adaptation and rescue of this public space is to contribute to the quality of life of the inhabitants of Mexico, Guatemala, Panama, Costa Rica, and Nicaragua, benefiting more than 22,000 people directly and indirectly.
- Together with Movimiento de Activación Ciudadana AC, Hello Cities, Government of Monterrey, Government of San Nicolás, Government of Santa Catarina, Campana-Altamira Initiative, Fomento Plexippu, and The Home Depot, we took steps to implement several "Tactical Urbanism" initiatives in support of early childhood in Monterrey, Santa Catarina, and San Nicolás, Nuevo León that are benefiting more than 13,000 people. Interventions included enhancing community safety at street crossings and using residual spaces to create areas for community participation and recreational modules.

With the intention of generating systemic change, we are focused on growing and stimulating a community of multisectoral leaders in Latin American cities with the tools they need to promote public spaces for early childhood. Together with the [C+LAB](#), an initiative of the Tecnológico de Monterrey, we organized a cycle of interactive dialogues, produced an evidence-based guide of recommendations on the optimal design of public spaces for children and families in the context of vulnerability, and produced a catalog of ideas with concrete examples of interventions in public spaces with a focus on children. Through these initiatives, we have reached more than 2,000 people from multiple countries, including the United States, Canada, El Salvador, Guatemala, Colombia, Peru, Brazil, Chile, Poland, and Spain.

In 2021 we benefited more than 22,000 people through seven interventions in Guatemala, Colombia, Chile, and Mexico.



Nurturing Policies

To position early childhood on both public and private sector agendas in Latin America in a more visible way, we promote the understanding, awareness, and mobilization of both sectors through policies that put children at the center of society. For example:

- In Brazil, together with partners, we launched the **Early Childhood Guide for Business** as an interactive platform with more than 600 actions and policies for the private sector to incorporate early childhood development considerations into corporate strategies. The initiative aims to promote the role of companies as agents of early childhood transformation, in alignment with the private sector’s strategic focus on diversity, equity, and inclusion. As of year-end 2021, more than 112 companies had registered for the Guide, and almost 4,000 people participated in digital events that we co-hosted with our partners during the year.
- We continued to work closely with the *Consejo Coordinador Empresarial* (CCE or Business Coordinating

Council of Mexico) this year – the highest representative body of the private sector in the country – to bring expanded private sector awareness around early childhood issues. In 2021, the Fundación FEMSA founded and launched the CCE Early Childhood Subcommittee, whose membership now includes more than 33 committed companies and 1,500 private leaders trained and organizations that actively recognize early childhood as a strategic pathway for national competitiveness and productivity in Mexico.

- In collaboration with **La Triada** – an alliance between Pontificia Universidad Católica de Chile, Tecnológico de Monterrey, and Universidad de los Andes to achieve a prosperous future for all Latin Americans – we co-organized four collaborative virtual forums between September and December 2021 to discuss the issue of early childhood as a priority in combating inequality and poverty in the region. Through these online engagements, we reached more than 72,000 people from Mexico, Colombia, and Chile.

ESG

ENVIRONMENTAL SOCIAL GOVERNANCE

Responsabilidade Social na Prática

ESG E A PRIMEIRA INFÂNCIA

24 DE JUNHO
DAS 18H30 ÀS 19H45

Realização: **FIESP CIESP** **United Way** **Bernard van Leer** **Fundação Maria Cealila Souto Vidigal** **FUNDACIÓN FEMSA**



WEBINAR:
ADVERSIDAD TEMPRANA Y BIENESTAR INFANTIL. DESAFÍOS PARA CHILE Y AMÉRICA LATINA

En esta sesión conversaremos acerca del impacto que tiene la adversidad temprana y el abuso infantil en la salud física y psíquica a lo largo de la vida, y así avanzar en estrategias de prevención y reparación.

EXPOSITORES:	PANELISTAS:	30 DE NOVIEMBRE 2021
José Andrés Murillo Experiencias adversas tempranas. Prevalencia e impacto	Enrique Tamés Tecnológico de Monterrey	2:00 PM - 3:30 PM (MEXICO)
James Hamilton Epigenética: las huellas biológicas de la adversidad temprana y su posible reversibilidad	Juliete Rodríguez Tecnológico de Monterrey	3:00 PM - 4:30 PM (COLOMBIA)
M. Pia Santelices Transmisión intergeneracional del trauma temprano	Ana Lucía Jaramillo Universidad de los Andes	5:00 PM - 6:30 PM (CHILE)
Samuel Fernández Condiciones institucionales del abuso escolar	Karen Ripoll Universidad de los Andes	

TRANSMISIÓN POR: **TEC** **live.tec.mx**

PRIMEIRA INFANCIA **FUNDACIÓN FEMSA** **LA TRIADA** **CUIDA**

As of year-end 2021, more than 112 companies had registered for the Early Childhood Guide for Business, and almost 4,000 people participated in digital events.

Arts & Culture

A fourth area of focus for the Fundación FEMSA is to engage communities and catalyze social change through art, including sponsoring unique sensory experiences and thought-provoking dialogues. Our Arts & Culture program has three clear objectives:

- To strengthen the art ecosystem in Latin America.
- To promote empathy, understanding, and emotional recognition of the experiences of others through art.
- To expand the enjoyment of art without barriers, making it inclusive and accessible.

Strengthening the Art Ecosystem

For more than 40 years, the FEMSA Collection has sought to promote the cultural and artistic appreciation of modern and contemporary artistic production in Latin America during the twentieth and twenty-first centuries. The Collection comprises 1,387 works from 785 artists, which FEMSA shares with diverse communities through exhibitions, a loan program, and multiple cultural activities.

Similarly, for nearly 30 years, the FEMSA Biennial has served as a vehicle to recognize, strengthen, stimulate, and disseminate artistic talent and visual creation across Mexico through a traveling platform of educational events and cultural exhibitions. The XIV edition which ran from October 2020 to April 2021 in five locations in the state of Michoacan, Mexico, reached more than 3,800 people from Mexico, Colombia, and the United States. Among its activities are the educational, public, and editorial program, as well as talks in collaboration with strategic partners.



In October 2021, the Fundación FEMSA, Coca-Cola FEMSA and OXXO sponsored the 49th edition of the International Cervantino Festival, which will run through April 2022. Two exhibitions from the FEMSA Collection were presented in hybrid format to promote a dialogue on the identities of artists across different generations.

Promoting Empathy through the Experiences of Others

In 2021, Fundación FEMSA continued to support and expand *Puerto Abierto*, a series of community programs aimed at using artistry and creativity to build bridges of collaboration with the families of migrants and refugees living in Monterrey, Nuevo León, Mexico. For example, on Nuevo León Heritage Day in March 2021, the FEMSA Collection presented the talk, *Escribir las Fronteras* (Writing the Borders), featuring migrant testimonies and remarks from four experts on migratory flow, each emphasizing in their own way the intangible heritage shared by the migrant community.

In another extension of the *Puerto Abierto* initiative, in August 2021 Fundación FEMSA launched the *Caravana radiofónica* podcast on [Spotify](#), Apple and Google platforms to share the stories of migrant families and children in their own voices. Across seven episodes, testimonies of personal experience promote greater connections of community understanding, awareness, and empathy.

The Art & Science of Migratory Geology

In November 2021, Fundación FEMSA and DistritoTec opened *Geologías Migratorias*, a project combining the art of migratory mobility with the science of geological knowledge. Presented in two spaces at the Tecnológico de Monterrey through 2022, the installation considers the notions of body, territory, time, and movement as a bridge between the human transitory experience and planet Earth. Preparations and workshops with the artist entailed carrying out expeditions to the mountains of Nuevo León to explore the soil and rocks from different geological eras while questioning the existence of geopolitical borders. Through these explorations, the artist worked with migrants to help them understand how geology can provide a sense of connection and home in a new territory.

[Learn more](#)



Art Without Barriers: Expanding Inclusivity & Accessibility

Finally, at the Fundación FEMSA, we strongly believe in the power of art to transform, triggering new emotions, reflections, and mindsets capable of spurring change. In early 2021, with DistritoTec, we presented the open-air exhibition, *Los Otros Lados*, as a way to bring the stories of migrants to life. An extension of the *Puerto Abierto* program, the exhibition featured photographs and quotes from the point of view of migrants, conveying a message that contemporary migration is a phenomenon without a single origin or single destination.

Later in the year, Fundación FEMSA and the FEMSA Collection again collaborated with DistritoTec to present another open-air, interactive exhibition, *Caminamos imaginando otros mundos*. On display from May through September 2021, the project helped make visible the local neighbors who coexist in the same space, including migrants, reminding us that there are more things that unite us than separate us.

With DistritoTec, we presented the open-air exhibition, **Los Otros Lados**, as a way to bring the stories of migrants to life.



GOVERNANCE

At FEMSA, we understand that robust [governance](#) is vital to ensure the responsible management and operation of our business, as well as to achieve long-term value generation by aligning and driving both economic and social performance, while ensuring accountability and building legitimacy with all stakeholders.

We view governance – and the importance of our ethics and values – as the foundation of our strategic sustainability framework, upon which the pillars of Our People, Our Community, and Our Planet, are built. Our governance efforts are aligned with four U.N. Sustainable Development Goals and cover three priority topics: Corporate Responsibility, Ethical & Socially Responsible Behavior, and Fiduciary Responsibility.

Our corporate practices comply with the laws of all countries where we operate. As a publicly listed company in the Mexican Stock Exchange and the New York Stock Exchange, we also

comply with all applicable standards, rules, and regulations in Mexico and the United States, including the Mexican Securities Market Law and the U.S. Sarbanes-Oxley Act, as applicable for foreign issuers. Additionally, we observe the recommendations of the Code of Best Corporate Practices of the Business Coordinating Council (*Consejo Coordinador Empresarial*).

Corporate Responsibility

To advance our commitment to Corporate Responsibility, we focus on transparency in our disclosures, ensuring that our shareholders have the information they need to regularly monitor and assess the Company's performance. Through annual financial and non-financial reporting – including adherence to leading sustainability reporting frameworks (see [2021 Sustainability Report](#)) and the expectations of our membership in the United Nations Global Compact – we utilize multiple engagement mechanisms to maintain open communication with our stakeholders.

We recognize that the individuals and structures that execute on our governance priorities have a strong influence on the quality of oversight and decisions made for the generation of economic and social value.



We strive to incorporate sustainability at every level, starting with the Board of Directors, who are responsible for directing corporate strategy and defining and supervising the implementation of the Company's vision and values. FEMSA's sustainability team, headed by the Chief Executive Officer of FEMSA Negocios Estratégicos (who reports directly to the CEO and is a member of our Board of Directors), oversees the integration of sustainability into all of FEMSA's business units through specific policies and processes, and supervises sustainability performance and targets. The sustainability team is responsible for formulating, developing, implementing, and monitoring sustainability policies, and reporting the results thereunder.

Our boards, committees, and governing bodies are periodically evaluated for their performance and compliance with corporate governance best practices in terms of structure, diversity, experience, and operation, among other criteria. This includes transparently evaluating the compensation structures of our key executives.

During 2021, the Board of Directors was composed of 18 directors, of which 78% were men and 22% were women, assisted by one Secretary (non-member) and one Alternate Secretary (non-member). In accordance with our bylaws and the Mexican Securities Law, at least 25% of the members of our Board of Directors are independent. Directors are appointed for a term of one year and are eligible for re-election after the completion of their term in office. The By-Laws of the Company provide that the holders of the FEMSA B Shares may elect at least eleven Directors and the holders of the FEMSA D Shares may elect five Directors.

Ethical & Socially Responsible Behavior

To advance ethical and socially responsible behavior across our organization, we focus on building a culture of ethics and legality, expanding risk management practices, and strengthening sustainability management.

Our [Code of Ethics](#) ("the Code") – which is reviewed annually – forms the basis of our corporate behavior and the foundation of our policies, guidelines,



To advance **ethical and socially responsible** behavior across our organization, we focus on building a culture of ethics and legality, expanding risk management practices, and strengthening sustainability management.

and procedures for responsible business conduct. The Code establishes the fundamental principles and standards that guide our ethical behavior in relation to our shareholders, customers, suppliers, authorities, civil society organizations, the environment, communities, and everyone who interacts with FEMSA. It also indicates the steps to follow for reporting any breach, conduct, or practice that does not comply with the Code and the rest of our corporate guidelines. The Code, approved by the Board of Directors, applies to members of the Board and employees in all the countries where we operate.

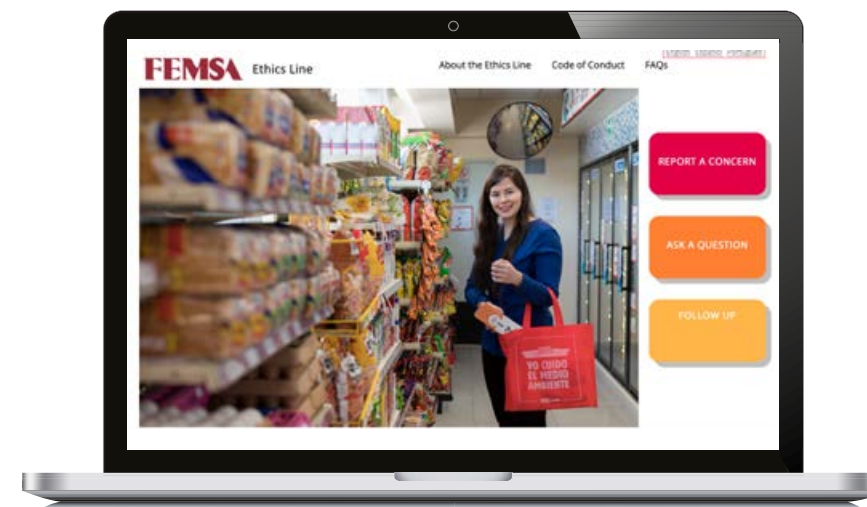
Similarly, FEMSA's [Supplier Guiding Principles](#) contains the minimum expectations that we require of our suppliers in the areas of human and labor rights, sustainability, lawful culture, and information security. It is the supplier's responsibility, in its relationship with FEMSA, to adopt the necessary methods and practices to comply with our Supplier Guiding Principles.

To support risk management, we utilize risk matrices and other tools and processes to identify and manage economic, environmental, and social risks to which our businesses and brands may be exposed. We have also set up processes, forums, and governing bodies dedicated to defining, managing, and promoting the FEMSA Sustainability Strategy.

In addition to our Code of Ethics, we have a set of policies – including our [Human and Labor Rights Corporate Policy](#); [Sustainability Corporate Policy](#); [Environment Corporate Policy](#); [Community Commitment Corporate Policy](#); and [Anti-corruption Corporate Policy](#) – that comprise an essential part of our corporate governance program. These mandatory policies establish the guidelines that all employees are expected to follow as part of FEMSA's culture of respect, honesty, and integrity. To comply with these policies, we have established the required internal controls to prevent, identify, investigate, sanction, and remedy any risks of violation.

FEMSA Ethics Line

In accordance with the provisions set forth in our Code of Ethics and other corporate policies, we maintain a grievance / whistleblower system for employees and stakeholders to report complaints, concerns, make suggestions, or seek advice. Topics shared may relate to potential Code of Ethics violations, the law or other inappropriate conduct or risks related to corruption, privacy, or human rights. Available 24 hours a day, every day, an independent party manages our ethics line. This system offers our stakeholders three confidential, anonymous communication channels: phone, [website](#), or e-mail. In 2021, 4,264 reports were received and reviewed, of which 82% were resolved in the same calendar year. Among other areas, the reports related to work environment, operations, and financial information.



Fiduciary Responsibility

As part of our responsibility to our shareholders, we disclose the Company's financial and non-financial results on a timely basis, in line with regulatory requirements and expectations. We also work with independent, third-party assurance providers to audit our financial results and verify our sustainability results in accordance with current standards.

We also focus on achieving sustainable capital allocation by ensuring that our investments are aligned with FEMSA's Sustainability Strategy and that they take into consideration material environmental, social, and governance risks and opportunities.

Finally, in support of information and data security, we have robust policies, structures, tools, and management processes in place to guarantee the protection of the Company's information.



Board of Directors

Series B Directors

José Antonio Fernández Carbajal ^C

Executive Chairman of the Board of FEMSA
Director since 1984 and Executive
Chairman since 2014
Alternate: Federico Reyes García ^{C, I}

Javier Gerardo Astaburuaga Sanjines ^C

Independent consultant
Since 2017

Bárbara Garza Lagüera Gonda

Private investor and president of the
acquisitions committee of the FEMSA
Collection
Since 2002
Alternate: Paulina Garza Lagüera Gonda

Mariana Garza Lagüera Gonda

Private investor
Since 2005

José Fernando Calderón Rojas

Chief Executive Officer and chairman of the
Board of Directors of Franca Servicios, S.A. de
C.V., Servicios Administrativos de Monterrey,
S.A. de C.V., Regio Franca, S.A. de C.V., and
Franca Industrias, S.A. de C.V.
Since 1984
Alternate: Francisco José Calderón Rojas

Alfonso Garza Garza

Chief Executive Officer of
FEMSA Negocios Estratégicos
Since 2016
Alternate: Juan Carlos Garza

Bertha Paula Michel González

Professor at Universidad Nacional Autónoma
de México
Since 2020
Alternate: Maximino José Michel González

Alberto Baillères González †

Chairman of the Board of Directors of
Industria Peñoles S.A.B. de C.V., Grupo
Nacional Provincial, S.A.B., Fresnillo Plc,
Grupo Palacio de Hierro, S.A.B. de C.V., Grupo
Profuturo, S.A.B. de C.V. and subsidiaries,
Controladora Petrobal, S.A. de C.V., Energía
BAL, S.A. de C.V., Energía Eléctrica BAL, S.A. de
C.V., and Tane, S.A. de C.V.; chairman of the
governance board of Instituto Tecnológico
Autónomo de México and founding member
of Fundación Alberto Baillères, A.C.
Since 1989
Alternate: Alejandro Baillères Gual

Francisco Javier Fernández Carbajal ^C

Chief Executive Officer of Servicios
Administrativos Contry, S.A. de C.V.
Since 2005

Miguel Eduardo Padilla Silva

Chief Executive Officer of FEMSA until 2021
Since 2018

Eva María Garza Lagüera Gonda

Private investor
Since 1999
Alternate: José Antonio Fernández
Garza Lagüera

Ricardo Guajardo Touché ^{B, C, I}

Independent consultant
Since 1995

Luis Alberto Moreno Mejía

Managing Director at Allen & Co. LLC
Since 2021

Series D Directors

Víctor Alberto Tiburcio Celorio ^{A, I}

Independent consultant
Since 2018

Michael Larson ^{C, I}

Chief Investment Officer for William H. Gates III
Since 2011

Robert Edwin Denham ^{B, C, I}

Partner at Munger, Tolles & Olson LLP
Since 2001

Alfonso González Migoya ^{A, I}

Business consultant
Since 2017
Alternate: Enrique F. Senior Hernández ^{C, I}

Ricardo E. Saldívar Escajadillo ^{B, C, I}

Private investor
Since 2015
Alternate: Francisco Zambrano Rodríguez ^I

Secretaries

Carlos Eduardo Aldrete Ancira

Secretary of the Board of Directors
(Non-member)

Alejandro Gil Ortiz

Alternate Secretary of the Board of Directors
(Non-member)

Board Committees

The following committees support the Board of Directors by analyzing strategic issues critical to the success of the business. They provide recommendations related to the focus areas shown below, including economic, social, and environmental matters.

Audit Committee*	Strategy and Finance Committee	Corporate Practices Committee*
<p>Responsible for:</p> <ul style="list-style-type: none"> • Reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control, and auditing requirements, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters; • The appointment, compensation, retention, and oversight of the independent auditor, who reports directly to the Audit Committee; and • Identifying and following-up on contingencies and legal proceedings. 	<p>Responsible for:</p> <ul style="list-style-type: none"> • Evaluating the investment and financing policies of the Company; • Analyzing the risk factors to which the Company may be exposed, as well as evaluating its management policies; • Making recommendations on the Company dividend policy; • Analyzing the Company's business units and strategic alternatives for growth; and • Making recommendations to the Board of Directors on annual operation plans and strategic projects for the business units. 	<p>Responsible for:</p> <ul style="list-style-type: none"> • Preventing or reducing the risk of performing operations that could damage the value of the Company or that benefit a particular group of shareholders; • Approving policies related to the use of Company assets or transactions with related-party transactions; approving the compensation of the Chief Executive Officer and relevant officers; and • Supporting the Board of Directors in the preparation of reports on accounting practices.

As part of the actions to strengthen FEMSA's corporate governance, on February 24, 2022, FEMSA announced an expansion to the functions of the board committees, resulting in (1) the renaming of the Corporate Practices Committee to Corporate Practices and Nominations Committee and (2) the renaming of the Strategy and Finance Committee to Operation and Strategy Committee.

*All members of the Audit Committee and the Corporate Practices Committee are independent directors, as required by the Mexican Securities Law, applicable U.S. Securities Laws and applicable NYSE listing standards.

Executive team

Our executive team is focused on driving business growth by creating economic, social, and environmental value for all our stakeholders. Each of our executive leaders has significant professional experience within the industries related to our business.

José Antonio Fernández Carbajal

Executive Chairman of the Board of Directors of FEMSA

He began his career at FEMSA in 1988, serving in various positions, including CEO of OXXO. He was appointed CEO of FEMSA in 1995 and Chairman of the Board in 2001, serving in both positions until December 2013. He is also Chairman of the Board of Coca-Cola FEMSA. In 2010, he joined the Board of Directors of Heineken Holding N.V. and was appointed Vice-Chairman of Heineken N.V.'s Supervisory Board and in addition he chairs the Sustainability and Responsibility Committee and is also member of the Selection and Appointment Committee. Since 2012, Mr. Fernández has been Chairman of the Board of Tecnológico de Monterrey, where he has served as Vice Chairman since 1997. In 2017, he was elected as a full-term member of MIT Corporation, where he contributes the Student Life and Undergraduate Education committees. Currently, he also participates as a board member of Industrias Peñoles and is member of the Board of Global Advisors of the Council for Foreign Relations. He holds a degree in Industrial Engineering and Systems from Tecnológico de Monterrey, where he earned an MBA in 1978 and has been a professor for more than 20 years.

Daniel Alberto Rodríguez Cofré

Chief Executive Officer of FEMSA

He joined FEMSA in 2015 as Chief Financial and Corporate Officer before being named the Chief Executive Officer of FEMSA Comercio in 2016. He was appointed to his current role as of January 1, 2022. Prior to joining the Company, he was CFO and then CEO of CENCOSUD (Centros Comerciales Sudamericanos S.A.), among other senior finance and management positions in Latin America and Europe. He holds a forest engineering degree from Austral University of Chile and an MBA from Adolfo Ibañez University.

Francisco Camacho Beltrán

Chief Corporate Officer of FEMSA

He joined FEMSA in 2020 after a long track record in senior management positions in consumer product companies around the world, including Procter & Gamble and Revlon. In 2000, he joined Danone as head of its Bonafont water operations in Mexico. For the next 20 years, he held varying responsibilities in the water and dairy segments, while driving growth and innovation. In 2011, he became a member of Danone's Executive Committee, leading the Global Customer Team and serving as Corporate Chief Growth and Innovation Officer. He was EVP and global head of the Essential Dairy and Plant Based business and responsible for Global Industrial Operations and Supply Chain.

Gerardo Estrada Attolini

Director of Administration and Corporate Control of FEMSA

He joined FEMSA in 2000 and was appointed to his current position in 2020. Previously, he served as Chief Financial Officer of FEMSA Cerveza and Corporate Finance Vice President of FEMSA. Prior to FEMSA, he served in various executive level positions in the finance functions of Mexican companies in the financial and industrial sectors. He holds an Accounting degree and an MBA from Tecnológico de Monterrey.

Alfonso Garza Garza

Chief Executive Officer of FEMSA Negocios Estratégicos

He joined FEMSA in 1985 and held various positions including CEO of FEMSA Empaques. In 2009 he was appointed to his current position. He is President of the Fondo Ambiental Metropolitano de Monterrey, Vice Chairman of the executive commission of the National President of the Employers Confederation of Mexico (Coparmex). He is a member of the Board of Directors of FEMSA, Tecnológico de Monterrey, Grupo Nutec, S.A. de C.V. He graduated from Tecnológico de Monterrey in Industrial Engineering and an MBA from IPADE Business School.

Roberto Campa Cifrián

Director of Corporate Affairs of FEMSA

He joined FEMSA in 2019, after a long career in the public, private, and social sectors. He has served in the federal government of Mexico as Secretary of Labor and Social Welfare, Undersecretary of the Interior, and Head of the Federal Consumer Protection Agency. He has also served as a representative in the Mexico City Legislative Assembly and as a federal congressional representative. He holds a law degree from Universidad Anáhuac, where he is also a professor of macroeconomic theory and President of the Federation of Student Societies.

John Anthony Santa Maria Otazua*Chief Executive Officer of Coca-Cola FEMSA*

He was appointed to his current position in 2014. He joined Coca-Cola FEMSA in 1995 and has served in several senior management positions since then, including COO of the Company's Mexico Division, and Strategic Planning and Commercial Development Officer. He earned a Bachelor's degree and an MBA with a major in Finance from Southern Methodist University.

Raymundo Yutani Vela*Director of Human Resources*

He was appointed Vice-President of Human Resources at FEMSA in 2018. He joined FEMSA Comercio in 1999 as Director of Human Resources, a position he held until 2014. Between 2014 and 2018, he was Director of Human Resources at Coca-Cola FEMSA. Before joining the company, he was Director of Human Resources North at Banca Serfín, today Santander. He is a graduate of the Public Accountant career and has a master's degree in Business Administration from the Regiomontana University. Additionally, he completed the AD1 program at IPADE and is certified as a Coach by Newfield Consulting.

Carlos Arenas Cadena*Chief Executive Officer, Proximity Division*

He began his career at FEMSA in 1984 and joined FEMSA Comercio in 2001 as Strategic Planning Manager. In 2007, he was promoted to the head of FEMSA Comercio's Planning and Information Technology Department, followed by the Supply Chain Department for OXXO, and later the Commercial Department of OXXO. In January 2016, he was appointed Director General of OXXO Mexico and assumed his current role as of January 1, 2022. Up until 2020, he participated in the National Association of Self-Service and Department Stores (ANTAD) in Mexico and continues to be a member of the International Council and the Latin American Council of the Association For Convenience & Fuel Retailing (NACS). He graduated with a degree in Computer Science from the Universidad Autónoma de Nuevo León.

Daniel Belaúnde Arnillas*Chief Executive Officer, Health Division*

He assumed the role of Chief Executive Officer, Health Division in 2022, following his role as CEO of Socofar, S.A. since 2016. He brings to this role more than 25 years of experience in global companies across three different markets: retail banking, retail-fashion, and the pharmaceutical industry. Prior to FEMSA, he supervised business units in multiple countries, including as general manager at Ripley Perú (2012-2016); as operations manager at Ripley Chile (2008-2012); and as commercial bank manager at Banco Santander Chile (1996-2008). He completed his studies in economics at the Universidad del Pacífico in Lima, Peru.

Jose Antonio Fernández Garza-Lagüera*Chief Executive Officer, Digital Division*

He is currently the head of FEMSA Digital, overseeing FEMSA's digital businesses, including fintech. He began his career in FEMCO in 2018 as Director of Strategic Planning for OXXO Mexico. Before joining FEMCO, he was General Manager of Coca-Cola FEMSA's Central America division from 2015 to 2018. Prior to that, he worked as CEO of FEMSA's plastics division, Plásticos Técnicos Mexicanos, and manager of sales and operations in México City at HEINEKEN México. Prior to his work at HEINEKEN, he co-founded and ran Vestige Capital, a search fund based in Mexico seeking to acquire and operate small and medium-sized companies in Mexico. While at Vestige, he co-led the acquisition of BOMI Group de México a third-party logistic provider for the Mexican healthcare industry. He has taught a class on entrepreneurship and was the founding chairman of the board of the Entrepreneurship Institute in Tecnológico de Monterrey. He received his MBA from Stanford University Graduate School of Business and his Bachelor's degree in Industrial Engineering from Tecnológico de Monterrey.

FINANCIAL SUMMARY

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31.

Income Statement		2021		2020		2019		2018²		2017
Net sales	Ps.	554,923	Ps.	490,425	Ps.	504,059	Ps.	468,894	Ps.	439,239
Total revenues		556,261		492,966		506,711		469,744		439,932
Cost of goods sold		342,548		303,313		315,230		294,574		277,842
Gross profit		213,713		189,653		191,481		175,170		162,090
Operating expenses		161,720		148,150		144,329		133,594		121,828
Income from operations ¹		51,993		41,503		47,152		41,576		40,262
Other non-operating expenses (income), net		(2,667)		7,656		1,573		874		1,285
Financing expenses, net		13,384		14,911		13,492		7,380		3,302
Income before income taxes and share of the profit of equity accounted investees		41,276		18,936		32,087		33,322		35,674
Income taxes		14,278		14,819		10,476		10,169		10,213
Share of the profit of equity accounted investees, net of taxes		10,680		(361)		6,437		6,560		8,021
Net income from continuing operations		37,678		3,756		28,048		29,713		33,480
Net income from discontinuing operations ²		-		-		-		3,366		3,726
Consolidated net income		37,678		3,756		28,048		33,079		37,206
Controlling interest		28,495		(1,930)		20,699		23,990		42,408
Non-controlling Interest		9,183		5,686		7,349		9,089		(5,202)
Financial ratios (%)										
Gross margin		38.4%		38.5%		37.8%		37.3%		36.8%
Operating margin		9.3%		8.4%		9.3%		8.9%		9.2%
Consolidated net income		6.8%		0.8%		5.5%		6.3%		7.6%
Other information										
Depreciation		25,294		25,006		23,344		14,698		13,799
Amortization and other non cash charges to income from operations		5,135		5,464		4,944		4,184		4,104
Operative Cash Flow (EBITDA)		82,422		71,973		75,440		60,458		58,165
Capital expenditures ³		24,055		20,893		25,579		24,266		23,486

1. Company's key performance indicator.

2. The consolidated income statement of 2017 was revised for the discontinued operations of Coca-Cola FEMSA. See Note 4.2.1.

3. Includes investments in property, plant and equipment, as well as deferred charges and intangible assets.

Balance Sheet

	2021		2020		2019		2018		2017	
Assets										
Current assets	Ps.	230,718	Ps.	201,269	Ps.	172,579	Ps.	177,607	Ps.	181,188
Equity accounted investees		107,299		98,270		97,470		94,315		96,097
Property, plant and equipment, net ¹		115,147		113,106		114,513		108,602		116,712
Intangible assets, net		158,138		155,501		146,562		145,610		154,093
Right-of-use asset		56,994		54,747		52,684		-		-
Other assets, net		69,204		61,955		53,733		50,247		40,451
Total assets		737,500		684,848		637,541		576,381		588,541
Liabilities										
Short-term bank loans and current portion of long-term bank loans and notes payable		4,640		8,801		16,204		13,674		13,590
Current portion of leases		7,306		6,772		7,387		-		-
Other current liabilities		124,777		102,840		112,943		87,790		91,432
Long-term bank loans and notes payable		185,945		179,864		101,747		114,990		117,758
Long-term lease liabilities		55,049		51,536		47,292		-		-
Employee benefits		7,600		7,253		6,347		4,699		5,373
Deferred tax liabilities		6,042		6,033		6,946		5,886		6,133
Other non-current liabilities		11,024		14,562		12,924		13,800		17,343
Total liabilities		402,383		377,661		311,790		240,839		251,629
Total equity		335,117		307,187		325,751		335,542		336,912
Controlling interest		262,601		237,743		251,989		257,053		250,291
Non-controlling interest		72,516		69,444		73,762		78,489		86,621
Financial ratios (%)										
Liquidity		1.783		1.803		1.336		1.750		1.725
Leverage		1.201		1.229		0.957		0.718		0.747
Capitalization		0.37		0.39		0.28		0.29		0.29
Data per share										
Controlling interest book value ²		14.678		13.288		14.085		14.368		13.990
Net controlling interest income ³		1.593		(0.108)		1.157		1.341		2.370
Dividends paid ⁴										
Series B shares		0.383		0.517		0.483		0.460		0.431
Series D shares		0.479		0.646		0.604		0.575		0.538
Number of employees ⁵		320,808		320,618		314,656		297,073		295,027
Number of outstanding shares ⁶		17,891.13		17,891.13		17,891.13		17,891.13		17,891.13

1. Includes bottles and cases.

2. Controlling interest divided by the total number of shares outstanding at the end of each period.

3. Net controlling interest income divided by the total number of shares outstanding at the end of the each period.

4. Expressed in nominal pesos of each period.

5. Includes incremental employees resulting from mergers & acquisitions made during the period.

6. Total number of shares outstanding at the end of each period expressed in millions.

MANAGEMENT DISCUSSION & ANALYSIS

Audited Financial Results for the twelve months ended December 31, 2021. Compared to the twelve months ended December 31, 2020.

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. Set forth below is certain audited financial information for FEMSA and its subsidiaries (the "Company" or "FEMSA Consolidated") (NYSE: FMX; BMV: FEMSA UBD, FEMSA BD). The principal activities of the Company are grouped mainly under the following subholding companies (the "Subholding Companies"): Coca-Cola FEMSA, S.A.B de C.V. ("Coca-Cola FEMSA" or "KOF"), (NYSE: KOF, BMV: KOFL) which engages in the production, distribution and marketing of beverages, and FEMSA Comercio, S.A. de C.V. ("FEMSA Comercio"), including its Proximity Division operating OXXO, a small-format store chain, a Health Division, which includes all drugstores and related operations, and a Fuel Division, which operates the OXXO GAS chain of retail service stations. Additionally, through its Negocios Estratégicos unit, it provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA's business units and third-party clients. FEMSA also participates in the specialized distribution industry

in the United States. The consolidated financial information included in this annual report was prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The 2021 and 2020 results are stated in nominal Mexican pesos ("pesos" or "Ps."). Translations of pesos into US dollars ("US\$") are included solely for the convenience of the reader and are determined using the noon buying rate for pesos as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of December 30, 2021, which was 20.5140 pesos per US dollar. This report may contain certain forward-looking statements concerning the Company's future performance that should be considered good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data.

Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

FEMSA Consolidated

2021 Amounts expressed in millions of Mexican pesos (Ps.) as of December 31:

	Total Revenues	% Growth vs'20	Gross Profit	% Growth vs'20
FEMSA Consolidated	556,261	12.8%	213,713	12.7%
Coca-Cola FEMSA	194,804	6.1%	88,598	7.0%
FEMSA Comercio – Proximity Division	198,586	9.5%	84,196	13.3%
FEMSA Comercio – Health Division	73,027	12.1%	21,736	11.0%
FEMSA Comercio – Fuel Division	39,922	16.4%	5,269	22.5%
Logistics & Distribution	48,412	-	10,569	-

FEMSA's consolidated total revenues increased 12.8% to Ps. 556,261 million in 2021 compared to Ps. 492,966 million in 2020. On an organic¹ basis, total revenues grew 9.4%. Coca-Cola FEMSA's total revenues increased 6.1% to Ps. 194,804 million, driven by volume growth, pricing initiatives, and favorable price-mix effects. This increase was partially offset by unfavorable currency translation effects resulting from the depreciation of all of Coca-Cola FEMSA's operating currencies in South America into Mexican Pesos, and a decline in beer revenues related to the partial transition of the beer portfolio of Coca-Cola FEMSA in Brazil. In addition, during the same period of 2020, KOF recorded extraordinary income related to an entitlement to reclaim tax payments in Brazil. FEMSA Comercio – Proximity Division revenues increased 9.5% to Ps. 198,586 million, driven by an average increase of 7.7% in same-store sales, caused by a 10.2% increase in average customer ticket, partially offset by a 2.2% decrease in store traffic. FEMSA Comercio – Health Division revenues increased 12.1% to Ps. 73,027 million, driven by an average increase of 9.5%

in same-store sales, reflecting positive trends in our Mexican, Chilean, and Colombian operations, partially offset by a still challenging economic environment in Ecuador, in connection with the COVID-19 pandemic. FEMSA Comercio – Fuel Division revenues increased 16.4% to Ps. 39,922 million, driven by an average increase of 12.9% in same-station sales, reflecting a 12.0% increase in the average price per liter, partially offset by a 0.7% increase in average volume. The Logistics and Distribution total revenues reached Ps. 48,412 million, reflecting positive demand dynamics in our operations in Latin America, coupled with gradual recovery trends in the United States.

Consolidated gross profit increased 12.7% to Ps. 213,713 million in 2021 compared to Ps. 189,653 million in 2020. Gross margin decreased 10 basis points to 38.4% of total revenues compared to 2020, reflecting gross margin expansion at Coca-Cola FEMSA and FEMSA Comercio's Proximity Division, offset by a contraction at FEMSA Comercio's Health and Fuel Divisions.

Consolidated operating expenses increased 9.2% to Ps. 161,720 million in 2021 compared to Ps. 148,150 million in 2020. As a percentage of total revenues, consolidated operating expenses decreased from 30.1% in 2020 to 29.1% in 2021.

Consolidated administrative expenses increased 18.4% to Ps. 27,219 million in 2021 compared to Ps. 22,988 million in 2020. As a percentage of total revenues, consolidated administrative expenses increased 20 basis points, from 4.7% in 2020 to 4.9% in 2021.

Consolidated selling expenses increased 8.6% to Ps. 134,079 million in 2021 as compared to Ps. 123,405 million in 2020. As a percentage of total revenues, selling expenses decreased 90 basis points, from 25.0% in 2020 to 24.1% in 2021.

Consolidated income from operations increased 25.3% to Ps. 51,993 million in 2021 as compared to Ps. 41,503 million in 2020. As a percentage of total revenues, operating margin increased 90 basis points, from 8.4% in 2020 to 9.3%

1. Excludes the effects of significant mergers and acquisitions in the last twelve months.

in 2021, reflecting margin expansion at Coca-Cola FEMSA and FEMSA Comercio's Proximity and Health Divisions, partially offset by a contraction at FEMSA Comercio's Fuel Division.

Some of our subsidiaries pay management fees to us in consideration for corporate services we provide to them. These fees are recorded as administrative expenses in the respective business segments. Our subsidiaries' payments of management fees are eliminated in consolidation and, therefore, have no effect on our consolidated operating expenses.

Net financing expenses decreased to Ps. 13,384 million from Ps. 14,911 million in 2020, reflecting lower interest expense and a foreign exchange gain related to the effect of FEMSA's US Dollar-denominated cash position, as impacted by the depreciation of the Mexican peso during 2021.

Income before income taxes and share of the profit in associate results increased 118.0% to Ps. 41,276 million in 2021 compared to Ps. 18,936 million in 2020, reflecting an increase in our income from operations, lower other non-operating expenses and a decrease in net financing expenses described above.

Our accounting provision for income taxes in 2021 was Ps. 14,278 million, as compared to Ps. 14,819 million in 2020, resulting in an effective tax rate of 34.7% in 2021 as compared to 76.7% in 2020, which reflected an extraordinary tax payment agreed with the Mexican tax authority during the second quarter of 2020, magnified by decreased operating income, in the comparable period.

Consolidated net income was Ps. 37,678 million in 2021 compared to Ps. 3,756 million in 2020, reflecting i) higher income from operations across our business units; ii) higher non-operating income; and iii) an increase in our participation in associates' results,

which mainly reflects the results of our investment in HEINEKEN, including an exceptional gain recorded by HEINEKEN during the 3Q21, reflecting a fair value adjustment from one of their investments.

Controlling interest income amounted to Ps. 28,495 million in 2021 compared to a loss of Ps. 1,930 million in 2020. Controlling interest income in 2021 per FEMSA Unit² was Ps. 7.96 (US\$ 3.88 per ADS).

Coca-Cola FEMSA

Coca-Cola FEMSA total revenues increased 6.1% to Ps. 194,804 million in 2021 compared to Ps. 183,615 million in 2020. Total revenues were driven by volume growth, pricing initiatives, and favorable price-mix effects, partially offset by unfavorable currency translation effects resulting from the depreciation of Coca-Cola FEMSA's operating currencies in South America into Mexican Pesos, and a decline in

2. FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2021 was 3,578,226,270, equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

beer revenues related to the partial transition of Coca-Cola FEMSA's beer portfolio in Brazil. In addition, during the same period of 2020, Coca-Cola FEMSA recorded extraordinary other operating income related to an entitlement to reclaim tax payments in Brazil.

Coca-Cola FEMSA gross profit increased 7.0% to Ps. 88,598 million in 2021, compared to Ps. 82,811 million in 2020, with a gross margin expansion of 40 basis points. Favorable price-mix effects, raw material hedging strategies, and the positive effect of the resumption of tax credits on concentrate purchased from the Manaus Free Trade Zone in Brazil were partially offset by: i) higher raw material prices; ii) higher concentrate costs in Mexico; iii) and the depreciation in the average exchange rate of most of their operating currencies as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 45.5% in 2021.

The components of cost of goods sold include raw materials (principally concentrate, sweeteners and packaging materials), depreciation costs attributable to Coca-Cola FEMSA's production facilities, wages and other employment costs associated with labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in the local currency, net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Operating expenses increased 7.6% to Ps. 60,720 million in 2021 compared to Ps. 56,444 million in 2020.

Administrative expenses increased 14.2% to Ps. 9,012 million in 2021 compared to Ps. 7,891 million in 2020. Selling expenses increased 6.5% to Ps. 51,708 million in 2021 compared with Ps. 48,553 million in 2020.

Income from operations increased 8.6% to Ps. 27,402 million in 2021 compared to Ps. 25,243 million in 2020.

FEMSA Comercio Proximity Division

FEMSA Comercio – Proximity Division total revenues increased 9.5% to Ps. 198,586 million in 2021 compared to Ps. 181,277 million in 2020, reflecting an average increase in same-store sales of 7.7% and the addition of 865 net new stores during the year. As of December 31, 2021, there was a total of 20,431 OXXO stores. As referenced above, OXXO same-store sales increased an average of 7.7% compared to 2020, driven by a 10.2% increase in average customer ticket, partially offset by a 2.2% decrease in store traffic.

Cost of goods sold increased 6.9% to Ps. 114,390 million in 2021 compared to Ps. 106,981 million in 2020. Gross margin increased 140 basis points to reach 42.4% of total revenues. This increase reflects more dynamic commercial income activity and promotional programs with our key supplier partners, as well as the sustained growth of the services category, including income from financial services.

As a result, gross profit increased 13.3% to Ps. 84,196 million in 2021 compared with 2020.

Operating expenses increased 5.7% to Ps. 65,809 million in 2021 compared to Ps. 62,276 million in 2020. The increase in operating expenses was driven by our continuing initiative to strengthen our compensation structure of key in-store personnel, including the gradual shift from commission-based store teams to employee-based teams; partially offset by increased efficiency across our operations.

Administrative expenses increased 7.9% to Ps. 6,145 million in 2021 compared to Ps. 5,696 million in 2020; as a percentage of sales, it remained stable at 3.1% in 2021.

Selling expenses increased 6.3% to Ps. 59,542 million in 2021 compared with Ps. 56,030 million in 2020; as a percentage of sales, they reached 29.9% in 2021.

Income from operations increased 53.0% to Ps. 18,387 million in 2021 compared to Ps. 12,020 million in 2020, resulting in an operating margin expansion of 270 basis

points to reach 9.3% as a percentage of total revenues for the year, compared with 6.6% in 2020, mainly reflecting a recovering operating leverage, which was affected by the COVID-19 pandemic during 2020.

FEMSA Comercio Health Division

FEMSA Comercio – Health Division total revenues increased 12.1% to Ps. 73,027 million in 2021 compared to Ps. 65,172 million in 2020, mainly driven by an average increase of 9.5% in same-store sales, reflecting positive trends in our Mexican, Chilean, and Colombian operations, partially offset by a still challenging economic environment in Ecuador, in connection with the COVID-19 pandemic. As of December 31, 2021, the Health Division had a total of 3,652 drugstores across its geographies.

Cost of goods sold increased 12.5% to Ps. 51,291 million in 2021, compared with Ps. 45,597 million in 2020.

Gross margin decreased 20 basis points to reach 29.8% of total revenues. This was mainly driven by: i) higher institutional sales in our operations in Chile and Colombia; and ii) increased promotional activities in our operations in South America. These were offset by improved efficiency and more effective collaboration and execution with key supplier partners in Mexico. Gross profit increased 11.0% to Ps. 21,736 million in 2021 compared with 2020.

Operating expenses increased 6.2% to Ps. 17,974 million in 2021 compared with Ps. 16,919 million in 2020. This increase was driven by the organic growth in Mexico and South America, partially offset by cost efficiencies and tight expense control throughout our territories.

Administrative expenses decreased 1.8% to Ps. 3,255 million in 2021 compared with Ps. 3,314 million in 2020; as a percentage of sales, they reached 4.5% in 2021. Selling expenses increased 8.0% to Ps. 14,620 million in 2021 compared with Ps. 13,540 million in 2020; as a percentage of sales, they reached 20.0% in 2021.

Income from operations increased 41.6% to Ps. 3,762 million in 2021 compared with Ps. 2,656 million in 2020, resulting in an operating margin expansion of 110 basis points to 5.2% as a percentage of total revenues for the year, compared with 4.1% in 2020, reflecting higher operating leverage.

FEMSA Comercio Fuel Division

FEMSA Comercio – Fuel Division total revenues increased 16.4% to Ps. 39,922 million in 2021 compared to Ps. 34,292 in 2020, reflecting a 12.9% average increase in same-station sales. As of December 31, 2021, there was a total of 567 OXXO GAS service stations. As referenced above, same-station sales increased an average of 12.9% compared to 2020, reflecting a 12.0% increase in the average price per liter, partially offset by a 0.7% increase in average volume.

Cost of goods sold increased 15.5% to Ps. 34,653 million in 2021 compared with Ps. 29,992 million in 2020. Gross margin

increased 70 basis points to reach 13.2% of total revenues. Gross profit increased 22.5% to Ps. 5,269 million in 2021 compared with 2020.

Operating expenses increased 10.5% to Ps. 3,853 million in 2021 compared with Ps. 3,487 million in 2020. This increase was driven by OXXO Gas' organic growth partially offset by tight expense control and increased expense efficiencies.

Administrative expenses increased 15.1% to Ps. 290 million in 2021 compared with Ps. 252 million in 2020; as a percentage of sales, both comparable years remain the same with 0.7%. Selling expenses increased 10.7% to Ps. 3,571 million in 2021 compared with Ps. 3,226 million in 2020; as a percentage of sales, they decreased 40 basis points to 9.0% in 2021.

Income from operations increased to Ps. 1,416 million in 2021 compared with Ps. 813 million in 2020, resulting in an operating margin expansion of 110 basis points to 3.5% as a percentage of total revenues for the year compared with 2.4% in 2020.

Logistics and Distribution

Logistics and Distribution total revenues amounted to Ps. 48,412 million, reflecting positive demand dynamics in our operations in Latin America, coupled with gradual recovery trends in the United States. These were partially offset by the negative currency translation effect from the depreciation of the Brazilian Real relative to the Mexican peso.

Cost of goods sold amounted to Ps. 37,843 million, reflecting favorable sales mix and efficiencies in our Latin American operations. Gross profit amounted to Ps. 10,569, representing 21.8% of total sales.

Operating expenses amounted to Ps. 8,438 million in 2021. Administrative expenses amounted to Ps. 4,533 million in 2021; as a percentage of sales, they accounted for 9.4%. Selling expenses amounted to Ps. 4,060 million in 2021; as a percentage of sales, they accounted for 8.3% in 2021.

Income from operations amounted to Ps. 2,132 million, representing 4.4% of total sales, reflecting operating leverage driven by tight expense control and efficiencies across markets.

Key Events during 2021

The following text reproduce our press releases as they were published.

Coca-Cola FEMSA included in the S&P Global Sustainability Yearbook 2021

On February 19, 2021 Coca-Cola FEMSA announced that it became the only Mexico-based beverage company to be included in the S&P Global Sustainability Yearbook 2021, due to its high performance in the S&P Global Corporate Sustainability Assessment (CSA).

The Company is ranked within the top 15% of leading beverage companies in sustainability under S&P Global's proprietary annual evaluation of the environmental, social, economic, and corporate governance dimensions of more than 7,000 companies around the world.

As result of Coca-Cola FEMSA's sustainability performance in alignment with its strategic framework, the Company is part of the Dow Jones Sustainability Index for Emerging Markets, being the only Latin American beverage company included for eight consecutive years. Additionally, in 2020, it became the first Mexican company and third in Latin America, to secure official approval from the Science Based Targets initiative (SBTi) of its 2030 carbon emissions reduction goals, confirming the Company's commitment to meet the target set by the Paris Agreement to limit the rise in global temperatures to well below 2 °C above preindustrial levels.

Over the last five years, Coca-Cola FEMSA has increased the use of clean energy in its operations by more than four times, supplying 80% of its bottling plants' electricity needs with clean sources of energy.

Considering the relevance of water as a valuable resource, the Company has increased its water use efficiency by 24% over the last 10 years and it conducts, along with The Coca-Cola Company, water conservation initiatives that have

succeeded in replenish to nature the same amount of water than the used in its beverages across the markets where it has presence.

Consistent with its path towards sustainability and the challenges ahead, in September 2020 the Company issued its first green bond for US\$ 705 million, currently the largest green bond for a Latin American corporation and the first of its kind for the Coca-Cola System.

Additionally, Coca-Cola FEMSA has received other noteworthy recognitions for its sustainability performance in recent years, including its listing in the FTSE4Good Emerging Index, the S&P/ BMV Total Mexico ESG Index, and the Bloomberg Gender-Equality Index.

The Coca-Cola Company, The Coca-Cola System in Brazil, and HEINEKEN announce redesigned distribution partnership

On February 24, 2021 Coca-Cola FEMSA announced that The Coca-Cola Company, the Coca-Cola System in Brazil and HEINEKEN had reached an agreement (the "Agreement") to redesign their longstanding distribution partnership

in Brazil. The Agreement marks a new milestone in the relationship among the companies; it re-aligns the interests of all parties for the future and builds on a solid historical foundation.

As per the Agreement, expected to become effective mid-2021, the parties will begin a smooth transition of the Heineken and Amstel brands to HEINEKEN Brazil's distribution network. The Coca-Cola System in Brazil will continue to offer Kaiser, Bavaria and Sol, and will complement this portfolio with premium brand Eisenbahn and other international brands. The Agreement allows the parties to better serve consumers and customers in the Brazilian market with a solid portfolio, building on the positive momentum developed over many years of successful collaboration.

Additionally, as part of the redesign of the distribution partnership, the parties will have more flexibility. Subject to certain mutually-agreed upon terms established in the Agreement, the Coca-Cola System in Brazil will be able to produce and distribute alcoholic beverages and other beers in a certain proportion to

HEINEKEN's portfolio and HEINEKEN will be able to explore further opportunities in the non-alcoholic segment. This will allow Brazilian consumers to benefit from a wider array of options.

FEMSA Announces Successful Sustainability Linked Bond Issuances in the Euro Market

On April 28, 2021 FEMSA announced the placement of Euro-denominated sustainability linked notes in the international capital markets. FEMSA successfully issued EUR €700 million in senior notes due in 2028 bearing interest at an annual rate of 70 basis points over the relevant benchmark for a yield of 0.551%, and EUR €500 million in senior notes due in 2033 bearing interest at an annual rate of 88 basis points over the relevant benchmark for a yield of 1.068% (the "Notes"). This issuance represents the largest ever sustainability linked bond by a Latin American issuer, and it was backed by 196 international institutional investors and was oversubscribed 1.9x times.

In connection with the Notes, FEMSA adopted and published its Sustainability Linked Bond Framework, which was

prepared in accordance with the Sustainability-Linked Bond Principles ("SLBP") 2020, as administered by the International Capital Market Association. The Sustainability Linked Bond Framework includes certain Sustainability Performance Targets of the Company, which are aligned with its overall sustainability strategy priorities for 2030. Per the terms of the Notes, the satisfaction of the Sustainability Performance Targets will be verified by an accredited external party, and in the event that such targets are not satisfied by certain dates, there will be an interest rate step up of 25 basis points. In addition, the Company obtained a Second-Party Opinion from Sustainalytics in accordance with industry best practices.

This issuance received credit ratings of A- from Standard & Poor's and A from Fitch Ratings.

The proceeds from this issuance were used to redeem FEMSA's EUR €1 billion 1.75% Euro-denominated Senior Notes due 2023, pursuant to the terms of the indenture under which such existing Notes were issued, and the remainder was used for general corporate purposes.

Coca-Cola FEMSA and Coca-Cola Andina confirm acquisition of Brazilian beer brand Therezópolis

On August 11, 2021 Coca-Cola FEMSA confirmed that in conjunction with Coca-Cola Andina, had reached an agreement to acquire Brazilian craft beer brand “Therezópolis”. This agreement is part of the long-term strategy to complement its beer portfolio in Brazil.

FEMSA expands its distribution footprint in the East Coast of the United States

On August 31, 2021 FEMSA announced that Envoy Solutions, FEMSA’s specialized distribution subsidiary in the United States, reached an agreement to acquire Daycon Products Co. (“Daycon”), an independent specialized distribution company based in Upper Marlboro, Maryland. Daycon will further expand and strengthen FEMSA’s distribution footprint along the East Coast of the United States, including Washington D.C. and the states of Virginia, West Virginia, Maryland, Delaware, New Jersey and Pennsylvania. This transaction represents another important step in

FEMSA’s strategic path to build a leading national distribution platform in the United States. Revenues of the acquired business for the last twelve months as of June 2021, were approximately US\$ 75 million.

FEMSA’s Envoy Solutions to acquire Penn Jersey Paper Co., further expanding its footprint in the Mid-Atlantic region of the United States

On September 8, 2021 FEMSA announced that Envoy Solutions, FEMSA’s specialized distribution subsidiary in the United States, reached an agreement to acquire Penn Jersey Paper Co. (“PJP”), an independent specialized distribution company based in Philadelphia, Pennsylvania. PJP fits well with FEMSA’s distribution footprint along the East Coast, expanding its coverage to include the Philadelphia metro area and New York City. This transaction represents another important step in FEMSA’s strategic path to build a leading national distribution platform in the United States. Revenues of the acquired business for the last twelve months as of June 2021, were over US\$ 200 million.

Coca-Cola FEMSA and the Coca-Cola System announce distribution agreement with Estrella Galicia in Brazil

On September 16, 2021 Coca-Cola FEMSA announced that its subsidiary Spal Indústria Brasileira de Bebidas S.A. and the Coca-Cola System in Brazil have signed an agreement to distribute Estrella Galicia beers in the country. This agreement is consistent with the Coca-Cola System’s long-term strategy to complement its beer portfolio in Brazil.

Coca-Cola FEMSA announces successful pricing of the first sustainability-linked bonds in the Mexican market

On September 21, 2021 Coca-Cola FEMSA announced the successful pricing of the first sustainability-linked bonds in the Mexican market for a total of Ps. 9,400 million.

The Company priced bonds at a fixed rate of 7.36% (Mbono+0.34%) for an amount of Ps. 6,965 million due in 7 years, and bonds at a variable rate of TIIE + 0.05% for an amount of Ps. 2,435 million due in 5 years. Both pricings

received a credit rating of HR AAA by HR Ratings de México, S.A. de C.V. and Aaa.mx by Moody's de México, S.A. de C.V.

The net proceeds from these pricings will be used for debt refinancing.

In a sustainability-linked bond, the issuing company commits to achieve certain targets related to its sustainable initiatives, however unlike a green bond, the net proceeds are not limited to finance these objectives.

As part of its strategy, the Company currently achieved a water use ratio of 1.49 liters of water used per liter of beverage produced, and as part of these bonds, the Company commits to achieve a water use ratio of 1.36 by 2024 and 1.26 by 2026. The bonds are subject to the achievement of these sustainability key performance indicators, which will be verified by an independent third party, and in the event that such indicators are not met by the dates established in the pricing documents, the interest rate will increase by 25 basis points to remain at 7.61% and TIIE + 0.30% respectively.

With this sustainable financing strategy, Coca-Cola FEMSA aims to address one of the most important issues where it considers that it can generate the most positive environmental impact: the efficient and sustainable use of water. The sustainability-linked bonds will allow Coca-Cola FEMSA to complement the financing alternatives with high environmental standards, enhancing the investments previously committed in the Company's green bond issued in international markets.

FEMSA Announces Senior Leadership Succession Plan

On October 15, 2021 FEMSA announced that in accordance with its senior leadership succession planning process, and consistent with previously established timeframes, Eduardo Padilla will retire from his position as FEMSA's Chief Executive Officer on January 1, 2022. Accordingly, FEMSA's Board of Directors appointed Daniel Rodríguez Cofré, CEO of FEMSA Comercio, to become FEMSA's Chief Executive Officer as of January 1, 2022.

FEMSA's Envoy Solutions to acquire Next-Gen Supply Group, further expanding its footprint in the Northeast region of the United States

On November 16, 2021 FEMSA announced that Envoy Solutions, FEMSA's specialized distribution subsidiary in the United States, reached an agreement to acquire Next-Gen Supply Group Inc., ("Next-Gen"), an independent specialized distribution company based in Mansfield, Massachusetts. Next-Gen will expand Envoy's footprint in the Northeast by including Massachusetts and Connecticut. This transaction represents another important step in FEMSA's strategic path to build a leading national distribution platform in the United States. Revenues of the acquired business for the last twelve months as of October 2021, were over US\$ 90 million.

FEMSA's Envoy Solutions reaches agreement to acquire Johnston Paper, expanding its footprint in the Northeast region of the United States

On November 18, 2021 FEMSA announced that Envoy Solutions, FEMSA's specialized distribution subsidiary in the United States, reached an agreement to acquire

Johnston Paper Company, Inc., (“Johnston Paper”), an independent specialized distribution company based in Auburn, New York. Johnston Paper will enhance Envoy Solutions’ existing footprint in the Northeast by increasing its reach into the Upstate New York area. This transaction represents another important step in FEMSA’s strategic path to build a leading national distribution platform in the United States. Revenues of the acquired business for the last twelve months as of October 2021, were over US\$ 90 million.

Coca-Cola FEMSA reaches an agreement to acquire CVI Refrigerantes in Brazil

On December 17, 2021 Coca-Cola FEMSA announced that its Brazilian subsidiary Spal Industria Brasileira de Bebidas S.A. (“Spal”) has reached an agreement to acquire 100% of Brazilian Coca-Cola bottler, CVI Refrigerantes Ltda. (“CVI”). The parties agreed to an all-cash transaction for an enterprise value of R\$ 632.5 million.

On an estimated proforma 2021, CVI’s volume is of approximately 30.9 million unit cases, not including beer.

CVI operates one bottling facility and three distribution centers in the state of Rio Grande do Sul, serving more than 13,000 points of sale and more than 2.8 million consumers. Its footprint borders Coca-Cola FEMSA’s operations in the south of Brazil and Uruguay, bolstering Coca-Cola FEMSA’s leadership position in the region and allowing Coca-Cola FEMSA’s volume to reach 52% of the Coca-Cola System’s volume in Brazil.

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Stock Markets and Symbols

Fomento Económico Mexicano, S.A.B. de C.V. stock trades on the Bolsa Mexicana de Valores (BMV) in the form of units under the symbols FEMSA UBD and FEMSA UB. The FEMSA UBD units also trade on The New York Stock Exchange, Inc. (NYSE) in the form of ADRs under the symbol FMX.

We are members of the Dow Jones Sustainability MILA Pacific Alliance Index, the FTSE4Good Emerging Index and the Mexican Stock Exchange Sustainable IPC, among other indices that evaluate our performance in sustainability.

For more extensive information, including the Audited Financial Statements, please visit us at:

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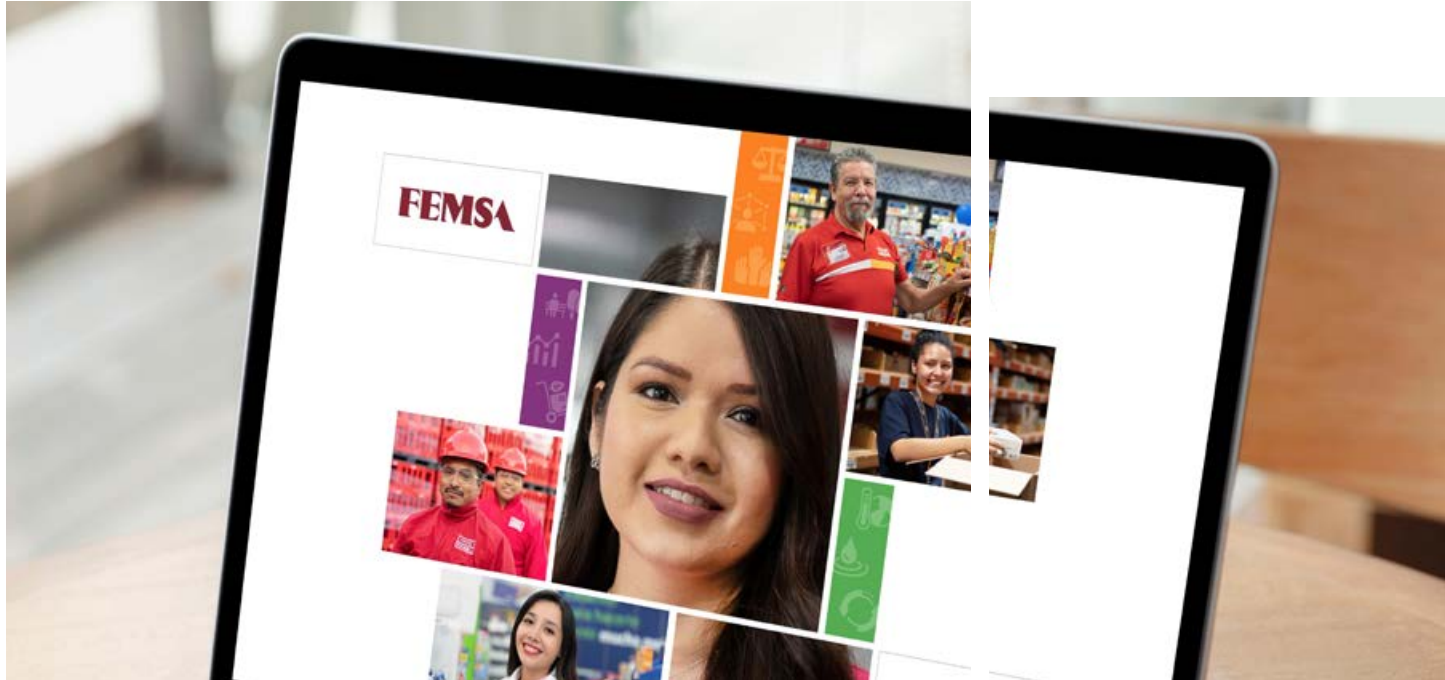


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The FEMSA 2021 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.



FEMSA



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