

individuals at a rate of 7.0% for two more years. In addition, beginning on January 1, 2020, taxpayers may deduct 100.0% of the negative or positive inflation adjustment annually, instead of deducting such inflation adjustment through a period of six years.

On January 1, 2017, a general tax reform became effective in Colombia. This reform reduced the income tax rate from 35.0% to 34.0% for 2017 and then to 33.0% for the following years. In addition, this reform includes an extra income tax rate of 6.0% for 2017 and 4.0% for 2018, for entities located outside free trade zone. Regarding taxpayers located in free trade zone, the special income tax rate increase to from 15.0% to 20.0% for 2017. Additionally, the reform eliminated the temporary tax on net equity, the supplementary income tax (9.0%) as contribution to social programs and the temporary contributions to social programs at a rate of 5.0%, 6.0%, 8.0% and 9.0% for the years 2015, 2016, 2017 and 2018, respectively.

During 2017, the Mexican government issued the Repatriation of Capital Decree which was valid from January 19 until October 19, 2017. Through this decree, a fiscal benefit was attributed to residents in Mexico by applying an income tax of 8.0% (instead of the statutory rate of 30.0% normally applicable to capital gains) to the total amount of capital income returned to the country resulting from foreign investments held until December 2016.

Additionally, the Repatriation of Capital Decree sustains that the benefit will solely apply to income and investments returned to the country throughout the period of the decree. The resources repatriated must be invested during the fiscal year of 2017 and remain in national territory for a period of at least two years from the return date.

Taxation of Beverages

All the countries where Coca-Cola FEMSA operates, except for Panama, impose value-added tax on the sale of sparkling beverages, with a rate of 16.0% in Mexico, 12.0% in Guatemala, 15.0% in Nicaragua, an average percentage of 15.9% in Costa Rica, 19.0% in Colombia, 21.0% in Argentina, 22.0% in Uruguay, and in Brazil 16.0% in the state of Parana, 17.0% in the states of Goias and Santa Catarina, 18.0% in the states of São Paulo, Minas Gerais and Rio de Janeiro, and 20.0% in the states of Mato Grosso do Sul and Rio Grande do Sul. The states of Rio de Janeiro, Minas Gerais and Parana also charge an additional 2.0% on sales as a contribution to a poverty eradication fund. In Brazil the value-added tax is grossed-up and added, along with federal sales tax, at the taxable basis. In addition, Coca-Cola FEMSA is responsible for charging and collecting the value-added tax from each of our retailers in Brazil, based on average retail prices for each state where we operate, defined primarily through a survey conducted by the government of each state, which in 2019 represented an average taxation of approximately 17.6% over net sales.

Several of the countries where Coca-Cola FEMSA operates impose excise or other taxes, as follows:

- Mexico imposes an excise tax of Ps. 1.2616 per liter on the production, sale and import of beverages with added sugar and HFCS as of January 1, 2020 (until December 31, 2019 the excise tax was Ps. 1.17 per liter). This excise tax is applied only to the first sale and Coca-Cola FEMSA is responsible for charging and collecting it. The excise tax will be subject to annual increases based on the previous year's inflation figures starting on January 1, 2021.
- Guatemala imposes an excise tax of 0.18 cents in local currency (Ps. 0.44 as of December 31, 2019) per liter of sparkling beverage.
- Costa Rica imposes a specific tax on non-alcoholic carbonated bottled beverages based on the combination of packaging and flavor, currently assessed at 19.44 colones (Ps. 0.64 as of December 31, 2019) per 250 ml, and an excise tax currently assessed at 6.783 colones (approximately Ps. 0.22 as of December 31, 2019) per 250 ml.
- Since January 1, 2020, Nicaragua imposes a 13.0% tax on beverages, except for water (before March 1, 2019 the excise tax was 9.0% and from March 1, 2019 to December 31, 2019 the excise tax was 11.0%), and municipalities impose a 1.0% tax on Coca-Cola FEMSA's Nicaraguan gross income.
- Until November 17, 2019, Panama imposed an excise tax of 5.0% on carbonated beverages and on imported non-carbonated beverages and a 10.0% selective consumption tax on syrups, powders and concentrate used to produce sugary drinks. As of November 18, 2019, Panama replaced such excise tax with an excise tax of 7.0% on carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, and a 10.0% tax on syrups, powders and concentrate used to produce sugary drinks. Since January 1, 2020, Panama imposes an excise tax of 5.0% on non-carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per

100 ml, whether imported or produced locally. Beverages derived from dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

- Argentina imposes an excise tax of 8.7% on sparkling beverages containing less than 5.0% lemon juice or less than 10.0% fruit juice, and an excise tax of 4.2% on sparkling water and flavored sparkling beverages with 10.0% or more fruit juice, although this excise tax is not applicable to some of Coca-Cola FEMSA's products.
- Brazil assesses an average production tax of approximately 4.2% and an average sales tax of approximately 12.3% over net sales. Except for sales to wholesalers, these production and sales taxes apply only to the first sale and Coca-Cola FEMSA is responsible for charging and collecting these taxes from each of its retailers. For sales to wholesalers, they are entitled to recover the sales tax and charge this tax again upon the resale of Coca-Cola FEMSA's products to retailers.
- Colombia's municipalities impose a sales tax that varies between 0.35% and 1.2% of net sales.
- Uruguay imposes an excise tax of 19.0% on sparkling beverages, an excise tax of 12.0% on fruit juices and beverages containing less than 5.0% lemon juice or less than 10.0% fruit juice, and an excise tax of 8.0% on sparkling water and still water.

Antitrust Legislation

The Federal Antitrust Law (*Ley Federal de Competencia Económica*) regulates monopolistic practices in Mexico and requires approval of certain mergers and acquisitions. The Federal Antitrust Law subjects the activities of certain Mexican companies, including us, to regulatory scrutiny. The Federal Antitrust Commission (*Comisión Federal de Competencia Económica* or "COFECE") is the Mexican antitrust authority, which has constitutional autonomy. COFECE has the ability to regulate essential facilities, order the divestment of assets and eliminate barriers to competition, set higher fines for violations of the Federal Antitrust Law, implement important changes to rules governing mergers and anti-competitive behavior and limit the availability of legal defenses against the application of the law.

We are subject to antitrust legislation in the countries where we operate, primarily in relation to mergers and acquisitions that we are involved in. The transactions in which we participate may be subject to the requirement to obtain certain authorizations from the relevant authorities.

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where Coca-Cola FEMSA operates. Coca-Cola FEMSA operates, except for those voluntary price restraints in Argentina, where authorities directly supervise certain of Coca-Cola FEMSA's products sold through supermarkets as a measure to control inflation. Currently, there are no price controls on Coca-Cola FEMSA's products in any of the territories where it has operations, except for voluntary price restraints in Argentina, where authorities directly supervise certain of Coca-Cola FEMSA's products sold through supermarkets as a measure to control inflation.

Environmental Matters

We have internal environmental policies and procedures that intend to identify, address and minimize environmental risks, as well as to implement appropriate strategies for the use of clean and renewable energy, efficient use of water and waste management throughout the value chain of all of our operations. We have programs that seek to reduce energy consumption and diversify our portfolio of clean and renewable energy sources in order to reduce greenhouse gas emissions and contribute to the fight against climate change. In addition, we establish short-, medium-, and long-term goals and indicators for the use, management and confinement of energy, air emissions, water discharges, solid waste and disposal of hazardous materials.

During 2019, 70.7% of Coca-Cola FEMSA's total energy requirements were obtained from clean energy sources. Additionally, as part of its waste management strategies, in 2019, 23.7% of its PET resin packaging was comprised of recycled materials and Coca-Cola FEMSA recycled 95.7% of the total post-industrial waste generated.

In 2019, 51.4% of FEMSA Comercio's total energy requirements in Mexico were obtained from renewable energy sources.

In all of the countries where we operate, we are subject to federal and state laws and regulations relating to the protection of the environment. In Mexico, the principal legislation is the Federal General Law for Ecological Equilibrium and Environmental Protection (*Ley General de Equilibrio Ecológico y Protección al Ambiente*, or the Mexican Environmental Law), and the General Law for the Prevention and Integral Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*) which are enforced by the Ministry of the Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, or SEMARNAT). SEMARNAT can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Under the Mexican Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and regulations require that we file periodic reports with respect to hazardous wastes and set forth standards for waste water discharge that apply to Coca-Cola FEMSA's operations. Coca-Cola FEMSA has implemented several programs designed to facilitate compliance with air, waste, noise and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for its operations in Mexico City. See "Information on the Company-Coca-Cola FEMSA-Product Sales and Distribution."

In 2015, the General Law of Climate Change (*Ley General de Cambio Climático*), its regulation and certain decrees related to such law became effective, imposing upon different industries (including the food and beverage industry) the obligation to report direct or indirect gas emissions exceeding 25,000 tons of carbon dioxide. Currently, we are not required to report these emissions, since they do not exceed this threshold. We cannot assure you that we will not be required to comply with this reporting requirement in the future.

In Coca-Cola FEMSA's Mexican operations, Coca-Cola FEMSA established a partnership with TCCC and Alpla, its supplier of plastic bottles in Mexico, to create Industria Mexicana de Reciclaje (IMER), a PET recycling facility located in Toluca, Mexico. In 2019, this facility recycled 11,909 tons of PET resin. Coca-Cola FEMSA has also continued contributing funds to ECOCE, A.C., a nationwide collector of containers and packaging materials. In 2019, ECOCE collected 56.0% of the total PET resin waste in Mexico.

All of Coca-Cola FEMSA's bottling plants located in Mexico have received a Certificate of Clean Industry (*Certificado de Industria Limpia*).

Coca-Cola FEMSA's Central American operations are subject to several federal and state laws and regulations related to the protection of the environment and the disposal of hazardous and toxic materials, as well as water usage. Coca-Cola FEMSA's Costa Rican operations have participated in a joint effort along with the local division of TCCC, Misión Planeta, for the collection and recycling of non-returnable plastic bottles. In Guatemala, Coca-Cola FEMSA joined the Foundation for Water (*Fundación para el Agua*), through which Coca-Cola FEMSA has direct participation in several projects related to the sustainable use of water. Coca-Cola FEMSA's bottling plants in Central America are certified for ISO 14001.

Coca-Cola FEMSA's Colombian operations are subject to several Colombian federal and state laws and regulations related to the protection of the environment and the disposal of treated water and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. In addition, in 2012, Colombia promulgated Decree No. 303, which requires Coca-Cola FEMSA to apply for an authorization to discharge its water into authorized waterways. Coca-Cola FEMSA is engaged in nationwide reforestation programs and campaigns for the collection and recycling of glass and plastic bottles, among other programs with positive environmental impacts. Coca-Cola FEMSA has also obtained and maintained the ISO 9001, ISO 14001, OHSAS 18001, FSQC 22000 and PAS 220 certifications for its bottling plants located in Medellín, Cali, Bogotá, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality and food harmlessness in its production processes, which is evidence of Coca-Cola FEMSA's strict level of compliance with relevant Colombian regulations. Coca-Cola FEMSA's bottling plant located in Tocancipa obtained the Leadership in Energy and Environmental Design (LEED 2009) certification in 2017, as well as the ISO 9001, ISO 14001, OHSAS 18001, ESQC 22000 and PAS 220 certifications.

Coca-Cola FEMSA's Brazilian operations are subject to several federal, state and municipal laws and regulations related to the protection of the environment. Among the most relevant laws and regulations are those dealing with the emission of toxic and hazardous gases and disposal of wastewater and solid waste, soil contamination by hazardous chemicals, which impose penalties, such as fines, facility closures and criminal charges depending upon the level of non-compliance.

Coca-Cola FEMSA's bottling plant located in Jundiai has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by applicable law. This bottling plant has been certified for GAO-Q and GAO-E. In 2017, the Itabirito bottling plant was certified for ISO 9001 and the Leadership in Energy and Environmental Design, which is a globally recognized certification of sustainability achievement. In addition, the bottling plants of Jundiai, Mogi das Cruzes, Campo Grande, Marília, Maringá, Curitiba and Bauru have been certified for (i) ISO 9001; (ii) ISO 14001 and; (iii) norm OHSAS 18001. The Jundiai, Campo Grande, Bauru, Marília, Curitiba, Maringá, Porto Alegre, Antonio Carlos and Mogi das Cruzes bottling plants are certified in standard FSSC 22000. Mogi das Cruzes bottling plant has also obtained the ISO 50001 (Energy Management System) certification.

In 2008, a municipal regulation of the City of São Paulo, implemented pursuant to Law 13.316/2002, came into effect requiring Coca-Cola FEMSA to collect for recycling a specified annual percentage of plastic bottles made from PET resin sold in the City of São Paulo. Since 2011, Coca-Cola FEMSA is required to collect 90.0% of PET resin bottles sold. Currently, Coca-Cola FEMSA is not able to collect the entire required volume of PET resin bottles it sells in the City of São Paulo. Since Coca-Cola FEMSA does not meet the requirements of this regulation, which we believe to be more onerous than those imposed by the countries with the highest recycling standards, Coca-Cola FEMSA could be fined and be subject to other sanctions, such as the suspension of operations in any of Coca-Cola FEMSA's bottling plants and/or distribution centers located in the City of São Paulo. In 2008, when this law came into effect, Coca-Cola FEMSA and other bottlers in the City of São Paulo, through the Brazilian Soft Drink and Non-Alcoholic Beverage Association (*Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-Alcoólicas* or "ABIR"), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. In 2009, in response to a request by a municipal authority to provide evidence of the destination of the PET resin bottles sold in São Paulo, Coca-Cola FEMSA filed a motion presenting all of its recycling programs and requesting a more reasonable timeline to comply with the requirements imposed. In 2010, the municipal authority of São Paulo levied a fine on Coca-Cola FEMSA's Brazilian operating subsidiary of 250,000 Brazilian reais (Ps. 1.2 million as of December 31, 2019) on the grounds that the report submitted by Coca-Cola FEMSA's Brazilian operating subsidiary did not comply with the 75.0% proper disposal requirement for the period from 2008 to 2010. Coca-Cola FEMSA filed, through an administrative procedure, an appeal against this fine, which was denied by the municipal authority in 2013. This resolution by the municipal authority is final and not subject to appeal. However, in 2012, the State Appellate Court of São Paulo rendered a decision on an interlocutory appeal filed on behalf of ABIR staying the requirement to pay the fines and other sanctions imposed on ABIR's associated companies, including Coca-Cola FEMSA's Brazilian subsidiary, pending the final resolution of the appeal. Coca-Cola FEMSA is still awaiting the final resolution of the appeal filed on behalf of ABIR. In 2016, the municipal authority filed a tax enforcement claim against Coca-Cola FEMSA's Brazilian subsidiary in order to try to collect the fine imposed in 2010. In 2017, Coca-Cola FEMSA filed a motion for a stay of execution against the collection of the fine based on the decision rendered by the State Appellate Court of São Paulo in 2012. We cannot assure you that these measures will have the desired effect or that Coca-Cola FEMSA will prevail in any judicial challenge that Coca-Cola FEMSA's Brazilian subsidiary may pursue.

In 2010, Law No. 12.305/2010 was enacted, establishing the Brazilian National Solid Waste Policy to regulate the recycling and correct management of solid waste, which policy is regulated by Federal Decree No. 7.404/2010. The Brazilian National Solid Waste Policy is based on the principle of shared responsibility between the government, companies and consumers; it provides for the post-consumption return of products and requires public authorities to implement waste management programs. In order to comply with the Brazilian National Solid Waste Policy, in 2012, an agreement proposal was created by almost 30 associations involved in the packaging sector, including ABIR in its capacity as representative for TCCC, Coca-Cola FEMSA's Brazilian subsidiary and other bottlers, and was provided to the Ministry of the Environment. The agreement proposed the creation of a "coalition" to implement systems for packaging waste reverse logistics. The proposal described strategies for sustainable development and the improvement of the management of solid waste to increase recycling rates and decrease incorrect disposal. The Ministry of Environment approved and signed this agreement in 2015. Notwithstanding the signing of this agreement, in 2016, the public prosecutor's office of the state of São Paulo filed a class action against the parties that signed the agreement, challenging the validity of certain terms of the agreement and the effectiveness of the mandatory measures to be taken by the companies of the packaging sector to comply with the Brazilian National Solid Waste Policy. In addition, the public prosecutor's office of the state of Mato Grosso do Sul filed several class actions against the parties that signed the agreement, requiring the payment of certain dues in exchange for the state's provision of selective waste management services. Due to the large number of class actions involving the same parties, same cause of action and same pleas, a motion for resolution of repetitive claims was filed with the purpose of suspending all the class actions until the motion is resolved, and the competent court is appointed. ABIR and other associations are leading the defense.

Coca-Cola FEMSA's Argentine operations are subject to federal and municipal laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste management, which is regulated by

federal Law 24.051 and Law 9111/78, and waste water discharge. Such regulations are enforced by the Ministry of Natural Resources and Sustainable Development (*Secretaría de Ambiente y Desarrollo Sustentable*) and the Provincial Organization for Sustainable Development (*Organismo Provincial para el Desarrollo Sostenible*) for the province of Buenos Aires. Coca-Cola FEMSA's Alcorta bottling plant is in compliance with environmental standards and Coca-Cola FEMSA has been, and continue to be, certified for ISO 14001:2004 for the bottling plants and operative units in Buenos Aires.

In Uruguay, Coca-Cola FEMSA is subject to laws and regulations relating to the protection of the environment, including regulations concerning waste management and waste water discharge and disposal of hazardous and toxic materials, among others. Coca-Cola FEMSA owns a water treatment plant to reuse water in certain processes. Coca-Cola FEMSA has established a program for recycling solid wastes and is currently certified for ISO 14001:2015 for its bottling plant in Montevideo and for its distribution center in Paysandú.

Coca-Cola FEMSA has spent, and may be required to spend in the future, funds for compliance with and remediation under local environmental laws and regulations. Currently, Coca-Cola FEMSA does not believe that such costs will have a material adverse effect on its results or financial condition. However, since environmental laws and regulations and their enforcement are becoming increasingly stringent in Coca-Cola FEMSA's territories, and there is increased recognition by local authorities of the need for higher environmental standards in the countries where Coca-Cola FEMSA operates, changes in current regulations may result in an increase in costs, which may have an adverse effect on its future results or financial condition. We are not aware of any significant pending regulatory changes that would require a significant amount of additional remedial capital expenditures.

We do not believe that Coca-Cola FEMSA's business activities pose a material risk to the environment, and we believe that Coca-Cola FEMSA is in material compliance with all applicable environmental laws and regulations.

Water Supply

As a beverage bottler, efficient water management is essential to Coca-Cola FEMSA's business and its communities. As a result, Coca-Cola FEMSA is committed to improve its overall water use ratio to 1.5 liters of water per liter of beverage produced by 2020. In 2019, Coca-Cola FEMSA used 1.52 liters of water per liter of beverage produced. In addition, Coca-Cola FEMSA's goal is to reduce its water consumption and to return to the environment and its communities the same amount of water used to produce its beverages by 2020. All Coca-Cola FEMSA's bottling plants have their own or have contracted services for waste water treatment to ensure the quality of the waste water discharge.

In Mexico, Coca-Cola FEMSA obtains water directly from wells pursuant to concessions obtained from the Mexican government for each bottling plant. Water use in Mexico is regulated primarily by the 1992 Water Law (*Ley de Aguas Nacionales de 1992*), as amended, and regulations issued thereunder, which created the National Water Commission (*Comisión Nacional del Agua*). The National Water Commission is in charge of overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface water generally run from five to fifty-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms be extended before the expiration of the same. The Mexican government may reduce the volume of ground or surface water granted for use by a concession by whatever volume of water that is not used by the concessionaire for two consecutive years, unless the concessionaire proves that the volume of water not used is because the concessionaire is saving water by an efficient use of it. Coca-Cola FEMSA's concessions may be terminated if it fails to pay required concession-related fees and does not cure such situations in a timely manner. Although Coca-Cola FEMSA has not undertaken independent studies to confirm the sufficiency of the existing groundwater supply, Coca-Cola FEMSA believes that its existing concessions satisfy its current water requirements in Mexico.

In addition, the 1992 Water Law provides that plants located in Mexico must pay a fee either to the local governments for the discharge of residual waste water to drainage or to the federal government for the discharge of residual waste water into rivers, oceans or lakes. Pursuant to this law, certain local and federal authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by the National Water Commission. In the case of non-compliance with the law, penalties, including closures, may be imposed. All of Coca-Cola FEMSA's bottling plants located in Mexico meet these standards.

In Brazil, Coca-Cola FEMSA obtains water and mineral water from wells pursuant to concessions granted by the Brazilian government for each bottling plant. According to the Brazilian Constitution and the National Water Resources

Policy, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users can be held responsible for any damage to the environment. The exploitation and use of mineral water is regulated by the Code of Mining, Decree Law No. 227/67 (*Código de Mineração*), the Mineral Water Code, Decree Law No. 7841/1945 (*Código de Águas Minerais*), the National Water Resources Policy, Decree No. 24.643/1934 and Law No. 9433/97 and by regulations issued thereunder. The companies that exploit water are supervised by the National Mining Agency (*Agência Nacional de Mineração*, or “ANM”) and the National Water Agency (*Agência Nacional de Águas*) in connection with federal health agencies, as well as state and municipal authorities. In the Jundiaí, Marília, Curitiba, Maringá, Porto Alegre, Antonio Carlos and Itabirito bottling plants, Coca-Cola FEMSA does not exploit spring water.

In Colombia, in addition to natural spring water for *Manantial*, Coca-Cola FEMSA obtains water directly from wells and from utility companies. Coca-Cola FEMSA is required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by Decree No. 1076 of 2015. In addition, Decree No. 303 of 2012 requires Coca-Cola FEMSA to apply for water concessions and for authorization to discharge its water into public waterways. The Ministry of Environment and Sustainable Development and Regional Autonomous Corporations supervises companies that use water as a raw material for their businesses. Furthermore, in Colombia, Law No. 142 of 1994 provides that public sewer services are charged based on volume (usage). The Water and Sewerage Company of the City of Bogotá has interpreted this rule to be the volume of water captured, and not the volume of water discharged by users.

In Argentina, a state water company provides water to Coca-Cola FEMSA’s Alcorita bottling plant on a limited basis; however, Coca-Cola FEMSA believes the authorized amount meets its requirements for this bottling plant. In Coca-Cola FEMSA’s Monte Grande bottling plant in Argentina, Coca-Cola FEMSA pumps water from wells, in accordance with Law No. 25.688.

In Uruguay, Coca-Cola FEMSA acquires water from the local water system, which is managed by the Organism of Sanitary Works (*Obras Sanitarias del Estado*). Additionally, Coca-Cola FEMSA is required by the Uruguayan federal government to discharge all of its water excess to the sanitation system for recollection.

In Nicaragua, the use of water is regulated by the National Water Law (*Ley General de Aguas Nacionales*), and Coca-Cola FEMSA obtains water directly from wells. In November 2017, Coca-Cola FEMSA obtained a permit to increase its monthly amount of water used for production in Nicaragua and renewed Coca-Cola FEMSA’s concession for the exploitation of wells for five more years, extending the expiration date to 2022. In Costa Rica, the use of water is regulated by the Water Law (*Ley de Aguas*). In both of these countries, Coca-Cola FEMSA exploits water from wells granted to Coca-Cola FEMSA through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in Coca-Cola FEMSA’s own bottling plants. In Panama, Coca-Cola FEMSA acquires water from a state water company, and the use of water is regulated by the Panama Use of Water Regulation (*Reglamento de Uso de Aguas de Panamá*).

In addition, Coca-Cola FEMSA obtains water for the production of some of its natural spring water products, such as *Manantial* in Colombia and *Crystal* in Brazil, from spring water pursuant to concessions granted.

Energy Regulations

In 2013, the Mexican government approved a decree containing amendments and additions to the Mexican Constitution in matters of energy (the “Mexican Energy Reform”). The Mexican Energy Reform opened the Mexican energy market to the participation of private parties including companies with foreign investment, allowing for FEMSA Comercio to participate directly in the retail of fuel products. Secondary legislation and regulation of the approved Mexican Energy Reform was implemented during 2016 and 2017. Prior 2017, fuel retail prices were established by the Mexican executive power by decree by end of 2017 retail prices were fully deregulated and freely determined by market conditions. As part of the secondary legislation in connection with the Mexican Energy Reform, the Security, Energy and Environment Agency (the *Agencia de Seguridad, Energía y Ambiente*, or “ASEA”) was created as a decentralized administrative body of SEMARNAT. ASEA is responsible for regulating and supervising industrial and operational safety and environmental protection in the installations and activities of the hydrocarbons sector, which includes all our Fuel Division operations. Additionally, the CRE is the

regulatory body responsible for the authorization of sale of fuel to the public at gas stations. We believe that the Fuel Division is in material compliance with the relevant ASEA and CRE regulations and administrative provisions.

Other Regulations

In 2014, the Brazilian government enacted Law No. 12,997 (Law of Motorcycle Drivers), which requires employers to pay a premium of 30.0% of the base salary to all employees that are required to drive a motorcycle to perform their job duties. This premium became enforceable in 2014, when the related rules and regulations were issued by the Ministry of Labor and Employment. Coca-Cola FEMSA believes that these rules and regulations (Decree No. 1.565/2014) were unduly issued because such Ministry did not comply with all the requirements of applicable law (Decree No. 1.127/2003). In 2014, Coca-Cola FEMSA's Brazilian subsidiary, in conjunction with other bottlers of the Coca-Cola system in Brazil and through the ABIR, filed a claim before the Federal Court to stay the effects of such decree. ABIR's associated companies, including Coca-Cola FEMSA's Brazilian subsidiary, were granted a preliminary injunction staying the effects of the decree and exempting Coca-Cola FEMSA from paying the premium. The Ministry of Labor and Employment filed an interlocutory appeal against the preliminary injunction in order to restore the effects of Decree No. 1.565/2014. This interlocutory appeal was denied. In 2016, a decision was rendered by the Federal Court declaring Decree No. 1.565/2014 to be null and void and requesting the Ministry of Labor and Employment to revise and reissue its regulations under Law No. 12,997. The Ministry of Labor and Employment, with the participation of all interested parties, is in the process of revising Decree No. 1.565/2014. Such revision has not concluded, therefore we cannot assure you that any changes made to Decree No. 1.565/2014 will not have an adverse effect on Coca-Cola FEMSA's business; however, Coca-Cola FEMSA is currently not responsible for paying such 30.0% premium.

In 2017, the Brazilian government issued Law No. 13,467 (Labor Reform Law), which resulted in significant changes to labor regulations. This law extends the workday from 8 hours to 12 hours, provided that there is a 36-hour break afterwards. With regard to negotiations with any labor union, Law No. 13,467 provides that certain rights, such as constitutional rights and women's rights, cannot be part of the negotiations, as the Constitution and existing law prevails over any collective bargaining agreement. In addition, Law No. 13,467 allows companies to outsource any activity, including the company's principal activity and activities that a company's own employees are carrying out. Furthermore, the law provides that a claimant seeking to enforce his or her rights under this law will have to pay all costs and expenses related to the lawsuit and limits any compensation for moral damages to certain thresholds. Coca-Cola FEMSA is currently in compliance with these labor regulations.

In 2017, the Panamanian government enacted Law No. 75, which regulates the sale of food and beverages in public and private schools (from elementary school through high school). Law No. 75 prohibits the sale in schools of all sparkling beverages and certain still beverages with high amounts of sugar or calories. In addition, the Ministry of Education issued a decree with certain products that they recommend should be sold in schools; the products mentioned do not include sparkling beverages, teas and still beverages with high amounts of sugar. We cannot assure you that these restrictions or any further restrictions will not have an adverse impact on Coca-Cola FEMSA's results of operations.

In 2017, the Argentine government enacted Law No. 27,401 (Corporate Criminal Liability Law), which introduced a criminal liability regime for corporate entities who engage in corruption and bribery with governmental agencies. The main purpose of this law is to make corporate entities liable for corruption and bribery carried out directly or indirectly by such corporate entity, either through its direct participation, on its behalf or to its benefit. Although we believe we are in compliance with this law, if we were to be found liable for any of these practices, this law could have an adverse effect on our business.

In 2018, the Uruguayan government enacted Decree No. 272/018, which imposes an obligation to label certain food and beverage products that contain sodium, sugar, fats or saturated fats with health warnings. Coca-Cola FEMSA began complying with these requirements on February 29, 2020, as dictated by the Decree.

In 2018, the Brazilian government enacted Law No. 13,709/2018 (Personal Data Protection Law), which imposes control measures and other rights and obligations with respect to the processing of personal data by natural persons and legal entities, including by digital means. This law aims to create higher levels of certainty and transparency for data owners, containing obligations to display evidence of compliance and strict penalties for perpetrators who cause damage as a result of their violation of the law. Although this law is already enacted, we are not required to comply with it until August 2020.

In 2019, the government of the state of Oaxaca, Mexico amended the Law for the Prevention and Management of Solid Waste (*Ley para la Prevención y Gestión Integral de los Residuos Sólidos*) to prohibit the use, sale and distribution of single-use