

Living Sustainability

An Amrop Interview

Victor Treviño
Director of Energy and Sustainability
FEMSA



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Leaders For What's Next

Living Sustainability

Founded in 1890 as a local brewery in Monterrey, Mexico, FEMSA today operates in 18 countries across the globe through its Business Units: Proximity & Health, Coca-Cola FEMSA and Digital@FEMSA.

Sustainability has been in FEMSA's DNA from the outset. How is the organization building on its legacy and addressing the mounting challenges of a modern, globalizing organization?

Victor Treviño, FEMSA's Director of Energy and Sustainability, talks with Jaime Montemayor, Member of the Global Amrop Board and Managing Partner, Amrop Mexico.

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ABOUT FEMSA

With three core business verticals: Proximity & Health, Coca-Cola FEMSA, and Digital@FEMSA, the group has more than 350,000 employees in 18 countries in Latin America and Europe.

The group has a long history of commitment to society and the environment. Today it positions itself as a company that puts sustainability first, creating economic and social value through companies and institutions and striving to be the best employer and neighbor to the communities in which it operates.

It is a member of the Dow Jones Sustainability MILA Pacific Alliance Index, the FTSE4Good Emerging Index and the Mexican Stock Exchange Sustainability Index (S&P/BMV Total México ESG) among other indexes that evaluate its sustainability performance.

Victor M. Treviño has served as FEMSA's Director of Energy and Sustainability since 2010.

Through its Proximity Americas Division FEMSA operates OXXO, a small-format store chain and other related retail formats, as well as Proximity Europe, whose European retail unit Valora comprises convenience and foodvenience formats. FEMSA's Health Division includes drugstores such as Cruz Verde and Farmacias YZA as well as other brands and related activities. Meanwhile Digital@FEMSA includes Spin by OXXO and Spin Premia, among other digital financial services initiatives.

FEMSA's activities in the beverage industry include Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world by volume, serving approximately 270 million people through 2.1 million points of sale with a portfolio of more than 134 leading brands.



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C-suite Messages



Amrop asked Victor Treviño to imagine a round table of experts and C-suite leaders from different organizations. What would be his advice to CSOs?



Move from shareholder to stakeholder primacy

Sustainability begins and ends with a mindset: the role of business is to serve not only shareholders, but a wide spectrum of stakeholder groups, from customers, employees and suppliers to entire communities. A company's impact can and will move the sustainability needle.



Create universal value through sustainability

Sustainability is not a zero-sum game that pitches shareholders against stakeholders. It is a win-win dynamic. Quite simply, being sustainable is good for the company. It builds value from the economic, social and environmental perspectives.



Acknowledge the urgency

Companies that ignore the call for sustainability will quickly find themselves jeopardized. In essence, sustainability means existing in the future. To continue to exist tomorrow, the organization must recognize that it has to act today.



Set priorities where it counts — and communicate

When it comes to sustainability, many organizations still embark upon multiple experiments that lack focus and alignment. Progress means identifying areas of highest impact, prioritizing, then taking the message to the organization in an engaging way.



Drill down and set targets

It is critical to link priorities to targets signaling the organization's sustainability ambition, incorporating measures into the day-to-day. It means linking critical success factors to sustainability activities, assigning responsibilities and ultimately accountability. Clarity and transparency create momentum.



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Victor Treviño has served as FEMSA's Director of Energy and Sustainability since 2010. How did his current role come about? "I'm an electronics engineer, with the company for 23 years now. My initial positions were in engineering, then my responsibilities evolved to incorporate more issues regarding energy and eventually, sustainability."



Today, the role is all-encompassing: "FEMSA is a large organization with a number of different business units. The corporate office has responsibility for sustainability in all of them. We're in charge of establishing the strategy, making sure we have the proper governance principles, setting targets and so on."

ESG is increasingly taken as a shortcut for sustainability. What definitions does FEMSA use? Mr. Treviño presents sustainability as a deep concept that is aligned with FEMSA's mission to simultaneously create economic and social value.

"ESG means Environmental Social and Governance, whereas sustainability is about ensuring we can operate today and continue to grow and operate in the future."

This is a form of conscious capitalism, he says: "We believe that a company's purpose should be to create wealth not only for shareholders, but for all stakeholders. And that means consumers, but also society: the communities where we operate, the value chain, upstream with suppliers, downstream with customers and clients, and many other interest groups."

"So for us sustainability is much more comprehensive; in essence, making sure that we can continue operating today and in the future in harmony with society, the communities and the environment."



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Material meaning

Organizations struggle to secure relevance and impact in the seemingly boundless sustainability domain. Choices must be made. But how?

A materiality analysis is one answer. It involves identifying and prioritizing the ESG issues that are important to an organization and its stakeholders. It is even a requirement for many sustainability reporting standards and frameworks.

To crystallize its own sustainability strategy, FEMSA conducted a materiality analysis in each of its business units, merging the output with the major global priorities. This included aligning the organization with the UN Global Compact and Sustainable Development Goals.

It is a question of gaining a comprehensive understanding across interest groups, says Mr. Treviño. “We are very aware of the priority topics. For example, our investors rely on many of the ESG ratings and evaluations throughout the world, like the Dow Jones Sustainability Index, the Morgan Stanley Index, the FTSE4Good Index in London.”

“So we understand what is important for industries, for the stakeholders of each of our different business units. The materiality analysis also examines the perspective of the consumer, the community, the suppliers, and our employees, another important stakeholder. So we put all of that together and define our priority topics — those in which we can make a bigger difference, a larger impact, depending on each of our business units.”

Leading change from the top

To move from a boardroom PowerPoint to frontline action an organization’s sustainability efforts critically depend upon its culture. As the stewards of a 350,000-strong workforce, how has FEMSA’s leadership made the link?

For Mr. Treviño, it is the task of top management to ensure that the organization understands sustainability as an integral part of business strategy. “To convey that it starts top down, with our Board, C-suite and CEO.”

“It’s part of our FEMSA Forward strategy — defining what we expect of the business. How do we get there? We’ve defined three ‘how’s’; one is rooted in sustainability. So sustainability is not only the responsibility of the sustainability department, but it is rooted and incorporated into all of the areas of the company.

“This means that strategic planning, purchasing, operations, maintenance and the commercial side all have to look at their activities and responsibilities through a sustainability lens, to make sure that they are incorporating the strategy.”

All roads lead to sustainability: “All of the different areas of the company contribute to the goals, in different ways, with different initiatives, actions and decisions. But at the end of the day, everybody contributes. So one of the keys here is to make sure that everybody is on board, has the information, understands the importance and what their role is in contributing to the goals that we’ve established.”



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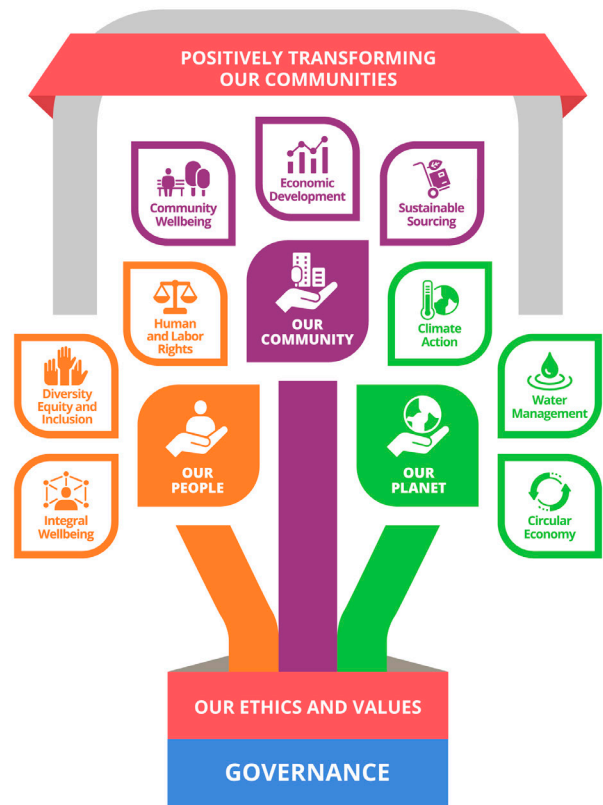


Root and branch sustainability

The output of FEMSA’s strategy deliberations was a sustainability framework containing three main axes, each linked to priority topics. “We depict this in the shape of a tree. The roots are our ethics and values and governance principles, and then from the large trunk come the three main branches of people, community and planet.”

The exercise was wide-ranging and sense making remains a vital part of it: “Ensuring that our initiatives, efforts and approach are adequately aligned and directed into those topics that are more relevant for our interest groups (not only shareholders, but stakeholders) and where we can have the biggest impact.”

But positive intentions must be pinned to objectives if they are to have the desired impact — and demonstrably so. “For each priority topic we’ve established long term goals which will clearly indicate the direction we want to move in, what our ambitions are. And we can be very transparent on reporting our progress in reaching those goals.”



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FEMSA has committed to recycling 100% of its post-industrial waste in each of its bottling plants by 2025. By end 2021, 98% had already hit their objective and 31% of recycled material was incorporated into its PET packaging with associated energy efficiencies. Over the six previous years, the group achieved a 17% improvement in water use. US\$4.5 million were invested in 2021 (for more results, see www.femsa.com).

Meanwhile, Coca-Cola FEMSA has committed to Coca-Cola’s ‘World without Waste’ undertaking. The goal is to recover 100% of the packaging it puts on the market by 2030 in order to recycle and foster the circular economy. In June 2023 Coca-Cola FEMSA joined the Mexican Coca-Cola industry for ‘Cleanup Day in Acapulco’, assembling more than 880 volunteers and recovering 3.89 tons of waste.



Making the CSO role relevant

As an executive search and leadership advisory firm, Amrop takes a keen interest in CSO success factors. Mr. Treviño's mandate is to design, drive and implement the different phases of FEMSA's sustainability strategy, including cultural change. What are the pre-conditions for getting it right?

It is a matter of business relevance and motivation, he emphasizes. "It's important to make sure that the CSO very clearly understands how sustainability connects with the organization and how each of the different areas can have an impact. To then have the ability to interact with them and make sure that they understand that being sustainable generates value for them."

Most business leaders today theoretically understand the interplay between sustainability and value creation. FEMSA also understands the practice. "Being sustainable is better than not being sustainable. In the business, operational, human sense, if you look at it from any side. Let's say we're talking about diversity and inclusion. Any department or area will be much more successful if it incorporates diversity and inclusion. It promotes collaborative efforts, analyzing things from different perspectives. At the end of the day, you'll take better decisions."

The group has publicly committed to increasing its representation of female talent in leadership (managers and directors) to 40% by 2030. But of course, diversity and inclusion are only one zone of value creation. FEMSA operates a vast network of supply chains, and here the opportunities are considerable. "Being sustainable from the standpoint of trying to reduce CO2 emissions, for example, falls into the category of being more energy efficient. And being more energy-efficient saves you money. It saves resources."

Being human

With the areas of operational effectiveness pinpointed, sustainability outcomes rest upon good communication, he says. Technicity must be translated into humanity, "conveying the message to all the areas of the organization... to transform some things that are maybe complex and technical into something much more understandable and relatable."

Beyond a small group of project-pushers, sustainability has to be a systemic, mass movement: "promoting this collaborative effort. Collaboration is extremely important; all areas of the organization have to understand how they contribute. I think that many years ago the topic of sustainability was really only taken care of by the sustainability area. And it was a small area. And now, even though that area still has a small headcount, it has many ambassadors and allies. And they are all over the organization. So I think that mindset is very important, and that's 'rooted sustainability'. Everybody has to make sure they incorporate sustainability into their day-to-day operations, as well as long-range planning."

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A revolutionary story

During the twenty-three years of his tenure, what shift in mindset has Mr. Treviño seen at FEMSA? He considers himself fortunate to work in a company for which sustainability is not just a forward-looking aspiration, but a historical fact. Its pioneering philanthropy even influenced Mexico's social policy. Not so much a shift, as a starting point, then.

"Since its foundation in 1890 the company's leadership has always recognized the importance of not only creating economic value, but also social value. For example, it started taking care of employee wellbeing even before there was a government social security institute. And I understand that what is now the social security institute in Mexico was created to model what the company had done.

"The same thing happened with topics like housing for employees, training. They founded a university: the Tecnológico de Monterrey! So you can see that sustainability has been in the DNA of the company forever. And now it just has the name of sustainability. But the reality is that the company has always been very concerned and active in making sure that value is also created for society."

This social concern persisted throughout the most turbulent of times. In 1914, led by General Pablo A. González, Mexican revolutionaries entered Monterrey and seized the company, abandoning it three years later. "It was very run down, most of the people had left." The owners thought carefully about the negative social impact of closing "in the worker community, the jobs created and the wealth of everyone who supplied the brewery." They decided to resume operations. "So it was really more of a social thing than continuing to have a company that makes money."

The story speaks volumes. "This shows you an example of the difficulties of continuing to operate, but always putting the benefits of the community first. That's why I say that I'm very fortunate, and our leadership is committed to making sure that we continue that legacy."



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A legacy of care

- 1911** Foundation of Escuela Politécnica Cuauhtémoc, teaching elementary, high school, clerical courses, arts and trades, additionally to training its workers in electricity, fermentation, physics, and chemistry
- 1918** Inception of an organization to foster the comprehensive growth of the company's employees and their families. Its purpose was to provide groceries, health care, a savings fund, discounts, sports, courses and scholarship, among other benefits.
- 1943** Foundation of the Instituto Tecnológico y de Estudios Superiores de Monterrey, (ITESM) by CEO Eugenio Garza Sada and fellow industry leaders. He described it as "my ninth and dearest child".
- 1944** Dedication of the 9-hectare SCYF* sports park to sports events.
- 1945** Opening of the SCYF health clinic to serve the workforce free of charge, prior to the formation of the Mexican Social Security system.
- 1957** Foundation of 'Colonia Cuauhtémoc' in Monterrey: 1,318 homes dedicated to company employees, years before the creation of INFONAVIT, the low-cost housing government organization.
- *Incorporated in 1918, the Sociedad Cooperativa de Ahorros e Inversiones para los Empleados y Operarios de la Cervecería Cuauhtémoc, S.A., today SCYF.

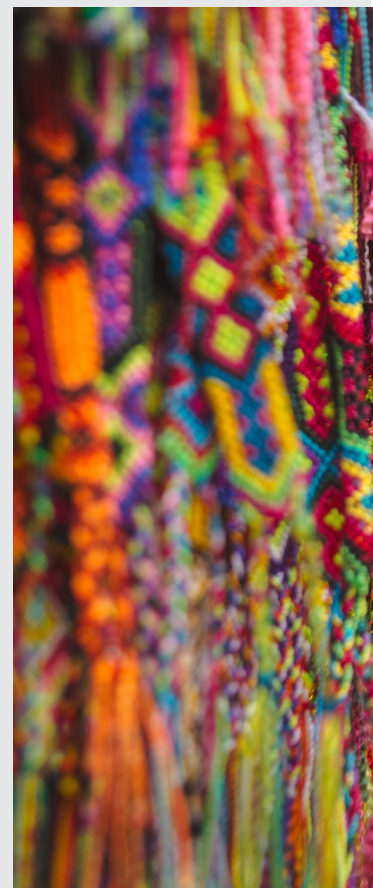
Continuing Engagement

In 2008, the group created the FEMSA Foundation on the premise that a sustainable company can only exist with sustainable communities. Its mission is to make social investments that have a positive impact on people's lives and build more solid and sustainable communities where the group operates. The Foundation works with over 250 partners in 18 countries. Areas of action include Water Security, Circular Economy, Early Childhood, and Arts and Culture.

FEMSA's activities promoting Early Childhood Development (ECD) work on the basis that the development of the full potential of children (physical, cognitive, linguistic and socio-emotional), transforms communities. The projects supported by its Foundation operate in Latin America in an all-inclusive manner.

Through the FEMSA Cultural Program, the organization preserves, documents, consolidates and promotes Latin American modern and contemporary art through temporary exhibitions, individual loans and the education and the mediation programs of FEMSA Collection. **FEMSA Biennial** is a cultural event where local institutions, artists and artisans participate, fostering collaboration and the exchange of ideas and knowledge around art.

Through the refugee inclusion program, in collaboration with the UN Refugee Agency (UNHCR) and the Tent Partnership for Refugees, the company promotes the economic and social integration of refugees, offering them formal employment opportunities. Currently, through OXXO and OXXO Gas, FEMSA has employed more than 1,500 refugees and migrants from neighboring countries in Central America and the Caribbean, mainly Haiti, Honduras, El Salvador, Cuba, Venezuela, Colombia, Guatemala, and Nicaragua.





It's very different working on (for example) renewable energy here, and in Argentina or Brazil, Switzerland or Germany... that's why our corporate goals are not limited to a certain geography. They are inclusive of all the geographies where we operate, countries and communities.



Geographical spread

Since the company's early owners faced the dilemma to shut up shop or continue to serve their community, matters have become more complex still. Today, FEMSA operates in 18 countries encompassing all of Latin America and recently, five countries in Europe. These geographies present very different cultures, regulatory frameworks, challenges and opportunities.

Continuing to drive FEMSA's sustainability goals within such diverse locations demands ongoing analysis and a sense of perspective, says Mr. Treviño: "It's very different working on (for example) renewable energy here, and in Argentina or Brazil, Switzerland or Germany... that's why our corporate goals are not limited to a certain geography. They are inclusive of all the geographies where we operate, countries and communities."

He returns to a primary concern — the sheer size of FEMSA's workforce and the demands of aligning all its variables around sustainability targets: culture, behaviors, decision-making and internal processes.

Unsurprisingly, digital has a role to play, together with in-person contact. "We have strategies for communicating and promoting these ideas. In fact next week we have our annual sustainability summit. About 100 people will be personally attending, but we'll also have 600 to 700 people from our business units connected online. So it's a hybrid event where we share a lot of information about the strategy, what we're doing, what we expect from the business units, our targets. And establishing targets is important because people understand where we're going, the ambition. We try to be very transparent, we have to be very accountable in reporting how we're doing, where we're having difficulties in making progress, and what we're going to do to reach the goals."

A sustainable culture

Given all of this, how does it feel to work for FEMSA? In its organizational climate survey conducted during 2021 and 2022, the group measured a number of key indicators. All scored between 85 and 91%. "I am proud to work for my company" (91%). "I am motivated to go beyond my duties to contribute to the success of my company" (87%). Happiness, in the sense of "I feel energized and enthusiastic about my work" (85%). If, sustainability rests in the hands of people as Mr. Treviño states, FEMSA's success looks built to last.



How can Amrop help?

At Amrop, we have long believed that today's ethical, ecological and societal challenges call for executives who are not just accomplished and smart, but wise and purposeful. Using our Purposeful Leadership approach, we help our clients to build sustainable organizations. We advise CEOs and Boards and provide coaching and mentoring programs to help you deliver on ESG objectives.

Every organization now has the responsibility to install a culture of sustainability. More than simply paying lip service to a department carrying its name, sustainability is in the DNA of today's best leadership teams. They provide the frameworks to integrate it into the way their organizations think, decide and behave.

Let's talk about how we can help you create a culture of sustainability and wise, purposeful leadership



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Appendix

The FEMSA Foundation

The FEMSA Foundation is an instrument for socially oriented investments that funds education, science, and technology for the preservation and sustainable use of water as well as promotion of a healthy community life.

FEMSA Foundation was created in 2008 on the premise that a sustainable company can only exist with sustainable communities.

FEMSA Foundation's mission is to make social investments to have a positive impact on people's lives and build more solid and sustainable communities where we operate. We work with more than 250 partners in 18 countries, with whom we seek to identify, replicate and scale innovative solutions and approaches.

We seek to address complex social challenges with a collaborative approach that allows us to gather more resources and have a greater impact. These are our areas of action:

Sustainable Development

We focus our actions in three areas: water and sanitation (we bring sustainable access to safe water as well as improved sanitation conditions to the communities where we operate), watershed conservation (water sources), and applied scientific research.

Early Childhood – the period that takes place from gestation up to 5 years of age – plays a decisive role in the development of our children. Early childhood development (ECD) refers to physical, cognitive, linguistic and socio-emotional development during early childhood, in an all-inclusive manner. We believe that if children have a way to develop their full potential, their communities can be transformed. On this basis, we are committed to supporting projects that promote Early Childhood Development in Latin America.

FEMSA Cultural Program

We preserve, document, consolidate and promote Latin American modern and contemporary art through temporary exhibitions, individual loans and the education and mediation programs of FEMSA Collection.

Also, with FEMSA Biennial, a cultural event where local institutions, artists and artisans participate, we foster collaboration and the exchange of ideas and knowledge around art.

Source: www.femsa.com

FEMSA – an evolutionary tree

Whilst FEMSA's origins lie in beer manufacturing, elements of its supply chain gradually evolved into fully fledged businesses. In 1957 its label supplier department became an independent firm, expanding to all forms of flexible packaging. Against a background of growth in its core businesses, 1974 saw the creation of two companies, VISA and ALFA. During the same decade further branches emerged: a manufacturer of plastic products and materials for point of sale.

In 1978, lateral portfolio expansion began with the opening of the first OXXO retail store in Monterrey. The same year, the company listed the VISA shares on the Mexican Stock Exchange.

1979 saw the first roots of Coca Cola FEMSA, with the acquisition by VISA soft drinks of its first Coca Cola franchise. The company remained relatively focused on beverages and retail until 1995 - an association with Amoco Oil Co. to create Amoxxo and operate its OXXO Express service centers. The same decade, FEMSA Logística began operating as an independent company and changed its name from VISA to FEMSA, listing its shares as FEMSA's on the NYSE.

The new millennium brought further branching out; into logistics, with the internet-based solistica.com and in 2017 the foundation of Solistica in South and North America. In 2009 the group began a move into refrigeration, launching Imbera, a manufacturer of cabinet store coolers, followed by further acquisitions in the following years.

2013 witnessed a further lateral step, this time into retail pharmacy, with the acquisition of two pharmacies, a majority stake in 2015 in a leading South American operation, followed by a further Mexican purchase.

In 2020, FEMSA grew a further branch, investing in a platform within the specialty distribution and cleaning products and consumables industry in the United States, integrating WAXIE Sanitary Supply and North American Corporation.

In 2022 the group acquired Valora, a foodvenience leader in the European market, with operations in Switzerland, Germany, Austria, Luxembourg and the Netherlands. Over the past year it opened 1391 new stores, taking Proximity Americas to 22,059 Oxxo Stores. Meanwhile the company's fintech arm, Spin by Oxxo, more than doubled its user base from a year earlier, to 7.6 million.

Source: www.femsa.com and www.reuters.com



Further Reading



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About Amrop

The Amrop Partnership is a premium leadership and executive search consultancy with 68 offices in 55 countries and a global team of more than 500 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

www.amrop.com

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