

# Grupo Rotoplas

## Virtual AGUA DAY 2020

### **Host Emma Sanderson:**

Good morning to all and welcome to Grupo Rotoplas' AGUA DAY 2020. Please note that today's call is being recorded and all participants are in listen-only mode to prevent background noise.

Today's discussion contains forward-looking statements. These statements are based on the environment as we currently see it and as such there may be certain risks and uncertainty associated with such statements. The Company has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Today's agenda is as follows:

We will start the day with comments from our keynote speaker, Lapo Mori regarding the humanitarian and business priorities of water, followed by remarks from Carlos Rojas about Flow's results and Rotoplas looking forward to 2025. Next, Mario Romero will share the financial expectations for the next five years; and finally, José Luis Mantecón will talk about Rotoplas' sustainability evolution.

We will then close with the Q&A session. I would now like to introduce today's speakers:

1. Lapo Mori

Lapo Mori is a Partner at McKinsey & Co. based in Denver where he works on operational transformations and turnarounds across various industrial sectors including mining, pulp and paper, and water.

Lapo leads a team of 40 partners and more than 100 expert practitioners to deliver cutting edge digital assets to support the optimization of end-

to-end supply chain (Value Maximizer), advanced process control (ControlAI) and water management (AQUA).

Lapo has a PhD in mechanical engineering from Northwestern University. He is the author of a book and of over 30 scientific publications and is a lecturer at HEC Paris.

## **2. Carlos Rojas Aboumrad**

Carlos Rojas Aboumrad is Rotoplas' Chief Executive Officer. Carlos joined the Company in 2014 and since then he has held various positions; he was part of the international expansion and drove the Innovation and Development department forward. Before being appointed as CEO he was Vice President of Services.

Carlos holds an undergraduate degree in Industrial Engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey and an MBA from Babson College.

## **3. Mario Romero**

Mario Romero is Rotoplas' current Chief Financial Officer. Mario joined the Company in 1995 and before being appointed as CFO in 2004, Mario held various positions focusing on finance and strategy.

Mario has been recognized for his innovative approach and execution skills, having led a wide range of projects such as: strategy design & delivery, various cross-border M&A transactions, Rotoplas' initial public offering and the issuance of the Sustainability Bond. He is also an advocate for Sustainable Investments and represents Rotoplas on the Mexican Green Finance Advisory Council. Additionally, he sits on the board of B37 (a VC fund in Silicon Valley) and HJB (a chemical business).

Mario received an undergraduate degree in Economics from the Instituto Tecnológico Autónomo de México and a graduate certificate in business administration from Harvard University.

## **4. José Luis Mantecón**

José Luis Mantecón is Rotoplas' Vice President of Sustainability and Human Capital. He joined the Company in 1993 and held the position of International Operations Director for a number of years, with responsibility for the expansion in southeast Mexico and Latin America. In addition, as Sustainability Vice President he led the execution of the ESG strategy.

Before joining Rotoplas José Luis founded several companies in the construction sector.

José Luis holds a Bachelor's in Business Administration from Saint Michael's College in Canada and a postgraduate executive degree in marketing from Anáhuac University.

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We would like to take this opportunity to thank all our speakers for their contribution today and hope you all find the following discussions insightful and valuable.

I would now like to hand the mic over to Lapo to kick things off with his Keynote Speech.

### **Lapo Mori:**

Thank you to the Rotoplas leadership for the invitation

I would like to talk to you about how 2 factors are affecting our accessibility to water: (1) increased water intensity of our global population and (2) increase variability of water supply because of climate change. I would like finally to look at how advanced analytics can help us to mitigate some of the risks that generate from this conjuncture.

Looking at the situation today, we have a band of geographies that are facing high and very high stress due to unbalanced ratio of water withdrawals (demand) and renewable water supply.

This causes 14% of the global population to not have access to clean freshwater.

Without correction, this unbalance will only become worse, driven by a growing global population and growing economy that are boosting increased demand for primary inputs, with water getting to +40% demand by 2030.

Increased water demand will not be matched by increased steady supply, causing the portion of water distressed regions to grow significantly in the coming 20 years.

By 2050 we expect about 50% of the global population to lack sufficient water at least once per month.

Probably an even more important challenge for water will be the increase in variability of supply resulting in volatile availability and in catastrophic events that are expected to cause additional 700 B urban property damage due to flooding by 2030.

What can society and industry players do to mitigate all of this?

2 things:

- Establish water stewardship as a strategic goal.
- Implement efficient water management practices along the full water value chain from sourcing to discharging.

We expect that a widespread endorsement of these principles can drive significant impact:

- Reduce water withdrawn (today 4.5 Tm<sup>3</sup> per year).
- Reduce wastewater discharged (today 1.5 T m<sup>3</sup> per year).

How can companies and institution achieve this?

We believe that a pivotal role will be played by applying at scale advanced analytics which means using very large amounts of data and process them in real or close-to-real time.

This has the power to improve visibility and practices in water management across 5 domains:

- Water sourcing and storage – increasing water sources by using advanced geophysical models, increasing predictability of water availability
- Water treatment – improving efficiency of treatment plants by making their operations more targeted and predictable
- Water usage – more efficient water management in distribution and industrial processes, improved water quality and reduced intensity
- Water discharge – reduced wastewater storage and increased quality of discharged water
- Sustainability and risk – embedding risk modelling in water related operations to counteract variability with buffers

As an example of what this looks like, mining companies have started using very large weather data sets to better predict how much water they will be able to capture on an hourly basis.

In this example a mining major is ingesting 1+ M of data points every hour representing atmospheric forecast and real time measurements on a catchment area of 100 sq miles.

12 interconnected models can forecast stream dynamics on over 50 effluents providing an accurate forecast of water flows with 40 hours of notice, allowing plant operators to adapt their operations and prevent over or under flows.

This is just an application of increased spatial and time resolution on water level prediction. Imagine how producers of water storage and filtering equipment like Rotoplas could use such level of insights to help communities and customers forecast droughts and prepare for them.

### **Carlos Rojas Aboumrad:**

Thank you for your presentation Lapo; your exposition reassures us that we are in the right industry of increasing access to water and improving water quality.

Now, I want to welcome everybody to our Virtual Agua Day 2020 and thank you for joining us. I hope you and your family and friends are safe

and healthy. During this event Mario, José Luis and I are going to present where Rotoplas stands today and our plans for the next five years. We will also answer any questions that may arise at the end of the presentation.

When I first took over as Chief Executive Officer of Rotoplas in May of last year, the executive team and I carried out a three-month analysis and diagnosis to determine the best path to take our Company to the next stage in its evolution. It was a far-reaching effort. I was and I am grateful for the unconditional and continuing support of such experienced professionals, who have contributed so much to ensuring the Company's growth and its deepening and pioneering commitment to sustainability.

During the diagnostic process, we took stock of what we had achieved, and particularly of the diversification of our products and services portfolio and our enhanced geographic presence, recognizing that our general business model and the strength of our brand provided an extraordinary foundation for our next efforts. However, we also identified the opportunities and challenges that lay ahead. While reaffirming our commitment to provide more and better water to our customers and communities, we also determined that the company needed to continue evolving if it was to fulfill its purpose in a rapidly changing environment.

A key issue that emerged from the analysis was the fact that our efforts to diversify our markets and strengthen our products and services portfolio had been successful in bringing about growth and enhancing our presence in the hemisphere, while also having a very positive social impact in our communities, particularly the rural ones. However, these efforts also had a negative impact on our return on invested capital, which fell below our cost of capital. It became clear that going forward, it was imperative to bring our ROIC back above our cost of capital to ensure both the sustainability of our business and the creation of value for our shareholders. We would continue to innovate, find new avenues for growth and maintain our commitment to ESG principles, but we would do so with a renewed focus on efficiency, profitability and strict discipline in resource allocation.

This required not only a new game plan, but also the development of the tools we needed to implement it; a new internal "machinery", if you will.

Both are embodied in the transformational program we launched in August 2019 as Flow.

Flow has been the cornerstone of our efforts and for which we established the following as the main objective for its first stage following our diagnosis:

Rotoplas should achieve a ROIC greater than WACC in less than 18 months, while fulfilling its purpose.

I would now like to share what we have achieved so far and where we are headed for year-end and over the next five years.

2019 was the year of designing the new plan and preparing to implement it, to build the machinery we required. 2020 has been the first year of implementation, the year of getting back on track to create additional value, despite a globally challenging environment. And through Flow, the Company will continue to evolve in the years ahead, creating value while having a positive social and environmental impact through offering decentralized water solutions on a large scale.

I think most of you are familiar with Flow, but it might be useful to recap some of its key aspects, as they are crucial to understanding what we have achieved and what we plan to achieve going forward.

For starters, it is necessary to bear in mind that Flow is a transformational program, an evolutionary process, not merely a turnaround effort. Flow builds on the innovation, growth and commitment to ESG that have long characterized the Company. It comprises Rotoplas as a whole, as it impacts every country, department, corporate office, manufacturing plant and process in three cornerstone aspects:

- a) Profitability of our products and services portfolio.
- b) Growth initiatives and execution.
- c) Organizational culture and health.

In the context of Flow, our people propose initiatives pertaining to one or more of these cornerstones within their areas of responsibility. These

initiatives must be aligned with our strategy and purpose, our overall sustainability objectives and represent a value creation opportunity.

The initiatives must include a business case with scheduled milestones to ensure their successful execution and clearly identify the personnel who will be responsible for each milestone. And, if an initiative is approved, it is managed through a digital platform, which enables us to follow up on each individual initiative. Finally, we have established a Steering Committee and a Transformation Office to oversee the whole process.

Thus far, over a quarter of our employees have been involved in at least one of over 900 different initiatives, a testament of both the commitment and innovation of our people and the empowering nature of the process: from conception to execution, our team members can take their best ideas and put them into practice. Some of these are small incremental initiatives, others contribute to our businesses with huge potential such as bebbia, our drinking water platform, and others open new avenues for growth.

The discipline evolved from Flow is now engrained in Rotoplas' organizational culture, and it has produced significant results. Since its inception, we have divested underperforming businesses in the United States and Brazil, while strengthening our water-as-a-service platform. In 2020, we launched 23 new solutions, including the dual tank, the ultra-flexible pipe and Rieggo in Mexico.

Rieggo, like all the other initiatives we have undertaken, is aligned with the guiding principles of Flow, addressing sustainability concerns in the production process or the end-user experience, and chasing new avenues of profitable growth for the company.

As I said, we are committed to unleashing our innate potential to make a positive impact through decentralized solutions, while at the same time continuing to pursue growth and create prosperity and human progress. The synergies we have with RRG, our partner in this joint venture, created an opportunity to pursue this objective by leveraging innovation and technology to develop smart solutions for producers, enabling them to optimize the irrigation of their crops through sensor-determined dripping



and micro-spraying. Furthermore, it presented the opportunity to provide producers with the kind of permanent technical support and financing that they have been lacking until now.

We have also strengthened the balance sheet and our cash position, decreasing our Net Debt/EBITDA leverage from one to point five times or half.

Likewise, the renewed focus on cash flow helped us to optimize our cash conversion cycle, decreasing its length by 23 days.

Moreover, close to 20% of YTD EBITDA was attained due to the implementation of various initiatives pertaining to Flow. Examples of initiatives with the greatest contribution are:

1. The implementation of a new manufacturing process for storage solutions, which is more efficient in the use of raw materials, energy and water.
2. The effectiveness of the sales force, and
3. Improvement in logistics through the Rotoplas Transportation Management System.

Finally, I'm very happy and pleased to tell you that, as of the third quarter of this year, our ROIC is only 90 basis points below our cost of capital, an improvement of 250 basis points versus one year ago.

And we are confident that by the end of 2020, we will have achieved the goal for the first stage of Flow: having an ROIC greater than WACC. Moreover, we will have done so in what has proven to be an extremely challenging year for our communities, but also one that has **reaffirmed our sense of purpose and our belief that our commitment to the water industry is the correct one.**

The COVID pandemic has been extremely disruptive for our economies and our lives. But it has also underscored the need for decentralized water solutions that are sustainable and are aligned with the megatrends that are beginning to define our future: circular economies, avoidance of single use plastic, intelligent water management, greenhouse gas reduction, e-commerce and the like. As the path towards reaching sustainable

development goals and climate change targets becomes clear, it is also increasingly apparent that the required actions can act as a tailwind for companies that are willing and able to fully incorporate ESG principles into their operations.

With that in mind, I would now like to talk about the future. After reaching our first value creation milestone, we will continue to evolve our business to achieve a new set of targets and what we call the “two and twenties story”, meaning for that:

By 2025, Rotoplas expects to have doubled its sales, it will have increased its EBITDA margin from 18% to 20% or greater, will have a net debt / EBITDA ratio below two times, and a ROIC in the 20s percent region.

I picture the Rotoplas of 2025 with a leading water-as-a-service platform, a very strong position in the United States and smart water solutions in its portfolio.

So, how are we going to achieve this?

We have already built the machinery and methodology for a successful process in which we can translate hypotheses and ideas into reality. Likewise, we have developed a strong execution and resource allocation discipline.

We can achieve our growth and profitability objectives by maintaining the pace of innovation and through the organizational culture we have established.

The pipeline for launching new solutions in 2020 and 2021 is greater than that of the previous decade and we will take full advantage of synergies between current operations, and of the market potential for our services platform. This includes Acuantia, our e-commerce platform in the United States; SYTESA, our water treatment and recycling business in Mexico and most recently in Brazil; our drinking water service, bebbia, which has the potential to reach 1 million installed units by 2029 and Rieggo, which has a target market worth 170 million US dollars, encompassing 1.5 million hectares. And of course, we will continue to seek new opportunities as we

have done so far, emphasizing the potential synergies with existing businesses.

We will leverage our digital and analytical platforms as well as our talent management strategies. And we will continue to develop a corporate culture focused on ethics, user experience, the alignment of our interests with those of our shareholders and stakeholders, and accountability for our actions as José Luis will explain in more detail.

Finally, for the coming years and looking forward to 2025 I would like to reassure you that:

1. **We are committed to being driven by the Company's purpose; best serving our customers and communities.**
2. **We are committed to ESG best practices, in line with our stakeholders' interests.**
3. **We are committed to creating value for our shareholders through sustainable growth, and**
4. **We are committed to promoting society's well-being and safeguarding the planet we all share together.**

We have the strategy and the tools to honor these commitments in an integrated and comprehensive fashion.

For the coming years financial and sustainability components are merged into one single comprehensive strategy, with the overriding importance of our organizational health. We are confident that providing access to clean and safe water is now more relevant than ever, and we are in the best position to help achieve this goal in our region, for the benefit of all. This is the path of our Company's evolution.

Thank you very much for your time and attention. I will now pass the mic over to Mario so that he can go into further detail on the key aspects of our strategy.

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## **Mario Romero Orozco:**

Thank you, Charlie. Good morning everyone. I am really honored and excited to have the opportunity to share with you the numbers of our five-year plan towards 2025.

Now that Charlie has outlined our path, I would like to discuss some details of how this path will look in terms of our expected results and the evolution of our solutions portfolio in each of our markets. I will begin by going over our estimates in terms of sales and EBITDA and our geographic and solutions breakdown. Then, I will discuss some of the key value drivers of our strategy per country and the macro trends we have identified for the industry, which we believe will prove to be favorable growth drivers for our business. Finally, I will go over our guidance for next year and some key aspects of our capital allocation discipline to provide you with a more comprehensive outlook.

Our objective by 2025 is to double our current level of sales and achieve an adjusted EBITDA margin equal to or above 20%, which implies more than a 200 basis points increase. This entails increasing growth and profitability across all our markets and throughout our portfolio.

So, how does this sales and EBITDA breakdown look in terms of geography and services and products?

Well, we expect that both the sales and EBITDA, of our products will grow at a compound annual growth rate of around 13% overall until 2025. This includes close to 9% CAGR in Mexico, about a 6% increase in Argentina and 23% growth in other regions including the United States, Peru and Central America. In fact, we expect that the CAGR of our operations in the United States will be close to 30% given the great Ecommerce opportunity accelerated by Covid 19.

At the same time, we expect the overall service platform to grow at a rate of over 29%. We also expect services to have an EBITDA margin above 20% by 2025, given that the global service portfolio will break even in 2021 and Bebbia and Sytesa Brazil are forecast to reach break-even point in 2023.

This means that by 2025 our services platform will account for 15% of sales and EBITDA and the remaining 85% will come from products. It also means that our Mexican operations will account for about half of our total revenue, Argentina will decrease its current share to represent around 10% from the current 15%, the United States will become the second most relevant market accounting for approximately 20% of sales, and our other markets will account for the rest, including about 3% from our water treatment and recycling services business in Brazil.

These estimates are coming from the business cases of the initiatives we are executing within Flow. As mentioned, these initiatives go through several steps from their inception until they reach their full potential. Some of them may have a one-time impact on our income statement whilst other may have a recurring impact. In every case, we maintain strict execution discipline to ensure that we implement the smaller initiatives, without losing focus on the larger bold moves such as Bebbia and, of course, that we keep generating new ideas on an ongoing basis.

We currently have 470 initiatives in mid-process, that is, initiatives that already have an approved business case and we have started their funding and implementation. These will mature in the coming quarters and years, but we estimate that they will contribute 5.8 billion in sales and 3.1 billion to EBITDA, assuming a success rate of about 60%, which is in-line with our recent experience and that of our transformation consultants.

We expect the expenses associated with the implementation of Flow to continue for 6 more quarters, amounting to between 70 and 80 million pesos per quarter. Furthermore, we expect that the annual CAPEX will average 5% of sales from 2021 to 2025. We expect to maintain government sales below our 10% cap without a particular focus or project.

Let me now turn to the main aspects of our country and region-specific strategies. In all cases, we will continue to leverage the strength of our brand and our leadership position across our markets, but there are specific aspects in each one of them that are worth mentioning in detail.

In the case of Mexico, our strategy will focus on the growth of our service platform while maintaining our leadership in products and adjacent business opportunities.

In the United States, we will continue to bolster our e-commerce platform, focusing on improving its conversion ratio, increasing its profitability and accelerating the penetration in the septic tank market.

In Argentina, we will maintain a pricing policy aligned with inflation and boost our exports platform to navigate the usual ups and downs of the country; all while keeping operations self-sustainable in terms of cash flow and not taking on any local debt.

As for Peru, our strategy will focus on developing and growing the water flow and control segment, with the objective of sustaining our current pace of growth and profitability.

In Central America, we will seek to fully exploit the synergies that exist between our operations in the region and continue adding products to our portfolio.

And finally, in Brazil we will continue to develop our service platform by focusing on our water treatment and recycling plants business.

These strategies and our overall evolution process will allow us to make the most of the macro trends that are shaping our markets and which, as I mentioned, will prove to be tailwinds for our business. Charlie already mentioned some of these trends, but I think it is worth recapping the most important ones.

First, the centralized water systems that have long dominated the provision of water have become increasingly overwhelmed and outdated and have a high cost of development and maintenance, as well as high

environmental costs. So being an off-the-grid solution will become more important going forward.

Second, e-commerce continues to experience exponential growth rates which were only accelerated by the pandemic.

Third, we are seeing an increasing amount of water stress, an excess demand for good quality water as populations grows and is more informed, in many regions as well as a significant lack of adequate sanitation infrastructure due to population growth and socioeconomic development. This scarcity leads to rising water prices and, if we are to reach the objectives of the Paris Agreement, governments have to implement a stricter regulatory environment for the sector down the line.

Finally, as the meteorological phenomena and natural disasters brought about by climate change continue to damage economies, the need for alternative, smarter and sustainable approaches to provide access to water become more and more important.

In fact, futures contracts tied to the spot price of water began trading for the first time ever on wall street last Monday. The water contracts will allow farmers and investors alike to hedge against or bet on the potential for water scarcity price fluctuations. We will have to see how this evolve, but the implications are clear: it is time to reckon that water needs a PRICE.

Now that we have discussed the prospects and strategies for the next five years, I would like to talk about the short term.

As guidance for 2021 we expect sales growth equal to or over 10%, an adjusted EBITDA margin equal to or above 19%, approximately a 100 basis point expansion. A Net debt to EBITDA ratio below 2x and a ROIC of 100 basis points over our cost of capital.

Something that will make both our immediate results and our objectives for 2025 possible, is the capital and resource allocation discipline that we have developed. As some of you may remember, we have a specialized committee to enhance control and accountability across our businesses.

The capital allocation committee ensures not only that every project fulfils our criteria in terms of IRR and NPV, but more importantly, that it is aligned with our comprehensive strategy going forward. Furthermore, as the committee keeps track of the resource allocation and the preliminary results of each project on a quarterly basis, it also allows us to adjust in an agile fashion.

Before I hand over the floor to José Luis to discuss our sustainability efforts, I would like to finish by briefly going over an analysis we conducted on the valuation of public companies within the water industry, including Rotoplas.

Selecting comparable companies to conduct a realistic analysis was complex, given the broad and geographic scope of our business, but for our purposes, we prioritized 10 players in the different segments in which we participate, such as storage, flow and control, purification, treatment and recycling, irrigation, etc.

According to this analysis, the average expected 2020 Enterprise Value to EBITDA multiple of the companies included in the list is 13.1x, while Rotoplas' is 7.4x, implying a discount above 40%. Furthermore, the average expected growth of revenue and EBITDA for these companies is 4% and 2% respectively, while our company's is closer to 15% for both indicators.

In this context, going forward, we believe that Rotoplas' investment thesis is made up of two factors. On the one hand, our products portfolio has market leadership and second to none brand recognition, high returns on invested capital and generate a stable cash flow. On the other hand, our water-as-a-service platform is a fast-growing business based on subscription models and long-term contracts that ensure stable revenues and higher margins when mature.

Thank you very much for your time. I look forward to your questions.

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**José Luis Mantecón:**



Thank you, Mario. Good morning everybody.

Sustainability has been at the core of our company since its inception, it deeply relates to our purpose and our business. Our aim is to provide solutions that address the existing challenges at every step of the water cycle.

As a water-solutions company, sustainability is in our corporate DNA. It's a key component of who we are, how we take decisions and how we operate. Sustainability is, as Charlie already pointed out, the path of our company's evolution towards the future.

Rotoplas stands out due to our single comprehensive strategy; one that merges the financial and sustainability components and is a reflection of who we are and who we aim to be. It also reflects how sustainability concerns are integral to our efforts at all levels of the company, from the board of directors to the whole organization and in our daily activities.

In this context, I would now like to go over some of the key results from the sustainability strategy we developed five years ago, and how it will evolve towards 2025.

As some of you may know, our sustainability strategy has four main focal points: Corporate sustainability governance, Collaborative innovation with purpose, Driving economic and social development, and Safeguarding water as a resource for the future. A thorough explanation is available on our website, but for today's purposes, it can be summarized as follows:

1. **Corporate Sustainability Governance** has the main objective of developing a management system to track of the implementation of our strategy and ensure that sustainability is a transversal axis across all operations.
2. **Collaborative innovation with purpose** seeks to incorporate sustainability in our innovation processes and the development of internal knowledge, as well as to increase our collaboration with the innovation ecosystem.

3. **Driving economic and social development** emphasizes cooperation with third parties to improve the positive impacts of water and sanitation, such as health, education and household income, as well as to promote women empowerment.
4. Finally, **safeguarding water as a resource for the future** is aimed at optimizing the consumption and quality of water, fostering a sustainable water culture.

Through our team's efforts, we have already fulfilled 95% of the initiatives we set out for the ESG strategy. In the process, we achieved very significant milestones in sustainable finance.

We were the first Mexican public company to report its contribution to the SDGs and we issued the first sustainable bond in Latin America in 2017. That same year, we were included in the newly launched Dow Jones Sustainability Index MILA Pacific Alliance and, in 2019, we were included in the S&P/BMV Total Mexico ESG Index. Furthermore, we have increased our SAM score consistently year after year.

These financial milestones are not only relevant for creating value for our shareholders, but they also have a positive impact. Just to give an example, with the net proceeds of the sustainable bond, we have benefited thousands of people by purifying over 131 million liters of water and through the treatment and reuse of over 30 million wastewater liters.

This is how we serve our purpose and promote the well-being of our communities in a transparent and accountable fashion. And we do so, in alignment with the most important climate change and sustainability frameworks, including the United Nations Global Compact, the Global Reporting Initiative Standards, the recommendations of the Task Force on Climate-Related Financial Disclosures, as well as the Carbon Disclosure project and the SASB standards. Additionally, we were the first Mexican company to join the CEO Water Mandate.

In addition to these milestones, however, I think it's worth highlighting other ESG results of the strategy. In terms of the environmental aspect,

we have developed a climate change strategy that incorporates circular economy practices including the use of recycled resins in the manufacturing of our storage solutions. We have also assessed the water and carbon footprint of our main products and have made these data factsheets public to empower our customers into making more informed choices. We were pioneers in publishing this information, particularly for the water footprint.

As to the social aspect, I would like to address an issue that is often overlooked but is nevertheless crucial: even though our accident rate has historically been significantly lower than the industry average, we have managed to improve it year after year by adhering to strict safety protocols which are supervised by well trained personnel who are part of the plants Committees. In the same vein, we have practically closed our gender pay gap; by this, we guarantee that employees will be rewarded based on their skills and talent, not on their gender.

As a result of the COVID pandemic we created a committee to address the needs of our team members and our stakeholders, implemented all institutional protocols, and leveraged our technological capabilities to immediately adopt remote working for all our administrative staff.

Furthermore, we donated access to over 1 million liters of water storage capacity, and over 3 million liters of drinking water to hospitals through our bebbia service and partnered with emergency-relief institutions to deploy mobile handwashing facilities. These solutions have shown significant effectiveness at preventing contagion.

Finally, we obtained relevant results regarding governance, two of which I would like to highlight.

The first is the diversification of our Board of Directors in terms of experience, area of expertise, nationality, age group and gender. 53% of our Board is now comprised of independent directors and we now have a greater representation of directors with extensive experience in Argentina, Brazil, and the United States.

We have also updated and published a robust set of policies, including our Code of Ethics, which also applies to our suppliers, and for which we provide continuous training to our employees. Likewise, we enhanced our anticorruption policy and our whistleblowing mechanism.

In addition to these ESG outcomes, as already mentioned, one of Flow's cornerstones is organizational health,

and it has had a significant impact on Rotoplas by empowering our teams to make agile decisions based on our client's priorities, and providing our teams with the tools and skills necessary to fulfil our goals towards 2025.

Flow has also enabled us to strengthen accountability through an indicator-oriented operation, which is aligned with our strategy and the expectations of internal and external clients and, crucially, that is linked to compensation for everybody involved, including top management.

We believe that this focus on talent development, accountability and supportive leadership is key to reaching our long-term goals. In fact,

it is estimated that improving organizational health increases the probability of achieving business results by more than three and a half times.

So how does this lead us into the future? Well, we are currently performing our materiality assessment based on GRI and SASB frameworks to define our corporate priorities. With this analysis, we will launch our new sustainability strategy in the first half of next year. The strategy will focus on bolstering the social and environmental impacts of developing and providing smart, innovative decentralized water solutions. It shall also incorporate circular economy principles and leverage on our climate change priorities.

This strategy will also integrate the TCFD's recommendations about climate related risks and opportunities and will set environmental goals.

In terms of the social aspect, we will continue to strengthen our organizational health, promote collaborative innovation with third party

allies and push for further diversity in our workforce. And as for governance, we will reinforce our risk management processes and will continue our efforts to broaden our reporting disclosure to enrich ESG accountability.

As a first step, our forthcoming Annual Report, will not only increase its alignment to GRI and the SDGs, but it will also integrate disclosure on TCFD, SASB and CDP. We are continuously working to improve our communications so you can grasp the evolution of sustainability topics within Rotoplas.

Thank you very much for your time and attention. I would like to invite you to visit our website for more detailed information on our sustainability efforts.

- Q&A Session

Thank you, José Luis.

We will now conduct a Q&A session. If you would like to ask a question, please press the “Q&A” button located at the bottom of your computer screen and type your question.

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That concludes our question and answer session. If we were unable to answer your question today, please reach out to our Investor Relations team and they will be happy to help.

We would like to take this opportunity to thank all our speakers again for their contribution and to thank you all for joining us virtually today. We hope that next year we will be able to meet in person.

As a ‘thank you’ for your time and interest, we would like to offer everyone on the call today 2 months free when you subscribe to bebbia with the code aguaday2020. This code will be valid for subscriptions starting in



December or January. Please visit [bebbia.com](http://bebbia.com) for more information on this product.

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Thank you all again for joining us today. Please don't hesitate to reach out if you have further questions. We appreciate your interest in Rotoplas and look forward to speaking with you again soon.

That concludes today's event, you may now disconnect.