

# AGUA 17X SUSTAINABLE BOND REVIEW

Rotoplas operates in markets where clean water is scarce due to droughts, water pollution, as well as limited and unreliable water infrastructure and supply that make it difficult for local populations, especially those living in remote or rural areas, meet their water needs.

Mexico, has been ranked by the World Resources Institute as one of the most water-stressed countries in the world. Areas in northern Mexico, northeast Brazil, and countries in Central America show a consistent drying trend that is expected to persist with climate change. About **20 million people** residing in rural communities still lack access to improved drinking water. Furthermore, the quality of the “improved water” is often inadequate and may pose significant risks for public health. A pilot water testing study carried out in Nicaragua found that **16%** of water points posed high to extremely high sanitary risk. Moreover, the supply of water is unreliable in many areas, with 13% of the population reporting they do not have continuous daily service.

In the region, urban wastewater discharges are increasing due to: population growth (urban population has risen from **314 million in 1990** to nearly **496 million** today, and is projected to reach 674 million in 2050); and expansion of water supply and sanitation services. **In 2015, 88%** of the urban population had access to improved sanitation facilities, of which probably less than 60% were connected to sewerage systems. Given that there was no parallel expansion of wastewater treatment in most of the region, urban sewage is a key concern for governments.



Nearly all urban wastewater, including all but the most toxic industrial wastes, was discharged into the nearest water bodies without any treatment. Many rivers, lakes and coastal waters, particularly those located downstream of large cities, were, and still are, heavily contaminated.

Investments in urban wastewater treatment are justified not only in terms of health and environmental benefits, but also due to their positive impacts on socio-economic development.

Mexico is also 2nd country in the world with the most child obesity, which is why Rotoplas is pushing the water fountain project in schools and public areas, **we have installed 2,800 solutions**, that have a direct, positive impact on the health and wellbeing of the consumers, as well as reduction PET and other plastic usage.

In North America, the U.S Census reports that more that 60 million people depend on septic systems, which are approximately **26 million homes** (1/4 of the total) meaning there is a huge market to attain. One in every ten systems has stopped working, making failed septic systems the 3rd most common source of contamination.

## Use of Proceeds Agua 17X

As established in the Rotoplas Sustainability Bond Framework, the proceeds of this issuance have been used to finance and refinance projects that tend to solve water related problems; as of today, **91.9%** of the bond proceeds have been allocated.

## Project Evaluation and Selection Process

Rotoplas' Corporate Practices & Strategy Committee will evaluate and select Eligible projects for each Rotoplas Sustainability Bond. This Committee is comprised of 3 board members, as the framework stipulates the Committee will:

- i. Assess and determine project eligibility in accordance with SDG 6 and SDG 9 targets, Eligibility Criteria defined above and alignment with Rotoplas corporate strategy and Sustainability Model; and,
- ii. Determine the allocation of proceeds to eligible past, current and future projects on an annual basis

Any project that Rotoplas may decide to invest in with Agua 17X proceeds must qualify in at least one of the categories established in the framework. The main projects that we invested in fell under categories 1 and 4 (drinking water solutions, and water and wastewater treatment, respectively), which have a direct impact on applicable SDG targets 6.1, 6.3, 6.5, 6.a, 9.1, 9.5.

Category 4 projects were re financed on 2016 and 2017, category 1 projects started on 2016 and all are still ongoing to the date of this publication. The totality of the used proceeds to this date, were used to refinance Rotoplas for the investment on the projects.



CATEGORY

01.

Provide access to clean water for individuals in areas that lack water supply or where tap water is unsafe to drink, for example drinking water fountains, water filters and water purifiers.

KPI's for category one:	
KPI 1.1	Water Purified (liters of water purified for human consumption)
KPI 1.2	Children benefited (school enrollment)

47,921,710

LITRES OF PURIFIED WATER. CATEGORY 1, KPI 1

652,959

CHILDREN BENEFITED. CATEGORY 1, KPI 2

**13.7% OF THE PROCEEDS WERE INVESTED IN DRINKING WATER SOLUTIONS, SUCH AS WATER FOUNTAINS.**

CATEGORY

04.

Improve water quality and increase water-use efficiency through water recycling and reuse, for example: wastewater treatment and recycling plants, acquisition of technology for water treatment, recycling and purification.

KPI's for category four:	
KPI 4.1	Water Treated (Liters) (Average treatment capacity*average number of plants*time since acquisition, on compliment to SEMARNAT water treatment norms: 001, 002 and 003)
KPI 4.2	Water reused (Water treated*average rate of reuse)

9,296,640,000

LITERS OF TREATED WATER. CATEGORY 4, KPI 1

3,253,824,000

LITERS OF RE USED WATER. CATEGORY 4, KPI 2

**78.1% OF THE PROCEEDS WERE USED IN WATER AND WASTEWATER TREATMENT.**

As mentioned before, the rest of the proceeds hasn't been used yet.

Note: KPI's are based on the current operation capacity in each of the categories, we expect to continue getting results in a similar rate for each of the current and new projects.

# SUSTAINABLE BOND CERTIFICATION LETTER



## Grupo Rotoplas SAB

**Type of engagement:** Annual Review

**Date:** April 4, 2018

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### Introduction

In 2017, Grupo Rotoplas SAB ("Rotoplas") issued a sustainability bond aimed at financing and refinancing environmentally and socially beneficial projects. In March 2018, Rotoplas engaged Sustainalytics to review the projects funded through the issued sustainability bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Rotoplas Sustainability Bond Framework.

### Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2017 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criterion outlined in the Sustainability Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria	Potential Impact Indicators
<b>1. Drinking Water Solutions</b>	Projects that provide access to clean water for individuals in areas that lack water supply or where tap water is unsafe to drink;	<ul style="list-style-type: none"> <li>• Descriptions of projects including the need for such infrastructure in various communities</li> <li>• Number of water fountains installed</li> <li>• Number of schools benefitted</li> <li>• Volume of water (m3) purified</li> </ul>
<b>2. Water Storage</b>	Projects that provide access to water for households or commercial facilities in water-scarce areas or areas lacking reliable water supply;	<ul style="list-style-type: none"> <li>• Descriptions of projects including the need for such infrastructure various communities</li> <li>• Volume of water (m3) captured/stored</li> </ul>
<b>3. Sanitation and Sewage Treatment</b>	Projects that provide access to adequate sanitation facilities in areas with underdeveloped sewage infrastructure;	<ul style="list-style-type: none"> <li>• Descriptions of projects including the need for such infrastructure various communities</li> <li>• Number of sustainable bathrooms installed by region</li> <li>• Number of self-clean biodigesters installed by region</li> <li>• Number of households benefitted</li> </ul>
<b>4. Water and Wastewater Treatment</b>	Projects that improve water quality and increase water-use efficiency through water recycling and reuse;	<ul style="list-style-type: none"> <li>• Descriptions of projects including the need for such infrastructure various communities</li> <li>• Volume of water (m3) treated/recycled</li> </ul>

	<ul style="list-style-type: none"> <li>Metrics on improvements in water quality e.g. Biochemical Oxygen Demand (BOD)</li> </ul>
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**Issuing Entity's Responsibility**

Rotoplas is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

**Independence and Quality Control**

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Rotoplas' Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Rotoplas' employees and review of documentation to confirm adherence to the Sustainability Bond Framework.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to oversee the process.

**Conclusion**

Based on the limited assurance procedures conducted,<sup>1</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Rotoplas' Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sustainability Bond Framework. Rotoplas has disclosed to Sustainalytics that 91.9% of the proceeds of the sustainability bond were allocated as of March 2018.

**Detailed Findings**

**Table 2: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainability bond in 2017 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability bond in 2017 to determine if impact of projects was reported in line with the KPIs outlined in the Sustainability Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>1</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

**Appendix 1: Impact Reporting by Eligibility Criteria**

Use of Proceeds and Eligibility Criteria Category	Environmental Impact Reported by Eligibility Criteria
<b>1. Drinking water solutions</b>	<ul style="list-style-type: none"> <li>47,921,710 litres of water purified;</li> <li>652,959 children benefited through the installation of water fountains.</li> </ul>
<b>4. Water and Wastewater Treatment</b>	<ul style="list-style-type: none"> <li>9,296,640,000 litres of water were treated;</li> <li>3,253,824,000 litres of water were reused.</li> </ul>

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### Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider" in 2017. In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

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