



Sustainability Bond Framework

Grupo Rotoplas SAB de CV
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1. Background

Grupo Rotoplas SAB de CV (Rotoplas) is Latin America's leading provider of individual and integrated solutions for storage, flow and improvement of water along the water cycle. With a history of over 35 years in the industry, Rotoplas has its headquarters in Mexico City and a team of more than 3,000 employees and presence in 14 countries. Rotoplas is listed on the Mexican Stock Exchange (BMV) under the ticker "AGUA" since December, 2014.

Rotoplas believes that satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability of a country. The company's mission is for people to have more and better water, by offering innovative and value-added water solutions aimed at improving their quality of life. Rotoplas' customers include individual homeowners, non-governmental bodies, industrial companies, agricultural businesses, hardware stores, home-improvement retailers, building supply stores, as well as governmental bodies. Together these add up to over 10,900 customers seeking reliable solutions to water problems.

The Rotoplas Sustainability Model illustrates its value creation strategy and the deep connection between its business model and sustainability. The Model was developed in 2016, aligned to its Corporate Strategy 2014 -2019, and was the driver of a specific Sustainability Strategy, for the period 2016 -2019. Rotoplas has also identified the contribution of its business model, corporate strategy and sustainability initiatives to the Sustainable Development Goals (SDGs) and the opportunities to reinforce it, as outlined in Appendix 1.

The Rotoplas Sustainability Bond Framework represents a further step in supporting investors to meet their objectives whilst supporting clients and end users to meet their water and sanitation needs.

The Rotoplas Sustainability Bond Framework is consistent with the ICMA Green Bond Principles (2018), ICMA Social Bond Principles (2018) and ICMA Sustainability Bond Guidelines (2018)¹. The Rotoplas Sustainability Bond Framework is not an offer of, or invitation to apply for, or a recommendation to buy securities to any person in any jurisdiction. Any offers or invitations to apply for securities will be made only in accordance with all applicable laws.

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>
<https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>
<https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

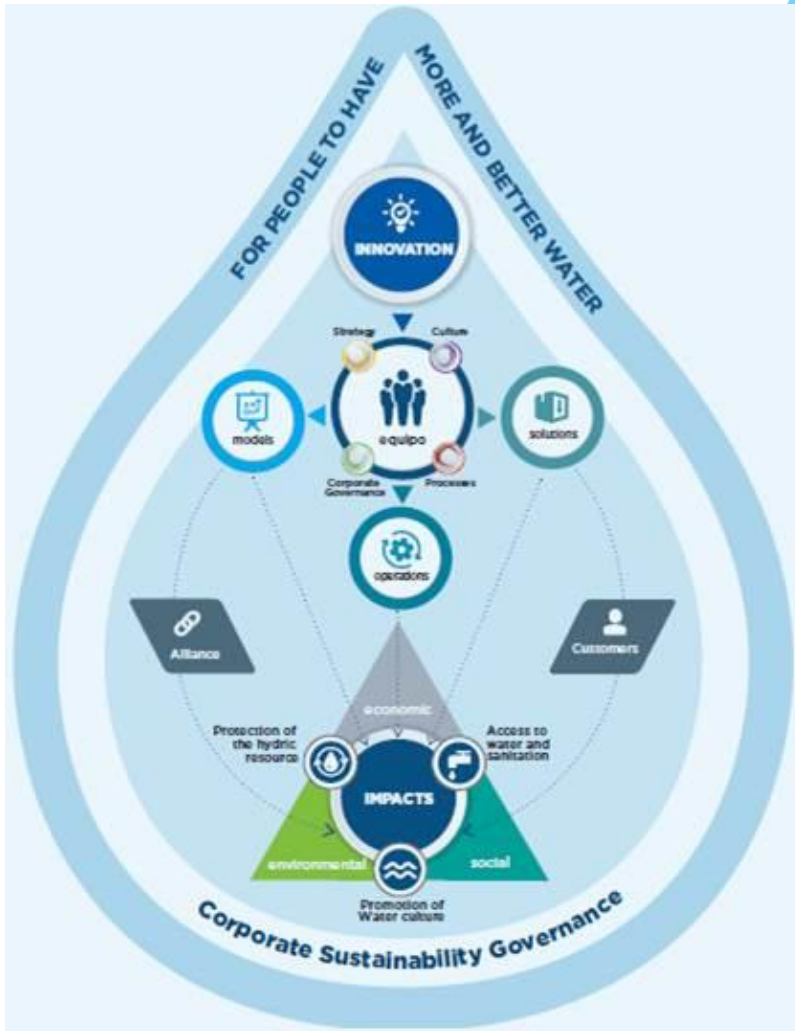
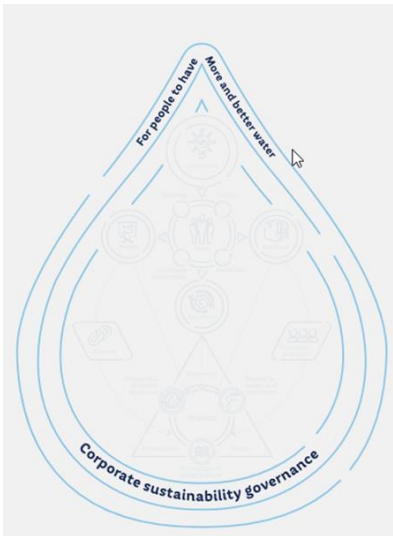
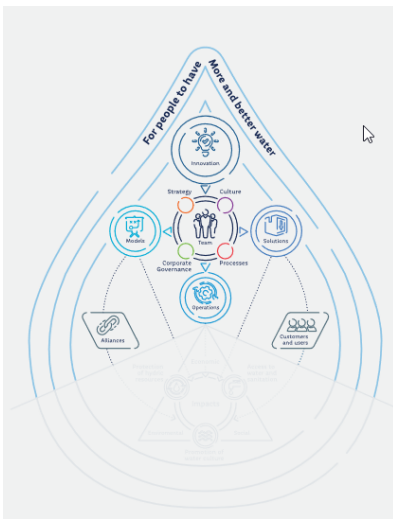


Figure 1 Rotoplas Sustainability Model



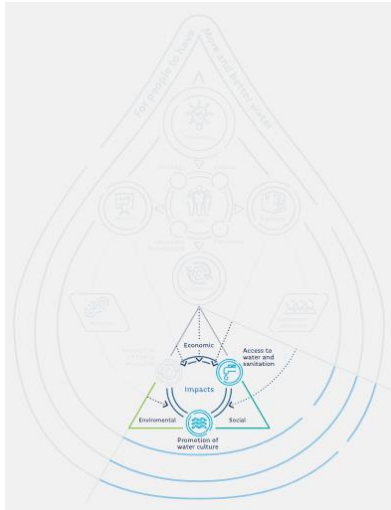
FOCAL POINT 1: CORPORATE SUSTAINABILITY GOVERNANCE

The objective is to establish the base and the management systems for monitoring the Sustainability Model and guarantee sustainability as a framework to the company's activities.



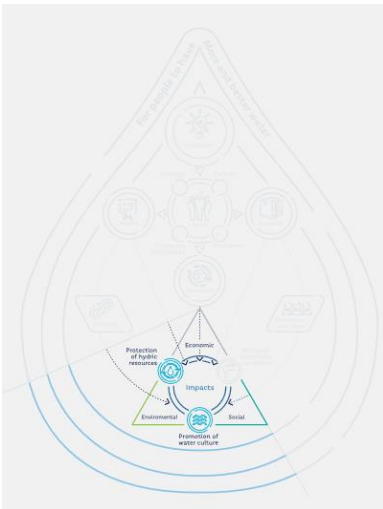
FOCAL POINT 2: COLLABORATIVE INNOVATION WITH PURPOSE

The objective is to incorporate sustainability in the core of the innovation process, impulse innovation and the internal development of knowledge and strengthen collaborations with external entities. Also, contribute to a continuous improvement in the operational efficiency and promote sustainability in the value chain.



FOCAL POINT 3: DRIVING ECONOMIC AND SOCIAL DEVELOPMENT

The objective is to work in collaboration with other entities, to improve health, education and household income, as well as to contribute to women empowerment and the knowledge on water and sanitation.



FOCAL POINT 4: SAFEGUARDING WATER AS A RESOURCE FOR THE FUTURE

The objective is to participate in an integral way in the water cycle, facilitating an optimal consumption, as the quality before and after industrial activities and/or domestic use; and promote a water culture and good practices related with this resource.

2. Framework overview

For any Sustainability Bonds that may be issued by Rotoplas, a framework has been created that follows the four key pillars of the ICMA Green Bond Principles (GBP) and ICMA Social Bonds Principles and (SBP):

- Use of Proceeds
- Selection Process
- Management of Proceeds
- Reporting

3. Use of Proceeds

The net proceeds of any Sustainability Bond issued by Rotoplas will be allocated to refinance or finance, with a 20/80 proportion, in whole or in part, the financial requirements to existing or new projects that will provide affordable basic infrastructure for clean water and sanitation to underserved populations. Eligible projects will fall under categories defined in the table below and include expenditures related to the:

- i. development, acquisition and operation of facilities; AND
- ii. manufacturing and installation of products

Moreover, Eligible projects must address one or more targets² associated with:

- A. Sustainable Development Goal 6³—Ensure availability and sustainable management of water and sanitation for all; OR
- B. Sustainable Development Goal 9⁴— Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; OR
- C. Focal points 2, 3 and 4 of the Sustainability Model.

While Rotoplas operates in both developed and developing countries, it expects to allocate less than 20% of the net proceeds to projects that only serve populations in developed countries, such as United States and Canada.

² See Appendix 2 for complete list of targets

³ <https://sustainabledevelopment.un.org/sdg6>

⁴ <https://sustainabledevelopment.un.org/sdg9>

Eligible projects will fall under one or more of the following categories:

| Category | Eligibility Criteria | Applicable SDG target | Select project examples |
|------------------------------------|--|-------------------------|---|
| 1. Drinking water solutions | Provide access to clean water for individuals in areas that lack water supply or where tap water is unsafe to drink | 6.1 | <ul style="list-style-type: none"> • Drinking Water Fountains • Water Filters, Water Purifiers |
| 2. Water storage | Provide access to water for households or commercial facilities in water-scarce areas or areas lacking reliable water supply | 6.4, 6.5, 6.a | <ul style="list-style-type: none"> • Rainwater Harvesting Systems • Water Tanks, Cisterns for household and industrial storage • Flow-regulating Water Pumps and Pipes |
| 3. Sanitation and sewage treatment | Provide access to adequate sanitation facilities in areas with underdeveloped sewage infrastructure | 6.2, 6.3, 6.5, 6.a, 6.b | <ul style="list-style-type: none"> • Outdoor Sustainable Bathrooms • Self-cleaning Biodigesters |
| 4. Water and wastewater treatment | Improve water quality and increase water-use efficiency through water recycling and reuse | 6.3, 6.5, 6.a, 9.1, 9.5 | <ul style="list-style-type: none"> • Wastewater Treatment and Recycling Plants • Acquisition of technology for water treatment, recycling and purification |

In the table above, there are project categories with more prominent social component and other with an environmental prominent component, The Sustainability Bond is destined to finance CAPEX, Working Capital and business acquisitions.

The framework will be updated if Rotoplas considers more project types as eligible by compliance with sustainability purposes.

4. 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 (of whom two are independent), the Chief

Financial Officer, Chief Operations Officer and Vice President of New Business and is responsible for selecting and approving strategic projects, including sustainability projects, among other responsibilities⁵. The Corporate Practices & Strategy 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
- iii. Review the projected returns of potential projects, as well as reviewing the impacts and risks identified for each project during the course of its life cycle (since design to operational cease stages).

During project evaluation and selection, the Corporate Practices & Strategy Committee will focus on evidence supporting the need for affordable clean water and sanitation solutions in specific geographic areas and market segments including:

- Government and non-profit organizations' analysis on infrastructure gaps, public health issues and underserved populations
- Market intelligence studies and investment banking research e.g. on bottled water consumption and use of private water storage and delivery services
- Reports on access to clean water and sanitation from international organizations e.g. from WHO, UNICEF, OECD, World Bank.
- Priorities of the development cooperation agencies related with water and sanitation issues.

5. Management and Tracking of the Proceeds of Issuance

While any Rotoplas Sustainability Bond is outstanding, the Rotoplas Corporate Practices & Strategy Committee will maintain internal records to show the allocation of the net proceeds to Eligible projects, including a brief description of the relevant project, its location, and the amount of proceeds allocated to it. These records will be regularly updated until full allocation of the net proceeds. The Corporate Practices & Strategy Committee will also oversee Sustainability Bond reporting.

Net proceeds may be allocated to (re)finance eligible projects that are financed during the five years preceding the bond issue date or Eligible projects financed after the bond issue date and before the bond maturity date. There is an external assurance of the use of proceeds in the selected projects conform to this Framework. Pending allocation to Eligible projects, net proceeds may be

⁵ A complete description of the composition and responsibilities of the Corporate Practices & Strategy Committee (Comité de prácticas societarias) is available in the Rotoplas annual report: https://rotoplas.com/inversionistas/rtp_resources/reporte-anual/2017/reporte_bmv_2017.pdf



used to repay outstanding debt or invested in cash, cash equivalents and/or marketable securities in accordance with Rotoplas' normal treasury and liquidity policies.

Net proceeds may be allocated to Rotoplas' subsidiaries and affiliates to fund one or more Eligible projects in whole or in part.

Payment of principal and interest on Rotoplas Sustainability Bonds will be made from Rotoplas' general funds and will not be directly linked to the performance of any Eligible projects.

6. Reporting on Use of Proceeds

Allocation reporting

Within one year of issuing any Rotoplas Sustainability Bond, Rotoplas will publish a Rotoplas Sustainability Bond Report as a part of its Annual Integrated Report available on the Rotoplas Investor Relations website (<http://www.rotoplas.com/investors.html>).

The Rotoplas Sustainability Bond Report will be updated annually until full allocation and as necessary thereafter in the event of new developments.

This Rotoplas Sustainability Bond Report will contain at a minimum:

- i. Confirmation that the use of proceeds of the Rotoplas Sustainability Bonds conforms to the Rotoplas Sustainability Bond Framework
- ii. The amounts allocated to each Eligible project category
- iii. The balance amount of unallocated net proceeds
- iv. A selection of project examples financed by the net proceeds of the Sustainability Bonds
- v. Impact reporting elements as outlined below

Impact reporting

Where feasible, the Rotoplas Sustainability Bond Report will include qualitative and (if reasonably practicable) quantitative environmental and social performance indicators on the eligible projects. Performance indicators may change from year to year.

The indicators will be analyzed by the Sustainability Committee before their incorporation in the Rotoplas Sustainability Bond Report.

Impact reporting may include some of the following information:

| Category | KPI's |
|----------|-------|
|----------|-------|

| | |
|------------------------------------|---|
| 1. Drinking water solutions | <ul style="list-style-type: none"> • Volume of water purified • Number of households and individuals benefited • Number of schools, public spaces and other institutions benefited from drinking water fountains • Number of children benefited |
| 2. Water storage | <ul style="list-style-type: none"> • Number of households and individuals benefited |
| 3. Sanitation and sewage treatment | <ul style="list-style-type: none"> • Number of households and individuals benefited |
| 4. Water and wastewater treatment | <ul style="list-style-type: none"> • Volume of treated water • Volume of reused water • Number of households, industries individuals benefited |

7. Assurance

Rotoplas will obtain a second party opinion from an appropriate provider to confirm the validity of the Rotoplas Sustainability Bond Framework. The second party opinion will be published on the Rotoplas Investor Relations website (<http://www.rotoplas.com/investors.html>).

Rotoplas' Sustainability Bond Report will be accompanied by a report from an independent auditor on the conformance of the allocation of Sustainability Bond proceeds with the Rotoplas Sustainability Bond Framework.

Contacts

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Appendix 1: Rotoplas Strategy to contribute to the Sustainable Development Goals⁶

The business model and activities of Rotoplas contribute mainly to the 6 and 9 SDG.

| Goal 6 | Ensure availability and sustainable management of water and sanitation for all | Increase access to clean water and sanitation for the most vulnerable communities through partnerships with national governments and NGOs |
|---------------|---|---|
| Goal 9 | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | Develop innovative water and sanitation solutions |

Also, from the activities and results of the first SDG exposed, Rotoplas contributes, in an indirect fashion, to the following SDG:

| Sustainable Development Goal | Description | Rotoplas' strategy |
|------------------------------|--|---|
| Goal 3 | Ensure healthy lives and promote well-being for all at all ages | Contribute to addressing health risks, such as diarrhoea and parasitic and bacterial diseases through clean water solutions |
| Goal 4 | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | Achieve reduction in school absenteeism by satisfying basic need of access to clean water and sanitation |
| Goal 5 | Achieve gender equality and empower all women and girls | Empower women to develop outside their homes by reducing the time spent on providing water to households |

⁶ https://rotoplas.com/sustentabilidad/library/Informe_ODS_2017_eng.pdf?5b59d7c7

Appendix 2: Targets for SDG 6 and SDG 9

SDG 6 Targets⁷

6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all

6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all, and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations

6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, and substantially reduce the number of people suffering from water scarcity

6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate

6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

6.a By 2030, expand international cooperation and capacity-building support to developing countries in water and sanitation related activities and programs, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies

6.b Support and strengthen the participation of local communities in improving water and sanitation management

⁷ <https://sustainabledevelopment.un.org/sdg6>

SDG 9 Targets⁸

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

9.a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States

9.b Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

⁸ <https://sustainabledevelopment.un.org/sdg9>