

Grupo Rotoplas S.A.B. de C.V.



Human rights assessment and action items

2023

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About this report

01

Respect for Human Rights

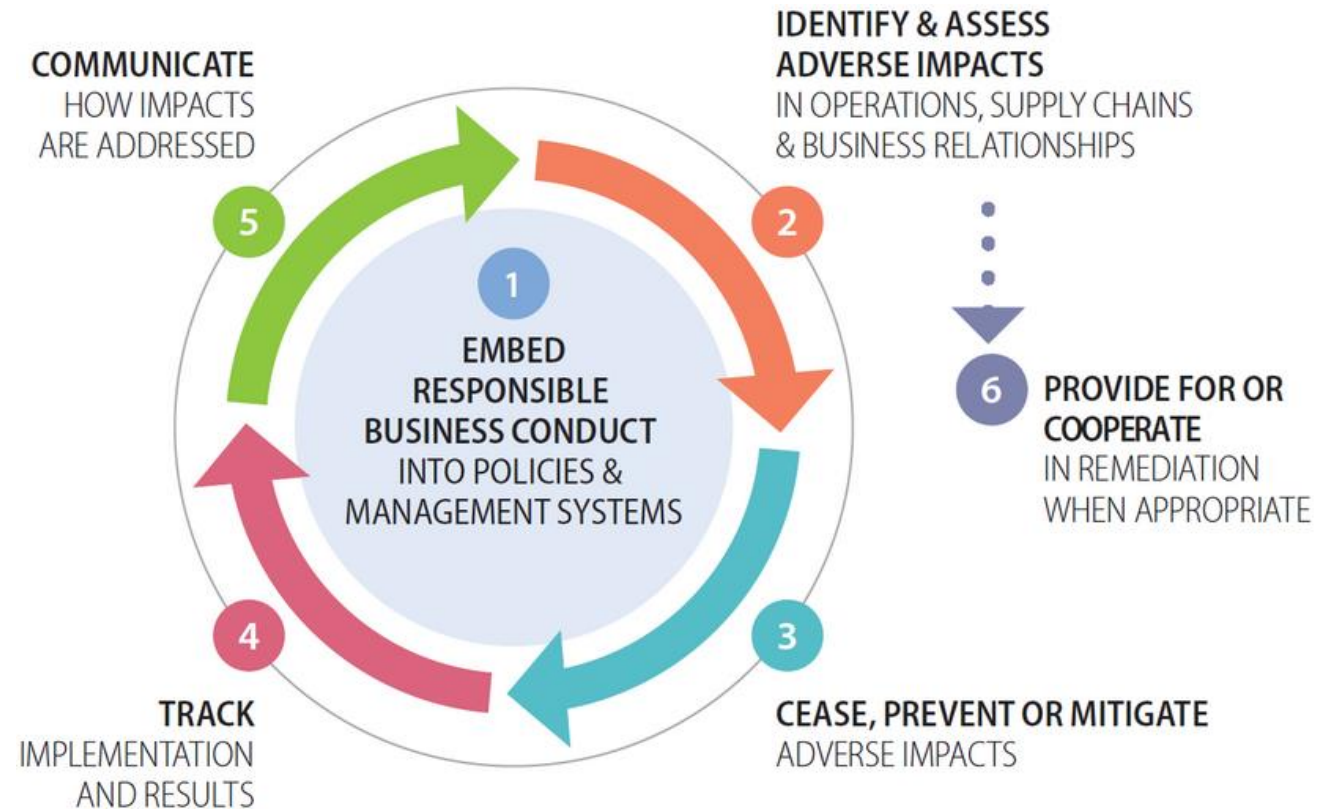
Grupo Rotoplas is committed to the respect, protection and promotion of human rights in accordance with the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and other complementary frameworks.

From the perspective of corporate governance, Grupo Rotoplas has a Human Rights Policy, which establishes the commitment and main management guidelines. It is based on a due diligence exercise, prepared in 2023 with the assistance of an external consultant, which identifies and prioritizes the human rights risks of the direct operations and of the value chain.

For priority risks, an action plan is established, with remediation and mitigation measures. If materialized risks (actual, not potential) are identified, the necessary remediation measures will be incorporated.

This report showcases the results of this assessment.

The development of the due diligence process is based on the recommendations established by the Organization for Economic Cooperation and Development (OECD).



Process

1 Incorporate responsible business conduct into management policies and systems.

Performance

We have the following management policies and systems that incorporate responsible business conduct:

- Adherence to the UN Global Compact, and to the CEO Water Mandate initiative that reinforces the company's commitment to international programs that ensure respect for human rights.
- Additionally, based on the material issues of impact (caused by the operation on the different stakeholders), the strategic Sustainable Development Goals (SDGs) to which the company can contribute have been determined.
- [Política de Derechos Humanos](#) - **Human Rights Policy**, which introduces the necessary guidelines to promote and respect the human rights of our stakeholders.

Other complementary policies:

- [Código de Ética y de Conducta](#), **Code of Ethics and Conduct**, document that establishes the behavior expected from any employee of the company, ensuring respect among employees, alignment with the company's interests and the permitted relationship with customers and suppliers.
- [Política de Compras Sustentables](#), **Sustainable Purchasing Policy**, which establishes our social, environmental and corporate governance requirements, ensuring that our supply chain is aligned with our principles and commitments to sustainability and human rights.
- [Política Integral de Higiene, Seguridad y Ambiente](#), **Health, Safety and Environment Policy**, document that provides guidelines to ensure legal compliance and adherence to regulations that contribute to eliminate risk factors and develop a culture focused on the prevention of safety threats as well as environmental impacts related to our operations.
- [Política de Diversidad](#), **Diversity Policy**, document that promotes values such as equal treatment, respect for diversity and coexistence, as well as the equal inclusion of social groups in vulnerable situations.
 - [Política de Sustentabilidad](#) – **Sustainability Policy**, which establishes the processes and guidelines required to institutionalize and monitor social responsibility practices within the organization and between the organization and its different stakeholders.
 - [Política Anticorrupción](#) – **Anticorruption Policy**, document that defines the principles regarding anti-corruption practices by Grupo Rotoplas employees and third parties acting on behalf of the company.
 - [Política de Cambio Climático](#) – **Climate Change Policy**, which includes guidelines to reduce the contribution from the company's operational processes and in its value chain.

Procedures and management systems covering:

- 1) Product quality, for potential impacts on the health and safety of end users.
- 2) Occupational health and safety, in relation to employees.
- 3) Environment, due to possible impacts on communities in case of noise, water pollution, air emissions, among others.

Process

Performance

2 Identify and assess the negative impacts on Grupo Rotoplas operations, supply chain and business relationships

There are several ways of identifying potential negative impacts in Grupo Rotoplas' operations, supply chain and business relationships:

1. Platform "Trust Rotoplas – Confía Rotoplas" (via web: www.secure.ethicspoint.com/domain/es; or via telephone), which allows reporting violations and managing them anonymously and confidentially through an independent third party in a guarantor process. This platform is available to all our stakeholders.
2. Performance of the internal and external audit teams, which can identify cases associated with non-compliance with external regulations and internal rules.
3. Risk analysis due to other causes, which may be connected to risks and impacts on human rights (i.e. risks associated with cybersecurity, climate change).
4. Audit program that evaluates suppliers and ensures the quality of both manufacturing processes and shipments.
5. The ESG supplier questionnaire, which Grupo Rotoplas already performs on a selection of them.
6. The ongoing relationship and dialogue that different company teams have with suppliers, distributors and plumbers, so that they can internally report practices that are contrary to responsible business conduct.
7. The analysis that the Ethics Committee performs on cases of non-compliance and reports that reach the Committee through the different channels.
8. ESG due diligence on acquisitions of companies and/or plants (or other related assets), as part of inorganic growth.

The above points have nurtured the due diligence process carried out by the company, specifically the identification of risks, complemented with:

- Analysis of our processes and those of the value chain.
- Identification of the key stakeholders for each process and how our direct or indirect activities relate to them.

Risks have been prioritized, with the participation of different areas of the company and consultation with suppliers (see specific section). Prioritization has been based on probability of occurrence and impact.

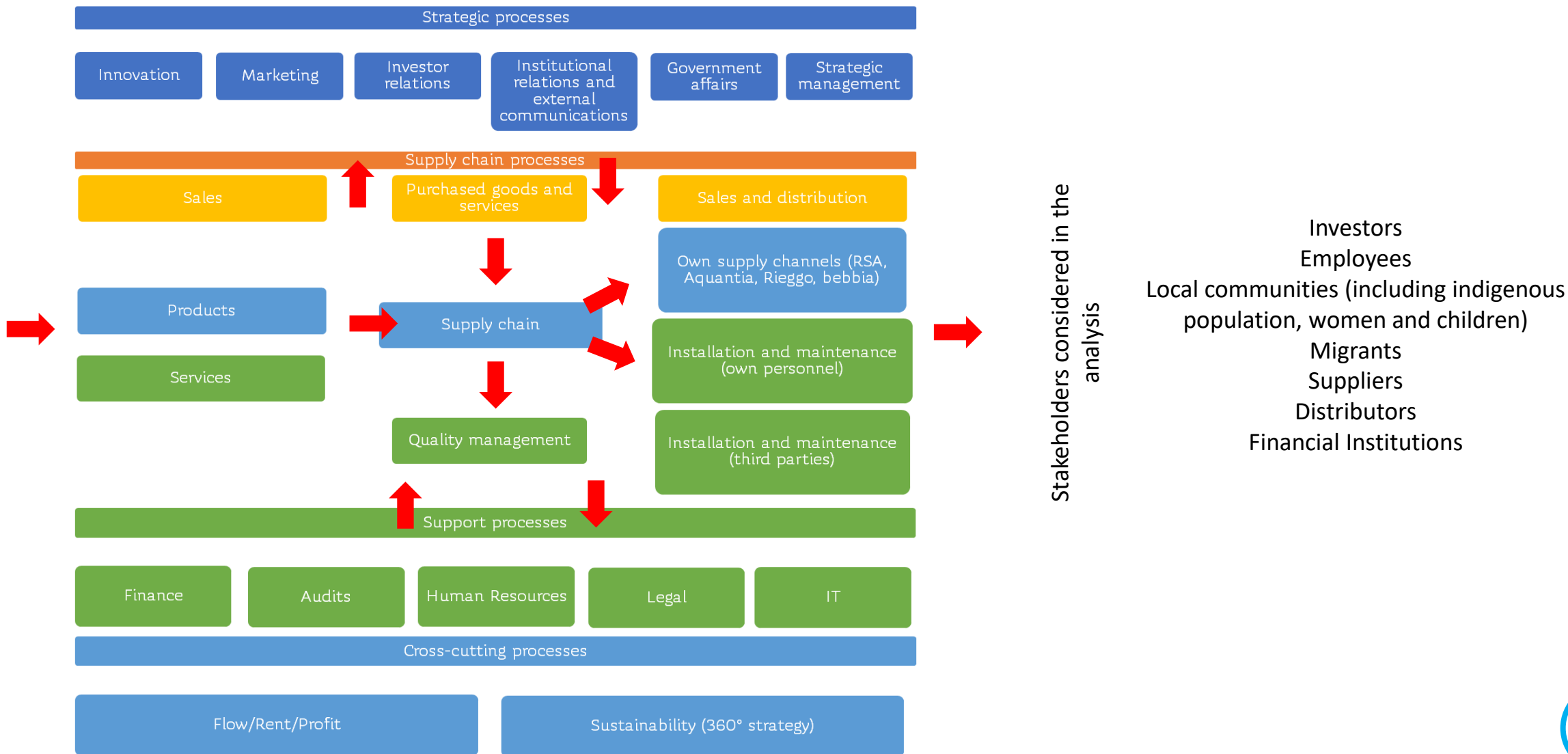
	Process	Performance
3	Halt, prevent and/or mitigate negative impacts.	We have developed an action plan for high and very high risks. This includes prevention initiatives to reduce the probability of occurrence and mitigation to ensure that the impact is lessened if it finally materializes. It also integrates remediation initiatives, in case impacts are manifested.
4	Follow up on the implementation of the results	<p>Once the action plan has been established, Grupo Rotoplas integrates its follow-up within the Sustainability Committee, which in turn relies on specialized subcommittees (such as the diversity and inclusion committee). The results are presented to the Corporate Practices and Strategy Committee, in which members of the Board of Directors participate.</p> <p>We will update the due diligence process every 5 years, starting in 2023.</p>
5	Report on how impacts are addressed	Progress on the action plans, with the different action items, will be included <u>annually</u> in the integrated report. Likewise, through the continuous relationship with stakeholders and the mechanisms available to respond to their concerns, we will continue reporting our progress.
6	Repair or assist in the repair of the impact when appropriate.	We have avoided incurring in serious cases of human rights violations thanks to preventive management with internal initiatives and policies, which are extended to our value chain. Furthermore, due to the nature of our operations, we only have two risks assessed as "very high" in our prioritization exercise. However, the action plans for the prioritized risks include remediation measures.

02

Due diligence:
potential impacts and
risks related to
human rights

Strategic processes and key stakeholders

We have identified key processes that include our value chain, our support areas and our strategic plans, as well as the main stakeholders involved in human rights respect.



Due diligence: potential impacts and risks related to human rights

Afterwards, an extensive mapping of potential risks in the company's operations and its value chain was conducted, and the relevance of each risk was classified according to its probability of occurrence, in a scale of "Very high" to "Low". The risks are grouped according to the OECD's Responsible Business Conduct guidelines.

Very high

High

Medium

Low

Decent work

Risk	Category
R1: Gender gap and gender bias in the workplace	High
R2: Discriminatory practices – people with disabilities	Very high
R3: Discriminatory practices – LGBTQ+ community	Medium
R4: Discriminatory practices – migrant workers	High
R5: Potential threats to safety, health and welfare– administrative workers	Medium
R6: Potential threats to safety, health and welfare – manufacturing facilities	Very high
R7: Workforce adjustments, fair compensation and employee benefits	Low
R8: Harassment and/or violence within the workplace (gender related)	Very high
R9: Working conditions for transportation workers (outsourced)	Low

Risk	Category
R10: Working conditions for plumbers and installers (outsourced)	Low
R11: Working conditions for outsourced manufacturing workers	Medium
R12: Freedom of association and collective bargaining	Medium
R13: Transport related incidents that may affect local communities	Low
R19: Abusive practices with suppliers (including payment terms and conditions)	High
R28: Discriminatory practices in stores (USA)	Low
R29: Relationship between the end-user and plumbers and installers.	Low
R34: Human trafficking	Low
R35: Forced labor	Low
R36: Child labor	Low

Due diligence: potential impacts and risks related to human rights

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Environment

Risk	Category
R21: GHG emissions and its impact in the environment, lack of climate ambition	High
R23: Excessive water consumption by end-users, caused by Rotoplas’ products	Medium
R27: Lack of wastewater treatment in Rotoplas’ manufacturing facilities	Very high

Corruption

Risk	Category
R15: Acts of corruption with authorities	High
R16: Corruption events with suppliers and other stakeholders	Medium

Information disclosure

Risk	Category
R22: Lack of product information that could affect end-users	Medium
R30: Inadequate marketing strategies	High

User experience

Risk	Category
R18: Poor product quality that could affect the health and well-being of end-users	High

Due diligence: potential impacts and risks related to human rights

Afterwards, an extensive mapping of potential risks in the company's operations and its value chain was conducted, and the relevance of each risk was classified according to its probability of occurrence, in a scale of "Very high" to "Low". The risks are grouped according to the OECD's Responsible Business Conduct guidelines.

Very high	High	Medium	Low
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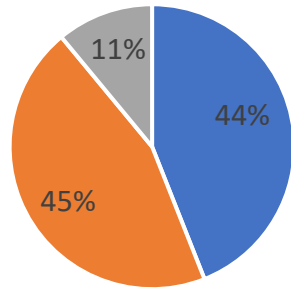
Other issues

Risk	Category
R14: Misuse of private data or data leaks of employees and clients	Medium
R17: Robbery or criminal acts in warehouses, distribution centers and transportation services	High
R20: Poor ESG evaluation methods for suppliers	Medium
R24: Mistreatment in customer Service (discrimination, verbal or physical violence)	High
R25: Lack of Rotoplas products in the market	Medium
R26: Impacts on culture and traditions in community water and sanitation programs	Medium
R31: Design barriers for end-users	Medium
R32. Non-compliance with internal and external regulations	High
R33: Due diligence omissions in company acquisitions	Low

Due diligence in the value chain: suppliers

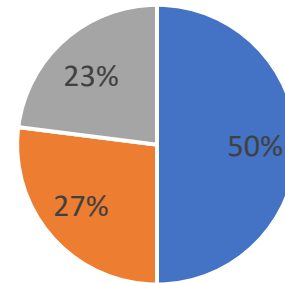
Additionally, 633 suppliers (which represent 20% of our total suppliers) responded a questionnaire where information about human rights protection and best-practices was requested.

Does the company have a human rights policy?



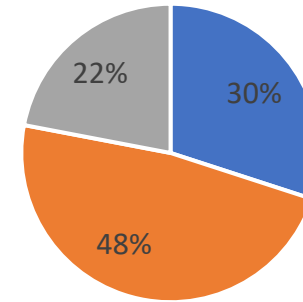
■ Yes ■ No ■ In process

Does the company have a non-discrimination policy?



■ Yes ■ No ■ In process

Does the company have an anonymous reporting system?



■ Yes ■ No ■ In process

Recommendations:

There is a significant percentage of supplier companies that need to strengthen their human rights governance and are still in the process of generating their first initiatives to promote responsible business behavior. From this perspective, it is essential that Rotoplas implement initiatives focused on capacity building and incentives for suppliers. These should facilitate knowledge sharing, provide access to tools and guide suppliers to manage their human rights risks.

Due diligence in our operations

Rotoplas has 18 manufacturing sites, 2 distribution centers and 14 stores located in the US, Mexico, Central America, Peru and Argentina. An assessment was performed with both on-site visits and online interviews to all sites. Based on the responses given by the facilities managers, each site was classified in terms of human rights potential vulnerabilities.

Very high

High

Medium

Low

Site	Category
HQ Ciudad de México, México	Low
Planta Anáhuac Ciudad de México, México	Medium
Planta Guadalajara Guadalajara, México	Medium
Planta Lerma Lerma, México	Medium
Plantas Rotopinsa y Rotomoldeo León, México	Medium
Planta Pacífico Los Mochis, México	Medium
Plantas Compuesto y Rotomoldeo Monterrey, México	Medium
Planta Sureste Mérida, México	Medium
Planta Tuxtla Tuxtla Gutiérrez, México	Medium
Planta Golfo Veracruz, México	Medium

Site	Category
Planta Guatemala Ciudad de Guatemala, Guatemala	Medium
Planta Nicaragua Managua, Nicaragua	Medium
CEDIS Costa Rica San José, Costa Rica	Low
CEDIS Honduras Tegucigalpa, Honduras	Low
Planta Lurín Lima, Perú	Medium
Planta Pilar CABA, Argentina	Medium
Planta Pilarica CABA, Argentina	Medium
Planta San Martín CABA, Argentina	Medium
Planta Loma Hermosa CABA, Argentina	Medium
Stores USA	Medium

Due diligence in our operations and joint ventures

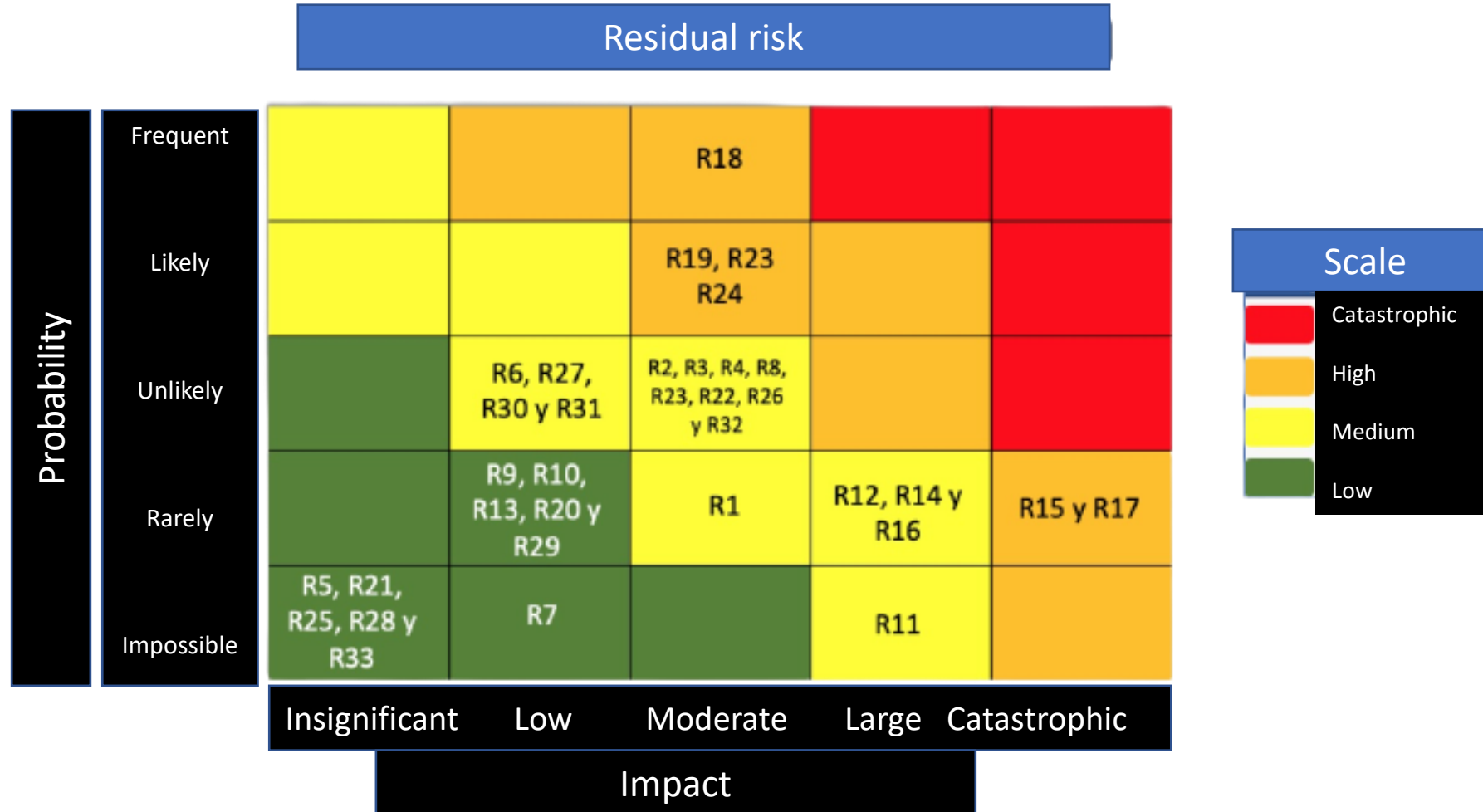
- All manufacturing plants, distribution centers and business units are included within the scope of the corporate prevention, mitigation and remediation plans, based on the identification and prioritization of risks at Group level.
- It also includes the operations of our joint venture Rieggo.
- All those centers that also have a higher level of vulnerability are the object of greater emphasis in the adoption of initiatives and the monitoring of their progress, from the Sustainability Manager and with the support of the executive/s that assume the task in each center.

03

Risk prioritization

Residual risk and prioritized risks

In a series of sessions with key personnel from different areas of the organization, as well as suppliers and distributors, the evaluation of the risks was also performed from a residual point of view; this is the behavior of the risk once the controls implemented by Grupo Rotoplas are applied. Those that fell within the “High” quadrants are the ones that will be prioritized in the remediation plan. The residual risk matrix is presented below:



04

Mitigation and remediation plans

Mitigation and remediation plans

Below is a summary of the prioritized high category risks, as well as the measures established in the action plan that will be implemented in the short term. These will be reinforced with the existing policies and procedures already planned by Rotoplas.

R15	Risk	Description
	Acts of corruption with authorities	<p><u>Sites where actions are implemented</u> 2 distribution centers in Central America 18 plants in Mexico, Central America, Peru and Argentina Company's HQ</p> <p><u>Prevention actions</u></p> <ul style="list-style-type: none"> • Periodic training for employees on the risks and consequences of actions involving corrupt acts. • Strengthening the due diligence process with partners and suppliers to ensure that they are not involved in corrupt practices, i.e. assessing their reputation, track record and compliance with ethical standards. <p><u>Mitigation actions</u></p> <ul style="list-style-type: none"> • Processes of collaboration with the authorities, reporting to the competent authorities and actions of cooperation with the investigations, providing all the necessary information and documentation. • Taking disciplinary actions against those responsible for the act of corruption, in accordance with Rotoplas internal policies and current labor legislation. • Review of the evaluation of the partner or suppliers (if applicable), considering taking additional actions such as suspension of contracts, depending on the type of act. <p><u>Remediation actions</u></p> <ul style="list-style-type: none"> • Restitution or reparations for the damage caused through the act of corruption, this could involve returning funds, paying fines or compensating the affected parties. • Implementation of measures to strengthen internal management and prevent future acts of corruption. This includes the review of company policies and procedures in this area.

Mitigation and remediation plans

Below is a summary of the prioritized high category risks, as well as the measures established in the action plan that will be implemented in the short term. These will be reinforced with the existing policies and procedures already planned by Rotoplas.

R17	Risk	Description
	Robbery or criminal acts in warehouses, distribution centers or transportation routes	<p><u>Sites where actions are implemented</u> 14 plants in Mexico and Central America 2 distribution centers</p> <p><u>Prevention actions</u></p> <ul style="list-style-type: none"> • Staff training on security measures, including identification of suspicious behavior, emergency procedures and incident reporting. • Protocols extended to private security personnel. • Inclusion of cross-cutting human rights risks such as the use of force by private security guards in security risk identification processes. <p><u>Mitigation actions</u></p> <ul style="list-style-type: none"> • Implementation of measures to ensure the well-being of personnel. This may include medical support, emotional support and compliance with the master security plan. • Notifying the appropriate local authorities and law enforcement of the location where the incident occurred and detailing the conditions of the nature of the incident. <p><u>Remediation actions</u></p> <ul style="list-style-type: none"> • Re-evaluation and strengthening of the monitoring of the company's security risks in order to determine new levels of criticality. • Execution of lessons learned workshops, in order to review the action plan and carry out additional actions to ensure non-repetition.

Mitigation and remediation plans

Below is a summary of the prioritized high category risks, as well as the measures established in the action plan that will be implemented in the short term. These will be reinforced with the existing policies and procedures already planned by Rotoplas.

R18	Risk	Description
	<p>Poor product quality that could affect the wellbeing and health of end-users</p>	<p><u>Sites where actions are implemented</u> 18 plants in Mexico, Central America, Peru and Argentina</p> <p><u>Prevention actions</u></p> <ul style="list-style-type: none"> • Technical training to Rotoplas employees on quality standards, proper manufacturing processes and the importance of ensuring the safety and quality of products, promoting a culture of quality and awareness of the associated risks and the impact on the health rights of consumers. • ESG follow-up actions to companies that provide materials or raw materials for the manufacture of products and review of specific or critical situations regarding human rights issues. <p><u>Mitigation actions</u></p> <ul style="list-style-type: none"> • Recall and replacement of defective products, accurately and clearly identifying the quality failure and the company's internal process failure where the failure occurred. • Development of thorough investigation processes to determine the underlying causes of quality failures. <p><u>Remediation actions</u></p> <ul style="list-style-type: none"> • Compensation measures to repair the damage caused to customers, users and other affected stakeholders. • If necessary, provide medical attention or psychological support, when there is negative damage to health due to the defective product. • Identify lessons learned for Rotoplas regarding the materialized risk and improve the company's quality and safety processes.

Mitigation and remediation plans

Below is a summary of the prioritized high category risks, as well as the measures established in the action plan that will be implemented in the short term. These will be reinforced with the existing policies and procedures already planned by Rotoplas.

R19	Risk	Description
	Abusive practices in Grupo Rotoplas' relationship with suppliers (including payment terms and conditions)	<p><u>Sites where actions are implemented</u> Company's HQ</p> <p><u>Prevention actions</u></p> <ul style="list-style-type: none"> • Strengthening of auditing processes, including human rights issues, ensuring that suppliers comply with the standards established in the contracts and that operations are in accordance with ethical and legal standards. • Implement various secure and confidential complaint channels so that suppliers can report any abusive or unfair practices, and establish feedback mechanisms to foster a relationship of collaboration and continuous improvement. <p><u>Mitigation actions</u></p> <ul style="list-style-type: none"> • Measures to support and protect the affected supplier who has been the victim of the abusive practice. This may include measures such as granting fair and timely payment, reviewing contracts to identify possible abusive clauses and providing legal advice if necessary. • Review of the whistleblower channel to identify if complaints or petitions have been made by other suppliers seeking to eliminate these practices by the company. <p><u>Remediation actions</u></p> <ul style="list-style-type: none"> • Granting financial compensation, if applicable, to suppliers for damages caused, which may involve reimbursement of financial losses, payment of interest or restitution of goods and services. • Re-establishment of commercial relations based on fairness and mutual respect, this will involve renegotiating contracts or commercial terms to provide fairer and more transparent conditions.

Mitigation and remediation plans

Below is a summary of the prioritized high category risks, as well as the measures established in the action plan that will be implemented in the short term. These will be reinforced with the existing policies and procedures already planned by Rotoplas.

R23	Risk	Description
	Excessive water consumption by end-users (caused by Rotoplas solutions)	<p><u>Sites where actions are implemented</u> 14 countries where we distribute our products</p> <p><u>Prevention actions</u></p> <ul style="list-style-type: none"> • Awareness-raising and training actions for users on the importance of responsible water use and the negative effects of abusive use. • Recommendation manuals found in the company's products are promoted in the company's social networks on sustainable practices for the use/reuse of water, such as efficient irrigation. • Development of products that promote efficiency in the use of water by Rotoplas. <p><u>Mitigation actions</u></p> <ul style="list-style-type: none"> • Issuance of clear and transparent communications with users, explaining the situation and impacts of abusive water use. • Development of a comprehensive assessment to determine the magnitude and causes of abusive water use by users, and to identify the reasons why this is happening. <p><u>Remediation actions</u></p> <ul style="list-style-type: none"> • Taking the necessary corrective actions to ensure that products or characteristics that facilitate the abusive use of water are not found on the market and to take measures to remove and modify them from the market. • Development and promotion of alternative solutions that promote responsible water use, providing educational information to users on its correct use.

Mitigation and remediation plans

Below is a summary of the prioritized high category risks, as well as the measures established in the action plan that will be implemented in the short term. These will be reinforced with the existing policies and procedures already planned by Rotoplas.

R24	Risk	Description
	Mistreatment in customer service (discrimination, verbal or physical violence)	<p><u>Sites where actions are implemented</u> Customer Service Centers in Mexico, Central America and Peru</p> <p><u>Prevention actions</u></p> <ul style="list-style-type: none"> • Adoption of internal policies and procedures that establish clear standards for customer service and how to handle inquiries and complaints. • Training spaces for staff in customer service, including the resolution of queries and complaints in an effective and friendly manner, as well as training with a differential approach. • Expansion of communication channels available for receiving inquiries and submitting complaints in an easy and accessible manner. <p><u>Mitigation actions</u></p> <ul style="list-style-type: none"> • Issuance of immediate response channel to customer inquiries and complaints, providing adequate solutions to their requirements. • Thorough investigation processes aimed at identifying the root causes of complaints/claims and taking measures to address and correct identified problems. <p><u>Remediation actions</u></p> <ul style="list-style-type: none"> • Adequate compensation and satisfactory solutions to users who have experienced problems during customer service. Measures aimed at repairing the damage caused to users. E.g.: Issuance of public apologies, attention to users' requests, periodic meetings with affected users. • Transparent and clear communication with affected users, providing complete information on the actions being taken to remedy the damage caused.

