

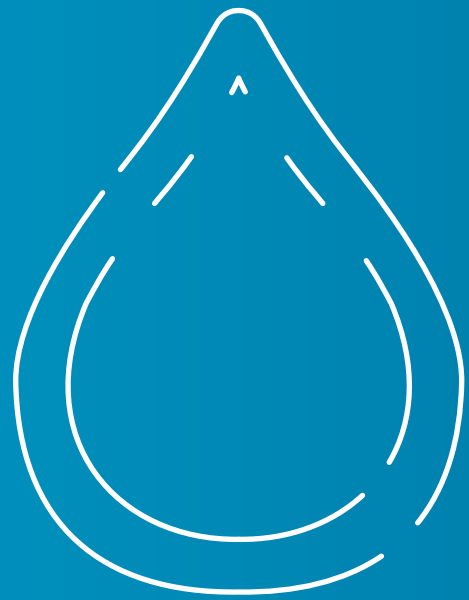
WE ARE  
CLARITY  
DYNAMISM  
STRENGTH  
IMPULSE  
REFLECTION  
MOTION

ANNUAL INTEGRATED REPORT

2018







WATER IS CLARITY,  
DYNAMISM, STRENGTH, IMPULSE,  
REFLECTION AND MOTION.  
WE ARE WATER, WE ARE ROTOPLAS.

Water makes life possible, it regenerates everything; everything flows, nothing is immutable. Even if volume remains constant, shape is always evolving.

**Water is present in every memorable moment.**

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# ROTOPLAS

## AT A GLANCE

At Grupo Rotoplas, we understand the value provided by **innovation and operating efficiency, both based on sustainability criteria** and closely linked to our stakeholders.

We acknowledge these elements as key pieces of our culture to succeed in being a leading company in solutions to streamline the different uses of water, throughout this resource's cycle.





FOCUS

(GRI 102-2, 102-16)

Backed by four decades of experience and encouraged by our mission, we offer **individual solutions** (products), and **services** guaranteed to provide the highest quality.

Mission | Purpose:

For people to have more and better water.

Vision:

To offer non-centralized and sustainable water solutions, with relevant benefits to our customers, within the Rotoplas Way.

Values:



Collaboration

We have a committed attitude, which enables us to align our efforts and work with joint responsibility to achieve a common goal.



Social and Environmental Responsibility

We are committed to generating actions that will foster the wellbeing, standard of living, and care for the environment in all the communities where we operate.



Passion for Business

We share the conviction, enthusiasm, and commitment to do our best and make things happen.



Service-oriented attitude

We identify the needs of our internal and external clients and focus our efforts on achieving and exceeding the level of service they expect.



Humility

We display an attitude that enables us to accept other points of view, valuing the contributions from others, and encouraging constructive feedback.



Integrity

We act with honesty, fairness, and ethics, being consistent in what we think, say, and do.

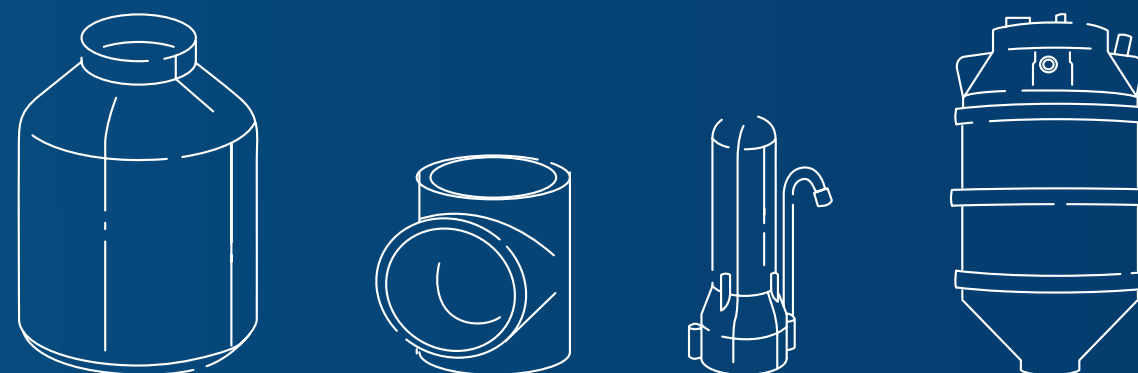
## SOLUTIONS

(GRI 102-2, 102-6)

At Grupo Rotoplas, we provide **solutions linked to the water cycle**, for households, industry, and the service sector; these guarantee the availability, quality, and proper use of water. We work **centered on the user**, to provide them with an experience that will exceed their expectations; with this same view, we have also developed our segment of services, for a full and professional assistance that includes installation and maintenance. This new value proposition is driven by users' trust in our brands, thus guaranteeing the best use of their water solution.

**We complete the portfolio of solutions we offer with the ongoing promotion of a responsible use of water, a culture that bolsters the advantages that our products and services deliver.**

Our global portfolio is organized into individual solutions (products) and services.





INDIVIDUAL  
SOLUTIONS  
(PRODUCTS)

We offer products for water management in rural and urban spaces, to cater to storage, water flow, and improvement needs, and we also have self-sustaining solutions.

The target are home improvement stores, hardware stores, construction companies, government agencies, and non-governmental organizations (NGOs), through which these solutions are made available to end users.

STORAGE

Category

- > Storage
- > Specialized storage
- > Accessories

Product Lines

- > Water tanks, Cistern, and
- > Accessories
- > Tanks for Water and
- > Chemicals
- > Inductor tanks
- > Horizontal tanks
- > Feeders

WATER FLOW

Category

- > Pipes
- > Valves
- > Connectors
- > Pressurization

Product Lines

- > Hydraulic Tuboplus pipe
- > Tuboplus Fortech-CT® pipe
- > Valves
- > Plastic Bolts and Connectors
- > Hydropneumatic Systems
- > Centrifugal Pump
- > Peripheral Pump
- > Submersible Pump
- > Circulation Pump

IMPROVEMENT

Category

- > Sanitation
- > Purification
- > Filtering
- > Treatment
- > Heating
- > Irrigation

Product Lines

- > On-sink Purifier
- > Under-sink Purifier
- > Reverse Osmosis Purifier
- > Water purifier and alkalizer
- > Standard Filter
- > Jumbo Filter
- > Refrigerator Water Filter
- > Tap Water Filter
- > Water Filter Jug
- > Self-cleaning Biodigester
- > Water Heaters
- > Heaters
- > Electric showers
- > Family-Orchard-Type Agricultural Irrigation System

SELF-SUSTAINABLE

Category

- > Access to water
- > Access to sanitation

Product Lines

- > Rural Rainwater Harvesting System
- > Outdoor toilet with biodigester



## SERVICES

To achieve the best user experience with our solutions, the usage stage is essential; keeping this in mind, at Grupo Rotoplas, we work to guarantee the highest performance standards. Thus, we have included the provision of services like water purification, treatment, and recycling. This includes a **drinking water platform** covering the residential, commercial, and school levels, and wastewater **treatment and recycling plants**, where the service may include the design, engineering, construction, and installation, as well as operation and maintenance.

This set of services is designed for domestic users who wish to have water availability for its consumption, as well as for industrial or commercial customers who seek an efficient use of water for their operations, and for government entities and NGOs that develop water and sanitation projects.

### PURIFICATION

#### Category

- > Purified water in point of consumption

#### Product Lines

- > Drinking Water Service (leasing plan for water purifiers for residential and commercial use)
- > Drinking water fountains for schools

### TREATMENT AND RECYCLING

#### Category

- > Wastewater treatment and recycling
- > Water purification

#### Product Lines

- > Water treatment plants for Wastewater, Post-Industrial Water, and Pre-consumer Water.
- > Water Purifying Plants





PORTFOLIO

INDIVIDUAL SOLUTIONS (PRODUCTS)

STORAGE



Water Tanks



Cisterns



Industrial



Agriculture

WATER FLOW



Pipes



Valves



Pumps



Sanitary Registries

IMPROVEMENT



Heaters



Biodigesters



Filters



Purifiers

SELF-SUSTAINABLE



Rural Rainwater Harvesting System



Outdoor bathroom

SERVICES

PURIFICATION



Residential



Institutional



Drinking Water Fountains



TREATMENT AND RECYCLING



Wastewater Treatment Plant (WWTP)



Water Purifying Plant




























OUR PRESENCE

(GRI 102-4, 102-6, 102-10, 102-48)

In the last year, we have focused on the consolidation of the solutions portfolios for each country, to serve each market based on its own characteristics. Likewise, we have developed synergies between our solutions lines and the distributors and intermediaries in each region.

We have consolidated brands in the different markets. Rotoplas is the company’s flagship brand, renowned on a regional level as a symbol of quality and reliability; we should mention that, in Mexico, it was awarded the Superbrands distinction mark for the fifth consecutive year, and the Greenbrands award for the second consecutive year. By country, Acqualimp stands as a benchmark in Brazil and Señorial in Argentina, also with features of quality and durability.

During the year, we acquired Argentine brand IPS, with a 70-year track record, and key player in the manufacturing and exporting of pipes and connections business. This provides us with the opportunity to complete and strengthen our individual solutions portfolio, as well as to increase our market share. With this acquisition, we have become the largest manufacturer of polypropylene pipes in the American continent.

|  Argentina |  Brazil |  Central America |  USA |  Mexico |  Peru |
|---|--|--|---|--|--|
|            |         |                  |      |         |       |
|            |  |  |   |         |       |
|            |         |                  |   |         |       |
|            |         |                  |   |         |       |
|   |  |  |   |         |  |
|   |  |  |   |         |  |

-  Individual solutions (Products)
-  Storage  Water flow  Improvement  Self-sustainable
-  Services
-  Purification  Treatment and recycling



14

Countries around the American continent, providing water and sanitation solutions in 12 of them.

We work on the future of the solutions through our three innovation centers, together with the efforts of our regional team.



FIGURE  
HIGHLIGHTS

(GRI 102-7)



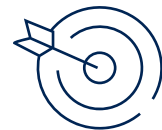
27

Product categories



3,322

Collaborators, out of which  
421 belong to IPS



+10,800

Direct customers  
(Distributors)



\$7,859

Million Mexican pesos  
in revenues



22

Plants, out of which 2  
belong to IPS <sup>1</sup>



77.5

Million of liters of  
purified water



+27,000

Points of sale



\$374

Million Mexican pesos  
of net profit



4

Distribution centers  
Grupo Rotoplas plants also serve  
as distribution centers



15.4

Million cubic meters of  
treated wastewater



+13,700

Points of service  
(Direct users)



\$52.7

Million Mexican pesos  
invested in research and  
development (R&D)

<sup>1</sup> Difference against 2017 responds to the closure of 2 plants in Brazil.

FIGURE  
HIGHLIGHTS  
(GRI 102-7)

Sales by solution



EBITDA by solution





HIGHLIGHTS  
OF THE YEAR

- > **Launch of a campaign in Argentina**, on the occasion of the World Water Day, to make people aware about the consequences if water ran out.
- > **Innovation contest** for collaborators.
- > Start of the Green Project, a program to use **recycled resin**.
- > Acquisition of **solar panels** for the main plants in Mexico.
- > Development month, **focused on strengthening** collaborators' career plans.
- > Release of the **first green resin supplier** within the Supplier Development program

January - March



- > Changes in the composition of the Board of Directors and formalization of the **Sustainability Committee**, by approval from the General Ordinary Shareholders' Meeting.
- > Cash reimbursement to shareholders in the amount of \$0.37 Mexican pesos per share.
- > Launch of the **open innovation program, Agua Vita**, in collaboration with *Startup México* (SUM).
- > First **volunteer program for the cleanup** of water bodies (México).
- > Rotoplas Sustainability Month.
- > For the fourth consecutive year, **Rotoplas was awarded the Superbrands** seal and acknowledged with the Greenbrands badge, as well.

April—June

HIGHLIGHTS  
OF THE YEAR

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



- > Grupo Rotoplas successfully **completed the acquisition of IPS**, a leading water flow company in Argentina.
- > Ethics and Conduct Code Campaign.
- > S&P Global Ratings confirmed the **AGUA 17-2X** emission's '**mxAA-**' rating with a positive outlook.

- > Fitch assigned an 'AA(mex)' rating to the **Reopening of the AGUA 17-2X Senior Notes**.
- > Inclusion for the second consecutive year in the **DJSI MILA Pacific Alliance Index**, which acknowledges the most sustainable companies in the region.

- > Launch of Institutional advertising campaign.
- > Issuance of the **reopening of the Sustainable Bond, AGUA17-2X**, for a total of \$1,000 million Mexican pesos, with an oversubscription of 3.8 times.
- > Brokerage Firm **Actinver initiates coverage** of AGUA\*
- > **Launch of water drinking fountain 4.0** (slim).
- > Pilot project for social value creation to **maximize the impact of self-sustainable solutions** on homes and schools.
- > **Rotoplas Way Month.**
- > Organizational realignment towards a product and service strategy.

July—September

October—December



# LETTER

## FROM THE CHAIRMAN

Figures in million Mexican Pesos

(GRI 102-14, 102-15)

During 2018, we continued to bolster our leadership in water solutions in the region. These efforts yielded double-digit growth in both revenues and EBITDA.

Carlos Rojas Mota Velasco  
CEO and Chairman  
of the Board



LETTER FROM  
THE CHAIRMAN(GRI 102-14,  
102-15)

Together with Rotoplas' main hallmark features— **Innovation, sustainability, and value creation**— this year, we focused on expanding the drinking water platform in Mexico, continuing the integration of our recent acquisitions, and completing the product portfolio in various geographic regions, particularly Argentina, Peru, and the US.

Within the integrated solutions platform in Mexico, we have diversified the sectors that we serve with water treatment and recycling plants, and **significantly increased the number of purification units** in the residential and institutional segments. Moreover, we opened the offer of our line of drinking water fountains, including installation and maintenance services, to the private sector.

As for individual solutions, we envisaged the optimization of the portfolio for each market where we operate.

In the case of Argentina, with the acquisition of IPS, a leading company in water flow solutions, we complemented our value offer in the category, and opened the possibility of exporting to other countries in the region.

With the **capacity to export** pipes from Mexico and now Argentina, we have organically developed the water flow segment in Peru. Thus, we currently have a full range to offer in that country, **with storage, improvement, self-sustainable and recently, water flow solutions.**

In the US, we focused on the incorporation of the e-commerce platform, acquired in 2017, into our systems and processes. Likewise, we have developed synergies between that platform and the manufacturing business, as this channel has enabled us to improve the territorial scope of our storage products.

After being the first company in the region to issue a sustainable bond in 2017, in October we held another issuance for an additional \$1,000 million, which had an oversubscription of 3.8 times.

As for the financial results of the year, **revenues grew 18.0%, reaching \$7,859 million.** Adjusted EBITDA totaled \$1,259 million, which translates into a **25.4% increase** in comparison to the previous year, and a 90-bp improvement in the margin, which settled at 16.0%.

Net profit was \$374 million; this figure was 29.9% lower than in the previous year, mainly due to a higher payment of interests related to the sustainable bond and the loss on monetary position in Argentina. During the second half of 2018, the latter country faced economic turbulence which resulted in a sharp currency depreciation and a high level of inflation. Even though these effects had an impact on the Group's consolidated result, we believe that there is a large potential market and various synergies to be developed in the medium term.

To maintain the growth dynamics, we destined **\$52.7 million to innovation** as we are convinced that it is a transformation factor for Grupo Rotoplas. Our innovation model is open and inclusive; we seek participation in the company's different areas and from external alliances. Ever watchful of the needs of both the population and the industry with regard to water and sanitation, we launched the first edition of the *Agua Vita* program to encourage entrepreneurs with innovative solutions for water.

As innovation and sustainability are transversal to the organization, we work on operating efficiency projects, such as the use of **recycled materials** in any products where it is possible and increase the use of renewable energy by setting up solar panels at some of our plants.

We are aware that **understanding the users of our solutions** is essential so that they will trust us with something as vital as water. Owing to this responsibility and its close relation to the strength of the business, we have bolstered our network of distributors, installers, and plumbers through training, monitoring, and incentives.



## LETTER FROM THE CHAIRMAN

(GRI 102-14,  
102-15)

Our sustainability model has matured to become a **Comprehensive Sustainability Strategy** that permeates the whole organization ever more deeply. In acknowledgement of our environmental, social, and governance focus, Rotoplas maintained its position in the Dow Jones Sustainability MILA Pacific Alliance index.

Moreover, we are committed to the implementation of the United Nations' Global Compact Principles and we believe that companies are a key factor to achieving the Sustainable Development Goals and the 2030 Agenda.

We know that our solutions contribute to community development. In order to gauge and maximize the economic, social, and environmental impacts of our projects, we have developed a value creation model for our solutions, such as the outdoor toilet with biodigester, rainwater harvesting systems, and drinking water fountains.

Our team continues to grow. By the end of the year, it comprised 3,322 collaborators, including 421 people who joined the Group after the acquisition of IPS.

The Rotoplas Way encompasses a unique organizational culture that identifies a staff committed to our mission and to **customer satisfaction**.

Proof of this is their participation in the volunteer work and innovation initiatives carried out during this cycle.

With this report, we place at your disposal a compendium of the most relevant activities and initiatives from 2018. Given our **commitment to transparency**, the report has been submitted for external verification for the first time.

That said, I would like to mention that we have set the grounds to finish consolidating our operations in the various countries where we have presence, capitalize synergies throughout our value chain, and be the water solutions company that best understands its clients. The former, so we can fulfill our purpose of transforming people's life quality, enabling the best use of water.

To conclude, I would like to thank you for your trust and reiterate the commitment of the whole organization to this company's mission: for people to have more and better water.

**Regards,**

**Carlos Rojas Mota Velasco**

CEO and Chairman of the Board





RELEVANT  
FINANCIAL  
DATAFigures in millions  
of Mexican pesos.

(GRI 103-2, 103-3)

ECONOMIC  
RESULTS 2018

With double-digit growth in revenues and EBITDA, Grupo Rotoplas continues to consolidate as a benchmark company in water and sanitation solutions in America, with a diversified portfolio that includes both products and services.

In the year, we acquired IPS in Argentina, a company specializing in the manufacture of pipes and connections. Thus, we complemented our product portfolio and have become the largest polypropylene (PPR) pipe manufacturer in the continent. Moreover, IPS' track record as an export company will enable us to bolster our foreign trade operation.

We have placed special emphasis on defining the portfolios we wish to offer in each market, considering their characteristics, as well as our current and projected presence. Thereby, in Peru, we developed the water flow solutions category. In the US, we work on the operational integration of the e-commerce platform acquired in 2017, which provides us with experience in that field and prepares us for the expected growth in online purchases.



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**\$7,859**Millions of Mexican pesos  
of Net Sales

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**18.0%**Increase in Net Sales versus  
last year

Our service platform continues to be the engine of diversification for the Group. In the year, we increased the number of water treatment plant clients, and diversified the sectors of economic activity to which we offer this service. Likewise, our residential and commercial purification clients also increased. As for drinking water fountains, we continue to meet the commitments through government contracts and are prepared for the opportunities that may be triggered by the private or public sector alike. This is a set of solutions that, once mature, will deliver greater profitability and recurrent revenues.

Net revenue increased 18.0% compared to the previous year, totaling \$7,859 million. In Mexico, our more mature market, growth reached 6.5%, and in Argentina, 55.0%, already considering the integration of IPS. The rest of the countries together grew 29.0%, with the contribution of the US' e-commerce platform as the highlight.

We maintain our guidelines of minimal cost and optimal revenue and spending, through which we strive to get operating efficiency to go hand in hand with profitability. Nonetheless, in the year, operating expenses increased 18.5%, mainly due to higher spending related to the service platform and expenses resulting from the most recent acquisition.

RELEVANT  
FINANCIAL  
DATA

Figures in millions  
of Mexican pesos.

(GRI 103-2, 103-3)

Innovation is part of Grupo Rotoplas’ differentiating features, together with quality and operating efficiency. Thus, infrastructure investment is important, as it represented 5.5% of revenues in the year, and was mainly destined to energy efficiency initiatives, treatment and water recycling plants in Mexico, and the e-commerce platform in the US.

Therefore, Adjusted EBITDA<sup>1</sup> reached \$1,259 million, 25.4% more than in 2017, with a margin increase of 90 basis points to 16.0%.

We ended the year with a net profit of \$374 million, which translates into a 29.9% decrease, given a higher interest payment and the loss in monetary position in Argentina, particularly during the fourth quarter. The situation in the country has caused a sharp increase in inflation and a marked currency depreciation. Given that inflation has been above 100% in the last three years, Argentina is considered to have a

hyperinflationary economy which, due to accounting regulation, forces us to make an adjustment that mainly implies an increase in the Group’s financial spending.

After pioneering the issuance of the first sustainable bond in Latin America in 2017, this year we reopened the AGUA 17-2X issuance for a total of \$1,000 million, which had an oversubscription of 3.8 times. The guidelines used as the framework for this issuance were the Green Bond Principles and the recently-published Social Bonds Principles and Sustainability Bond Guidelines. Thus, we seek to have the resources to finance or refinance initiatives to improve access to water and sanitation, which are company’s main activities.

<sup>1</sup> Adjusted EBITDA includes non-recurring expenses (donations and expenses related to acquisitions) totaling \$38 million in 2018 and \$32 million in 2017.



RELEVANT  
FINANCIAL  
DATA

Figures in millions  
of Mexican pesos.

(GRI 103-2, 103-3)

| Main economic figures (in millions of Mexican pesos) |       |       |       |             |
|--|-------|-------|-------|-------------|
|  | 2016  | 2017  | 2018  | Δ 18-17 (%) |
| Net revenues   | 5,353 | 6,660 | 7,859 | 18.0%       |
| Cost of Sales  | 3,097 | 4,032 | 4,762 | 18.1%       |
| Gross Profit   | 2,257 | 2,628 | 3,097 | 17.8%       |
| Gross Profit margin (%)                              | 42.2% | 39.5% | 39.4% | -10 bp      |
| Operating Expenses                                   | 1,677 | 1,899 | 2,251 | 18.5%       |
| Operating Profit                                     | 580   | 730   | 846   | 16.0%       |
| Operating Profit Margin (%)                          | 10.8% | 11.0% | 10.8% | -20 bp      |
| Adjusted EBITDA <sup>1</sup>                         | 738   | 1,004 | 1,259 | 25.4%       |
| Adjusted EBITDA Margin <sup>1</sup> (%)              | 13.8% | 15.1% | 16.0% | 90 bp       |
| Net Profit   | 449   | 533   | 374   | -29.9%      |
| Net Profit margin (%)                                | 8.4%  | 8.0%  | 4.8%  | -320 bp     |
| Earnings per Share (in Mexican Pesos)                | 0.93  | 1.10  | 0.77  | -29.9%      |
| Number of shares outstanding (in millions)           | 486   | 486   | 486   |             |

| Capitalization (in millions of Mexican pesos) |        |        |        |             |
|---|--------|--------|--------|-------------|
|   | 2016   | 2017   | 2018   | Δ 18-17 (%) |
| Total Debt                                    | 1,243  | 1,976  | 2,923  | 47.9%       |
| Total Shareholders' Equity                    | 7,221  | 7,295  | 6,883  | -5.6%       |
| Market capitalization                         | 12,948 | 14,689 | 10,741 | -26.9%      |

1 Adjusted EBITDA includes non-recurring expenses (donations and expenses related to acquisitions) totaling \$38 million in 2018 and \$32 million in 2017.



DISTRIBUTION  
OF ECONOMIC  
VALUE  
(GRI 201-I)

At Grupo Rotoplas, we seek to **create and share value with our stakeholder groups** through the company’s operations. To achieve this, income distribution towards collaborators, suppliers, authorities through tax payments, and profit-sharing to investors, among other concepts and receivers, is essential.

Below, we present our **economic value generated and distributed**. Thus, we transfer to monetary figures the performance and initiatives that we are mentioning throughout this report.

| Economic value generated and distributed (EVG and EVD) (millions of Mexican pesos) |         |         |                    |             |
|--|---------|---------|--------------------|-------------|
|  | 2016    | 2017    | 2018               | Δ 18-17 (%) |
| Revenues (Economic Value Generated, EVG)   | 5,353.3 | 6,660.5 | 7,859.2            | 18.0%       |
| Costs, Expenses, and Investment (Economic Value Distributed, EVD)                  | 7,730.4 | 7,280.5 | 9,030.0            | 24.0%       |
| Operating costs and expenses <sup>2</sup>  | 3,844.9 | 4,768.9 | 5,757.3            | 20.7%       |
| Salaries and benefits  | 815.5   | 959.8   | 1,115.8            | 16.3%       |
| Payment to capital providers <sup>3</sup>  | 263.2   | 365.2   | 464.7              | 27.2%       |
| Payments to government (taxes and contributions)                                   | 194.2   | 196.3   | 218.2              | 11.2%       |
| Investment in Research and Development <sup>4</sup> (R&D)                          | 33.1    | 48.9    | 52.7               | 7.8%        |
| Acquisitions   | 2,205.0 | 581.3   | 983.2 <sup>5</sup> | 69.1%       |
| Infrastructure investments (CAPEX)   | 370.8   | 327.6   | 433.6              | 32.4%       |
| Donations (community)  | 3.8     | 32.5    | 4.5                | -86.2%      |
| Retained (EVG-EVD)   | -2,377  | -620    | -1,171             | 88.8%       |

2 Does not include operating costs and expenses of IPS.  
3 Does not consider the purchase or sale of stocks.  
4 Does not consider salaries nor depreciation and amortization.  
5 Corresponds to the price after the performance guarantee of IPS.

DISTRIBUTION  
OF ECONOMIC  
VALUE

(GRI 201-1)

**Revenues (EVG)** increased 18.0% as a result of the consolidation and consolidation of the portfolios of each country, the integration of new acquisitions, and commercial management, including movements in the prices set. Nonetheless, **costs, expenses, and investments (EVD)** also increased by 24.0%. The increase in acquisitions is significant, given the incorporation of IPS this year, which is enabling us to complete the portfolio in Argentina and increase our market share. At Grupo Rotoplas, we work daily for the company that we are in the present, and the one we plan to be in the future.

On the other hand, the sum devoted to donations showed a decrease, as it increased exceptionally in 2017 as a result of the earthquakes experienced in Mexico. In 2018, we returned to a similar scenario to previous years in terms of resources for communities.

**Retained value (REV)** is the difference between the company’s income and costs, expenses, and investments. This retained value remains negative because we continue to bet on reinvesting in infrastructure and initiatives that will enable us to generate higher revenues in the short and medium term, such as: water treatment plants , research and development, and strategic acquisitions.



18%

Increase in revenues (EVG) as a result of the consolidation of the portfolios in each country



24%

Increase in costs, expenses and investments (EVD)





# AGUA 17X AND 17-2X SUSTAINABLE BOND REVIEW

Figures in Mexican pesos

We are a company that contributes towards meeting water and sanitation needs in the region, together with innovative solutions that answer the needs of both industries and households.

With a sound financial situation, we implemented our 2018-2020 Strategy, through which we are consolidating our portfolio in the various countries and developing our service platform, while also continuing to incorporate added value into the individual solutions (products).

Given the purpose that guides us as a company to improve the quality of life linked to water and sanitation, as well as the sustainability criteria that guide our operation and are integrated into our organizational Strategy, we seek to obtain financing from investors with this view.

Thus, in 2017, we issued the first **sustainable bond** in Latin America<sup>6</sup> and in 2018, we carried out the reopening of the second issuance (AGUA 17-2X) for \$1,000 million more to complete a financing program totaling \$3,000 million.

The Corporate Practices and Strategy Committee is in charge of **selecting the projects** to which the resources from the Sustainable Bond will be destined, and it is comprised by 3 independent board members. Eligibility depends on the commitments set forth in the framework drafted by the company for the issuance, which includes project categories based on the impact of water and sanitation, that will contribute to SDGs 6 and 9 and are in line with the corporate and sustainability strategies. It is within the committee itself that **the allocation of resources to initiatives is determined.**

<sup>6</sup> Drafted in line with the framework of the International Capital Market Association (ICMA): Green Bonds Principles and Social Bonds Guidelines for the issuance in 2017; the reopening in 2018 was carried out in line with the Green and Social Bonds Principles and Sustainability Bonds Guidelines (once the full framework was published).



AGUA 17X  
AND 17-2X  
SUSTAINABLE  
BOND  
REVIEW

Figures in  
Mexican pesos

The AGUA 17X and AGUA 17-2X bonds’ resources have been destined to one of the 4 project categories set forth in the framework of the issuance. They include the development of solutions for: 1) Drinking water supply, 2) Water storage, 3) Sanitation and domestic wastewater treatment, and 4) Wastewater treatment and recycling.

The Sustainable Bond issued in 2017 led Grupo Rotoplas to be acknowledged in the Latin Finance’s Best Corporates Awards as the company with the best use of sustainable financing in Latin America.

At the end of this year, we had used 67.3% of the net resources; this sum was destined to drinking water solutions, and wastewater treatment (Categories 1 and 4).

We have monitored the impact of the resources from the fund, and are presenting below the main indicators by project category. The accrued results of the solutions to which the resources were allocated are presented below, adding them since the first projects in 2016.





Figures in  
Mexican pesos

Category 1: Drinking water solutions

**Purpose** To provide access to clean water to people in a situation of scarcity or where tap water is not safe to drink; for instance, through drinking water fountains, water filters, and purifiers.

We devoted 11.3% of the net resources from the Bond to projects for drinking water solutions (Category 1).



**1.1** Purified water (liters of purified water for human consumption)

**KPI** 77,500,307 liters



**1.2** Benefited (school enrolment)

**KPI** 1,109,778 children



**1.3** Benefited from PoU purification (users)<sup>7</sup>

**KPI** 63,590 people

The amount of purified water translates into the sum of water disinfected by our drinking water fountains (since the first ones in 2016)<sup>8</sup>, dispensers and purifiers (institutional and domestic drinking water service, respectively, since 2017)<sup>9</sup>.

Category 4: Water and wastewater treatment

**Purpose** To improve water quality and increase efficiency in the use through recycling and reusing wastewater; for instance, wastewater treatment and recycling plants, acquisition of technology for treatment, recycling, and purification.

We destined 56.0% of the net resources from the Bond to projects for water and wastewater treatment solutions (Category 4).



**4.1** of water were treated

**KPI** 15,368,901,120 liters



**4.2** of water were reused

**KPI** 5,379,115,392 liters

The amount of reused water shows a rate of reutilization of 35% of the total water treated.

<sup>7</sup> It is obtained from the total dispensers as at December 2018 \* average number of users per dispenser; likewise for purifiers.  
<sup>8</sup> Obtained from the number of drinking water fountains installed \* average days of operation (up to December 2018) \* average number of users \* average water consumption per user per day.  
<sup>9</sup> Water treated in the dispensers: average number of dispensers in the year \* average daily consumption per dispenser (obtained from meters in dispenser sample) \* 365 days of the year.  
Water treated in the purifiers: Average number of purifiers in the year \* average daily consumption per purifier (obtained from meters in purifier sample) \* 365 days in the year.



Grupo Rotoplas SAB

**Type of engagement:** Annual Review  
**Date:** April 2019  
**Engagement Leader:** Ankita Shukla, Project Manager, [ankita.shukla@sustainalytics.com](mailto:ankita.shukla@sustainalytics.com), +1(617) 603 3329  
Mayur Mukati, Project Support, [mayur.mukati@sustainalytics.com](mailto:mayur.mukati@sustainalytics.com), +1 (647) 936 5656

Introduction

In 2017, Grupo Rotoplas SAB (“Rotoplas”) issued a sustainability bond aimed at financing and refinancing environmentally and socially beneficial projects. In April 2019, 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 2018 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   |
|------------------------------------|---|---|
| 1. Drinking Water Solutions        | 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>   |
| 2. Water Storage                   | 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>  |
| 3. Sanitation and Sewage Treatment | 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> |
| 4. Water and Wastewater Treatment  | 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></ul>   |



|  |  |   |
|--|--|---|
|  |  | <ul style="list-style-type: none"><li>• Volume of water (m3) treated/recycled</li><li>• Metrics on improvements in water quality e.g. Biochemical Oxygen Demand (BOD)</li></ul> |
|--|--|---|

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 67.3% of the proceeds of the sustainability bonds were allocated as of December 31, 2018.

Detailed Findings

Table 2: Detailed Findings

| Eligibility Criteria     | Procedure Performed   | Factual Findings   | Error or Exceptions Identified |
|--------------------------|---|--|--------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded by the sustainability bond in 2017 & 2018 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                           |
| Reporting Criteria       | Verification of the projects funded by the sustainability bond in 2017 & 2018 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 (Cumulative, until December 31, 2018) |
|--|---|
| 1. Drinking water solutions  |   |
| Litres of water purified   | 77,500,307  |
| Children benefitted through the installation of water fountains (school enrolment) | 1,109,778   |
| People benefitted from PoU purification (users)                                    | 63,590  |
| 4. Water and Wastewater Treatment  |   |
| Litres of water were treated   | 15,368,901,120  |
| Litres of water were reused  | 5,379,115,392   |

## Disclaimer

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The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

## 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. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. 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.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)





WE ARE...

# CLARITY

TO ADDRESS CHALLENGES

Under the premise “**for people to have more and better water**”, we look forward to generating a positive impact that transcends a more sustainable society.

## // STRATEGY



CONTEXT  
OF THE  
WATER ISSUE

ON A GLOBAL LEVEL:



4/10

Water scarcity affects 4 out of every 10 people.



6/10

6 out of every 10 people lack access to safe sanitation facilities.



1/10

1 out of every 10 people has no access to clean water.



80%

of the wastewater is released into the environment without treatment.



In 80%

of the homes without access to running water, women and girls are in charge of getting water.

Sources: Un Water, UN-Habitat, and Consejo Consultivo del Agua.

IN LATIN AMERICA:



37 million

Roughly 37 million people lack access to safe clean water.



110 million

Nearly 110 million people lack access to safely managed sanitation.



31%

of the water sources in the world is located in the region.

Source: World Bank.

## BUSINESS MODEL AND CORPORATE STRATEGY

(GRI 102-2, 102-10,  
102-26, 103-2, 103-3)

At Grupo Rotoplas, we deliver innovative water and sanitation solutions that improve people's quality of life. We seek to bolster the **added value** through the delivery of quality products and complementary services that simplify and enrich users' experience, even as they increase the useful life of our solutions.

The **portfolio** is currently divided into the categories of **individual solutions** (products) and **services**, which share the common goal of catering to customers' needs. Our offer of solutions is the result of internal innovation and development, strengthened through the integration of companies in which we see competitive advantages. Thus, this year we acquired **IPS**, an Argentine company known for its water flow solutions and presence as an exporter. The companies are integrated into Grupo Rotoplas with the aim to take advantage of their experience and establish synergies that will enable us to better achieve our purpose.

Throughout this year, we continued to implement our **2018-2020 Strategy**, backed by the Board of Directors, through guidelines for the performance of the various departments. This year, we witnessed the materialization of the efforts to reconfigure the portfolio and integrate the acquisitions, both of IPS, as of the previous ones that we have added in past years, to multiply the value we deliver together as Grupo Rotoplas. As a tangible result, we should note the portfolio consolidation by country.

Our business model is triggered by users' needs, including portfolio diversification and sales channels. This has led us to start bolstering the **customer experience** in 2018, with a comprehensive outlook involving our various teams. We are working on the whole process; from the stage of solutions design to the marketing channels and monitoring of satisfaction in the stage of use.

The **design** of the solutions focuses on the added value for the user, either in the home or industry, focusing on the detected needs. This enables us to deliver differentiated products and services. Innovation also extends to business processes and models, with a transversal focus for the company and a value-multiplying approach. We have three platforms to manage innovation projects: Optimiza, Project Management Office (PMO), and Rotoplas Labs, which cover that broad spectrum<sup>1</sup>, managing initiatives with various scopes and feasibility.

At Grupo Rotoplas, we work closely with our **suppliers**, seeking to develop products with the highest quality. With them, we collaborate in programs for support and improvement of their raw materials, in order to comply with the requirements set by the Innovation and Quality Departments and policies.

Through the acquisition of IPS in Argentina, we have become the main producers of polypropylene (PPR) pipes in the region.

In the **manufacturing** stage of the solutions, we work in strict adherence to a focus on processes, following efficiency guidelines. This is enriched by our collaborators' knowledge, the communication of good practices among our operations, and the experience obtained through the Group's track record in the sector.

The **distribution and marketing** of our products and services is done through various **channels**, through which we seek to reach different user profiles. Our relations with our **clients** (distributors and marketers) are based on mutual trust contributing, for our part, quality solutions and response capacity, which we strengthen with initiatives to benefit their development and results.

<sup>1</sup> Greater detail on the platforms in the section on Innovation management (Chapter on Innovation, Quality, and Efficiency).

BUSINESS  
MODEL AND  
CORPORATE  
STRATEGY

(GRI 102-2, 102-10,  
102-26, 103-2, 103-3)

DISTRIBUTION AND SALES CHANNELS:



**Organized Sales:**

including self-service stores, department stores, price clubs, and convenience stores (B2I)



**Retail:**

including hardware, plumbing, finishes, materials, and retail stores (B2D/B2C).



**Direct:**

marketing our solutions through Rotoplas Direct Sales (B2B/B2C)



**Distributors:**

points of sale devoted to marketing products for all-purpose construction, including hardware stores, plumbing, finishes, materials, retailers, and specialized sellers (Government and builders) (B2I)



**E-commerce:**

marketing through sales on own or marketplace online platforms (B2B/B2C)



**E-commerce**

In 2017, we acquired the leading e-commerce platform for water tanks in the US, comprising Plasticwatertanks, P-M.com, and Nautical Outfitters Corp. This has enabled us to gain a deeper knowledge of a hybrid model evolving from physical sales to online sales.



BUSINESS  
MODEL AND  
CORPORATE  
STRATEGY

(GRI 102-2, 102-10,  
102-26, 103-2, 103-3)

At Grupo Rotoplas, we seek to crate the best **experience with our products and services**. In the case of wastewater treatment, recycling and purifying plants, we incorporate the services of design, installation, operation, and maintenance, performed by specialized personnel.

Our school drinking water fountains also include the installation and maintenance services, with the participation of a network of local technicians trained by the company, a key piece in our value chain.

The comprehensive concept of the value offer is the basis for our Drinking Water platform, through which we serve the needs of homes and institutions, under installation, leasing, and maintenance plans, based on the characteristics of water in each location.

To achieve a satisfactory user experience, our training teams organize sessions on topics related to the installation, use, and maintenance of the products<sup>2</sup>. These sessions are aimed at plumbers throughout the region.

During 2018 we achieved the following results:

Products

New launches in storage, water flow, and improvement.

Purified Drinking Water Service

Exponential growth in users.

Water treatment plants

Diversification of customers and sectors where the service is rendered.

School drinking water fountains

Sales to private customers and design of a model to create social value.

Rainwater Harvesting, Outdoor Toilet, and Biodigester

Integration of criteria to gauge the social impact.



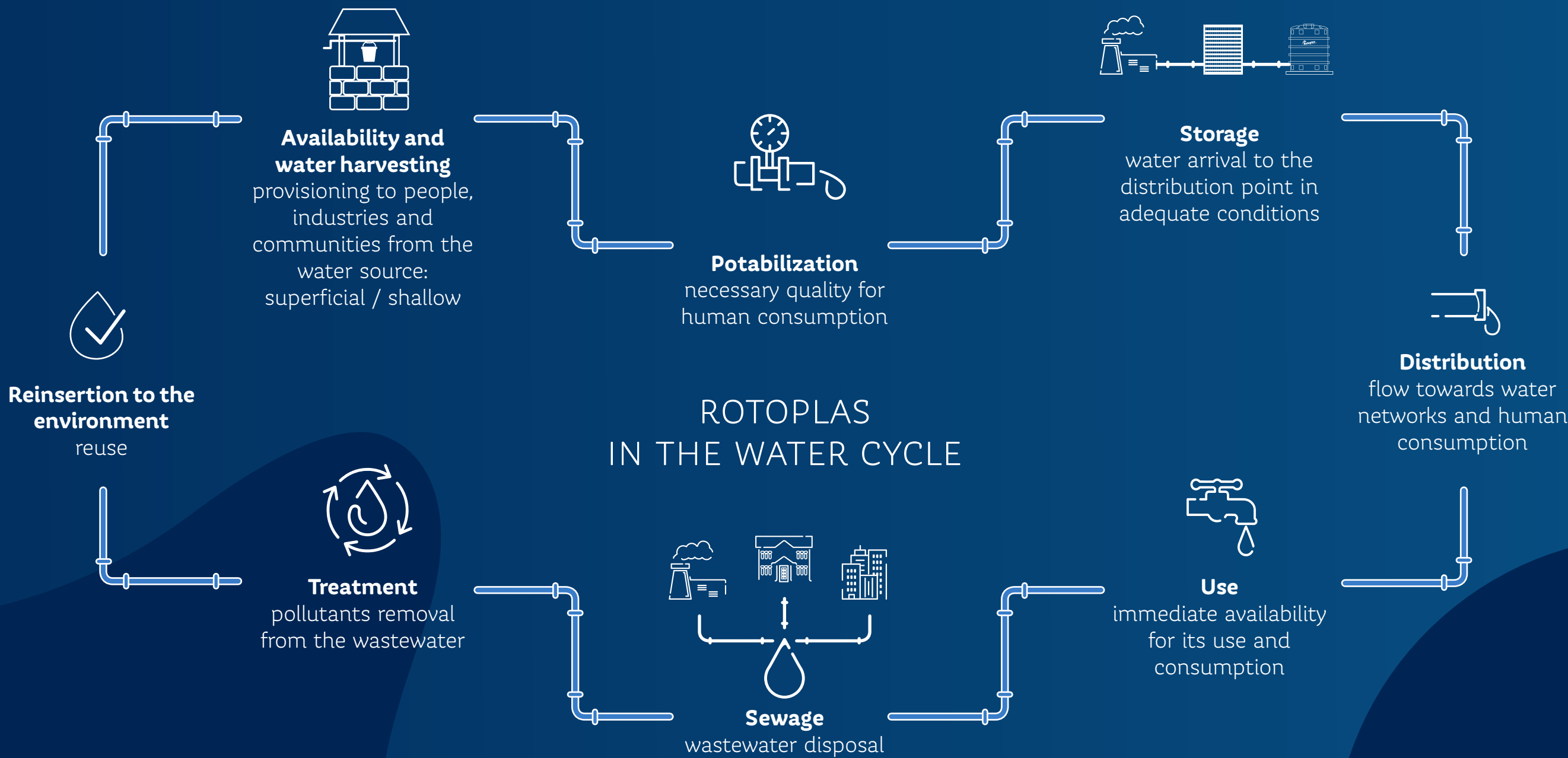
2 Greater detail on the training of plumbers in the subchapter on Customer experience (chapter on Innovation, quality, and efficiency).

BUSINESS  
MODEL AND  
CORPORATE  
STRATEGY

(GRI 102-2, 102-10,  
102-26, 103-2, 103-3)

Passion for our business, together with the conviction and commitment to make things happen, is part of our values. This attachment is closely linked to the contribution that we make to economic and social development through our offer of solutions, the innovation initiatives, and the development of our value chain, from suppliers to marketers, and installation and maintenance specialists.

Grupo Rotoplas' solutions are present throughout the water cycle, contributing to its availability, accessibility, storage, and water flow, as well as enabling the use efficiency and the possibility of reusing water through treatment and recycling, thus supporting circular schemes in the industry that will reduce extraction from the natural environment and the issuance of water in a state that can damage the environment.





BUSINESS  
MODEL AND  
CORPORATE  
STRATEGY

(GRI 102-2, 102-10,  
102-26, 103-2, 103-3)

Our performance is based on the Rotoplas Way; an organizational culture model that reflects the way we work and enables collaboration among the various teams. This concept is based on 4 pillars: **Strategy, Culture, Processes, and Corporate Governance**, enriched with the vision of each collaborator and the guidelines from the leaders.



These pillars result in work initiatives, the experience of policies and procedures, and a focus on quality, customer satisfaction, and the bet on a work environment that makes us collaborate fully.

To disseminate our organizational culture, the Rotoplas Way Month stands out each year, with training sessions and recreational activities.





## SUSTAINABILITY STRATEGY AND PROGRESS

(GRI 102-13, 102-19, 102-20, 102-21)

At Grupo Rotoplas, we understand sustainability with a long-term vocation that, by transforming the way in which business and the relation with stakeholders are understood, contributes to the resilience of the system comprised by the company and society.

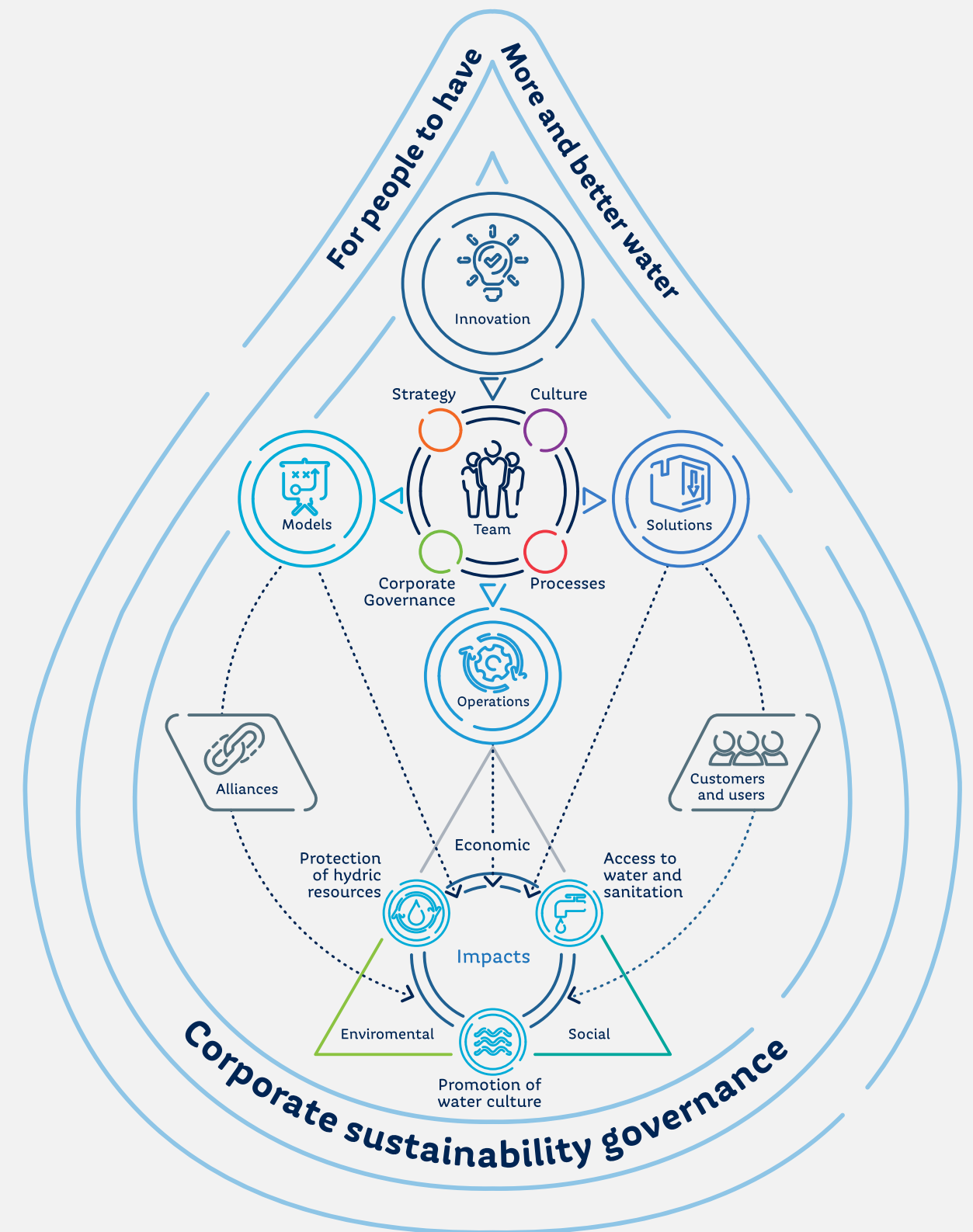
We materialize this commitment through our **Sustainability Strategy**<sup>3</sup>, which is based initially on innovation, and is developed in line with the Rotoplas Way<sup>4</sup>. This Strategy responds to our mission for people to have more and better water, and it is closely linked to the 2030 Agenda<sup>5</sup>.

This scope spreads through the business models under which the company works, the processes and activities that comprise our operations, the mitigation of our impact through efficiency, and our own portfolio. Thus, the strategy is closely linked to the corporate guidelines.

This results in a series of impacts that we meet through solutions and initiatives designed to strengthen our positive influence. We want our products and services to help boost water awareness, changing people's relationship with the water resource.

The Strategy was designed based on a prior identification of the material topics, a process that incorporated the outlook of our stakeholders and of the company itself. It is based on an architecture of policies and procedures that we have bolstered especially in 2018, as we shall specify further on.

Below, we list the 4 focal points that comprise the Strategy<sup>6</sup>, which are in turn made up of lines of action, with the leadership and the participation of various departments throughout the company. We explain the initiatives and the key results throughout the year:



<sup>3</sup> In previous exercises, the Sustainability Model was mentioned; given the maturity reached, after two years of work, the development of related key policies and procedures, and the proposal of a set of indicators to monitor progress, we can say that we have shifted to a sound Sustainability Strategy.

<sup>4</sup> Greater detail can be found in the previous section of Business model and Corporate strategy.

<sup>5</sup> Grupo Rotoplas' contribution to the SDGs is provided in detail in a specific chapter.

<sup>6</sup> The detail of areas and lines of action comprising our Sustainability Strategy is available at: <https://rotoplas.com/sustentabilidad/sustainability-model/>

SUSTAINABILITY  
STRATEGY AND  
PROGRESS

FOCAL POINT 1  
CORPORATE SUSTAINABILITY GOVERNANCE

(GRI 102-13, 102-19,  
102-20, 102-21)

- 

Updating the Sustainability Policy and the Human Rights Policy.
- 

Appointment of the Strategy leaders in each country and their incorporation into the Sustainability Committee.
- 

Monitoring of the sustainability strategy through the Project Management Office (PMO) platform.
- 

Survey and monitoring of initiatives with an impact on sustainability in project management platforms.
- 

Quarterly presentation of the company's sustainability results to collaborators and investors.
- 

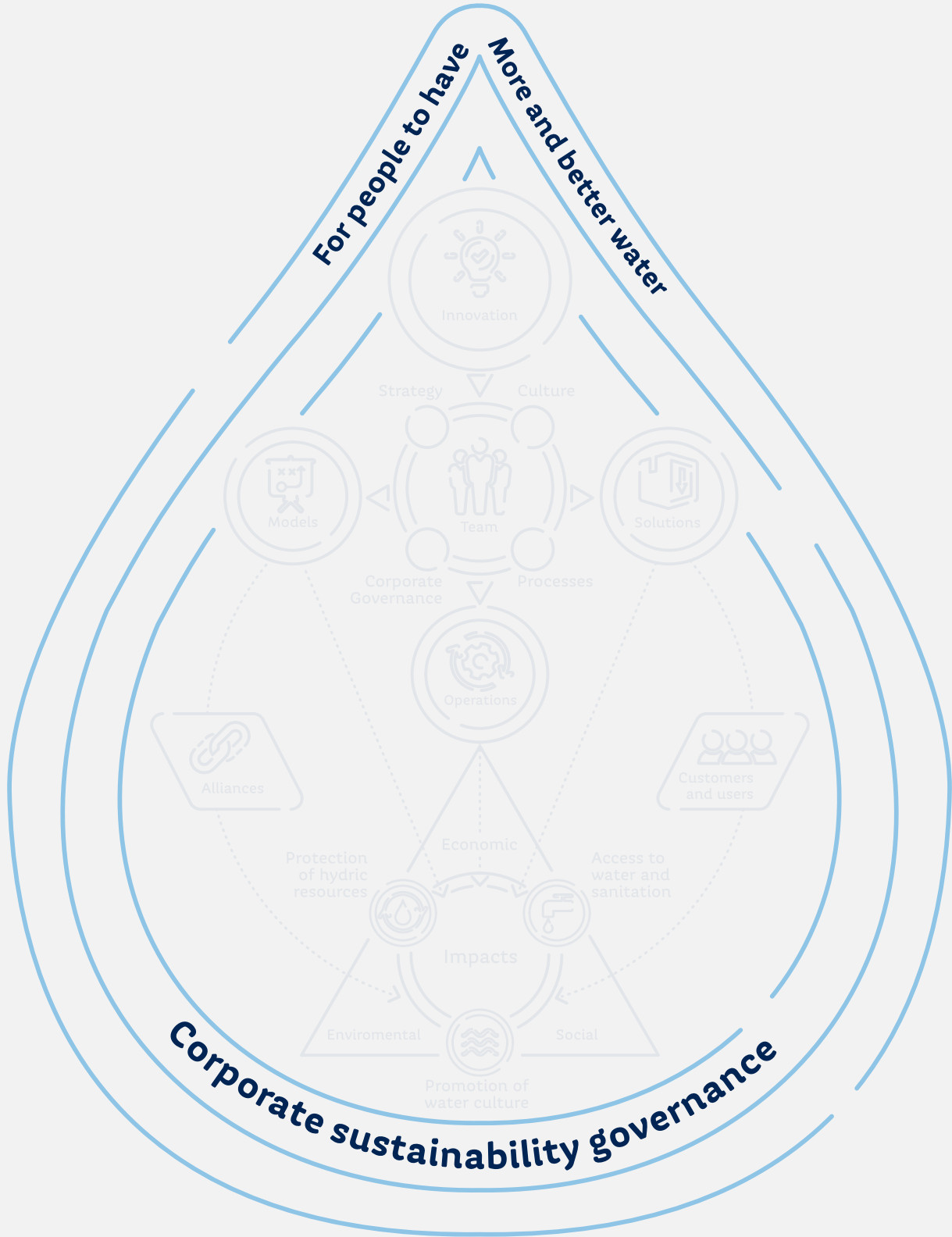
Ratification as members of the DJSI MILA Pacific Alliance.
- 

Issuance of the reopening of the AGUA 17-2X Sustainable Bond for \$1,000 million pesos.
- 

Development of the sustainability management model, which includes policies, procedures, the Strategy itself, and the set of indicators established in the year as a monitoring tool.
- 

Implementation of self-assessment process for board members of the Group.
- 


Report by the Sustainability Committee to the Corporate and Strategic Practices Committee.



SUSTAINABILITY  
STRATEGY AND  
PROGRESS

FOCAL POINT 2  
COLLABORATIVE INNOVATION WITH PURPOSE

(GRI 102-13, 102-19,  
102-20, 102-21)

|   |   |   |   |
|---|---|---|---|
|    | Updates to the Hygiene, Safety, and Environmental Policy (HSE).   |    | Updates to the Innovation Policy and formalization of the Innovation Committee.   |
|    | Program to select and develop raw material suppliers.   |    | Completion of the carbon footprint and water footprint measurements in a range of products, in line with standards ISO 14067 and ISO 14046, respectively. |
|    | Development of energy efficiency projects at roto-molding centers and in accessory, pipe, and compound supplier plants.                     |    | Incorporation of secondhand materials together with virgin resins (from transition, postindustrial, or recovered from internal circuits).                 |
|  | Use of Sprint Innovation and Design Thinking methodologies to develop innovation capacity and user experience among the various workgroups. |  | Launch of the <i>Agua Vita</i> program, for entrepreneurs with innovative ideas regarding water solutions.  |
|  | Implementation of an internal innovation contest among collaborators from all the Group's countries.  |  | \$52.7 million Mexican pesos invested in research and development.  |
|  | Implementation of the student open innovation program among university students.  |  | Installation of solar panels at plants.   |
|  | Partnership with university institutions and research centers through the signing of 11 agreements.   |   |   |







SUSTAINABILITY  
STRATEGY AND  
PROGRESS


FOCAL POINT 3  
DRIVING ECONOMIC AND SOCIAL DEVELOPMENT


(GRI 102-13, 102-19,  
102-20, 102-21)


 **4,932** water fountains installed to date; **1.1 million** children and teens benefited in Mexico.


 Over **1.3 million** benefited by water harvesting solutions to date.

 Over **792 thousand** benefited through sanitation solutions to date.

 Participation in forums with an impact on water and sanitation.


 Support for projects of school and urban rainwater harvesting, agricultural sanitation, and purification of polluted water bodies.

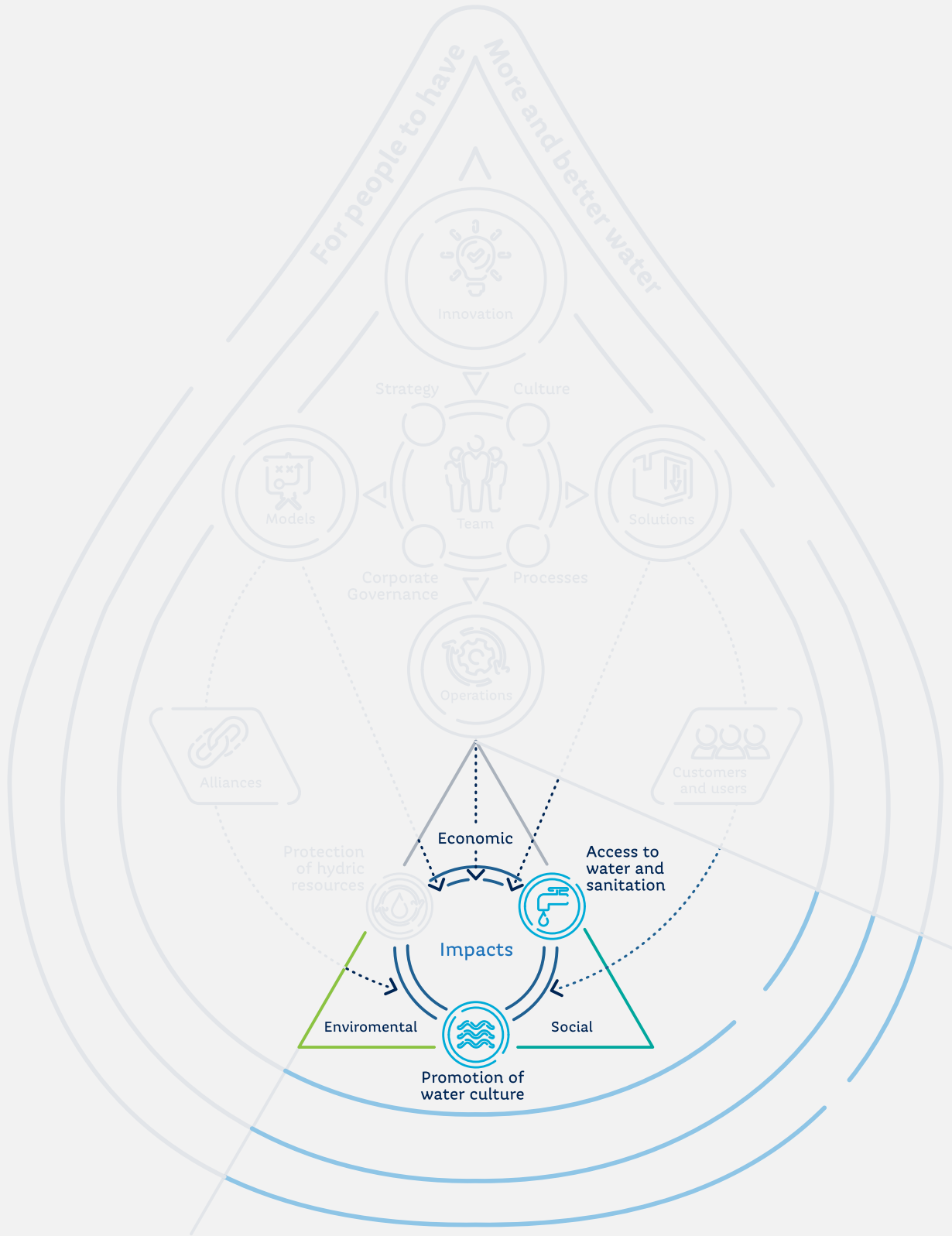
 Training and certification of **7,812 plumbers** in Mexico, 350 of whom obtained a certificate as “Water solutions advisors”.

 Cooperation in furnishing the First Sustainable School in Argentina, through rainwater harvesting.

 Development of water and sanitation projects with non-governmental organizations, international agencies, and the civil society.

 Launch of online courses, scholarships for plumbers, and workshops at social rehabilitation centers.


 Development and implementation of Social Value Creation Model to gauge the effects on homes with rainwater harvesting systems, outdoor toilet with biodigester, and rural purifier; also for schools with drinking water fountains and maintenance.





SUSTAINABILITY  
STRATEGY AND  
PROGRESS


FOCAL POINT 4  
SAFEGUARDING WATER AS A RESOURCE FOR THE FUTURE


(GRI 102-13, 102-19,  
102-20, 102-21)


- 


Growth of *Fan del Agua* (Water fan), or social media platform to spread water awareness.
- 


Alliance with Discovery Networks to foster water awareness in rainwater harvesting, outdoor toilet with biodigester, and ideas for water caring.
- 

Volunteer work to sensitize communities and clean up water bodies.
- 

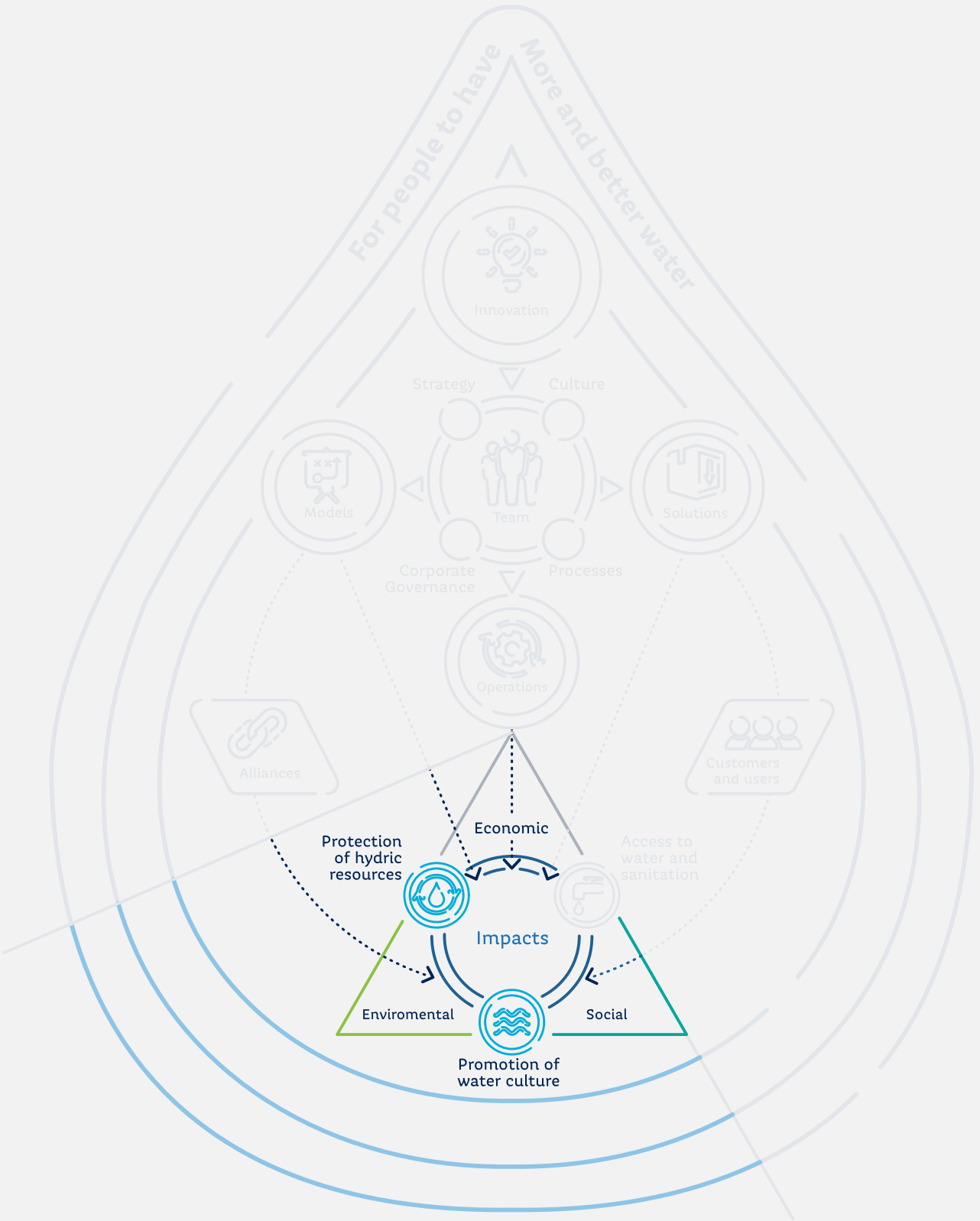
Implementation of awareness talks with customers of the wastewater treatment service.
- 

Integration of sensitization in water awareness as part of the Purified Drinking Water Service at institutions.
- 

Participation in 19 water-related forums and events to foster and spread water awareness.
- 

Launch of the Climate Change Policy.
- 

Creation of an intervention and social liaison model, in order to support communities that decide to recover the neighboring water bodies (rivers, lakes, beaches).



## SUSTAINABILITY MANAGEMENT SYSTEM AND COMMITTEE

(GRI 102-18, 102-19,  
102-20, 102-31)

In compliance with the Sustainability Policy, the Committee executes and steers the initiatives regarding the Sustainability Strategy. It is the representative body of our stakeholders in the generation and distribution of economic, social, and environmental value. Likewise, it analyzes the various operating contexts and responds to the company's impacts, risks, and opportunities in the various topics involving sustainability.

The Committee's composition responds to the need to act with a comprehensive view as Grupo Rotoplas, including representatives from the company's departments that are involved in the Sustainability Strategy, those assigned locally in each country as Strategy leaders, and those from the companies that have been integrated into the Group. The Committee is chaired by the Vice-president of Sustainability and Institutional Business, who reports the results of the meetings to the Corporate Practices and Strategy Committee, which in turn brings noteworthy aspects to the notice of the Board of Directors.

Appealing to the first focal point of our Sustainability Strategy, we have bolstered the set of **policies and procedures related to key aspects of our performance and impact on social, environmental, and economic aspects**, considering standard ISO26000 as the benchmark. We have updated the Policies on Sustainability, Human Rights, Institutional Relations and Stakeholder Relations, as well as on Hygiene, Safety, and the Environment.

Our value chain is invited to join the commitments of the various policies, in addition to being asked to adhere to the Code of Ethics and Conduct, which in turn comprises the 10 Principles of the United Nations Global Compact.

Regarding our Sustainability Strategy, we reinforce its knowledge among our collaborators through the Sustainability Month, which includes the implementation of webinars, in site training, activities and the broadcast of reference sustainability material.

All this, and other elements that we shall develop throughout 2019, will create a management system, which will also include the indicators to gain a better monitoring of the progress achieved in implementing the Sustainability Strategy.



Through the **Sustainability Policy**, we express our understanding and collective commitment on the matter, and we set the guidelines to maximize value creation and distribution to our stakeholders.

This policy heads the set of policies and procedures on sustainability and is the basis for the company's Strategy on the matter, which includes the priorities related to relevant topics for the company and for the stakeholders.



The **Human Rights Policy** sets the necessary lines to promote and respect these rights throughout our operations. The scope of this policy is both internal among our collaborators, affiliates, and subsidiaries, and external among our suppliers, distributors, customers, and users. In addition, it considers its own reporting mechanisms, and ensures its implementation through due diligence, our values, and the guidelines included in our Code of Ethics and Conduct.



STAKEHOLDER  
ENGAGEMENT

(GRI 102-12, 102-13,  
102-21, 102-40, 102-  
42, 102-43, 102-44)

We consider the relationship with our stakeholders as a key element for the company to function and generate value within and outside it, guided by the creation of mutual benefits. We understand that, through our business model, corporate strategy, and operation, we can contribute to the socioeconomic development and care of the environment in our surroundings.

The definition of these groups is a result of a multivariable analysis, which also involves a prioritization. In every case, a set of key entities





and players is determined, pursuant to the Policy on Institutional Relations and Relations with Stakeholders. Given the various forms of value generated with each group, the company's departments that are key to those relations and communications are established.

Below, we indicate the stakeholders, our value proposition for each, the communication channels, and the key topics we identify through each interaction.



STAKEHOLDER  
ENGAGEMENT




(GRI 102-12, 102-13,  
102-21, 102-40, 102-  
42, 102-43, 102-44)

| Stakeholders   | Value creation  | Communication channels  | Relevant topics   |   |
|--|---|---|---|---|
| <br><b>Customers</b>                                    | <ul style="list-style-type: none"><li>&gt; Distributors</li><li>&gt; Government entities</li><li>&gt; End user</li></ul>  | <ul style="list-style-type: none"><li>&gt; Deliver products relevant to their needs for water and sanitation.</li><li>&gt; For distributor and/or marketing clients, support with a prestigious and reliable brand in the eyes of the public, in the evolution of their business to reach the end user together</li></ul> | <ul style="list-style-type: none"><li>&gt; Satisfaction survey</li><li>&gt; Customer Service Center (CSC)</li><li>&gt; Avenues for complaints (telephone, e-mail, and website)</li></ul>  | <ul style="list-style-type: none"><li>&gt; Product quality</li><li>&gt; Product advertising and promotion</li><li>&gt; Access to water and sanitation</li><li>&gt; Training of solution users for better use</li><li>&gt; Product and service quality</li></ul>   |
| <br><b>Collaborators</b>                                | <ul style="list-style-type: none"><li>&gt; Part-time: developing professionals and interns</li><li>&gt; Full time: workers, including union members</li></ul>   | <ul style="list-style-type: none"><li>&gt; Collaborative team, with respect for diversity and support for career development</li><li>&gt; To be at the forefront in products and services, in the framework of an organizational culture based on the Rotoplas Way</li></ul>  | <ul style="list-style-type: none"><li>&gt; Organizational climate survey</li><li>&gt; Corporate social network: R-Connect</li><li>&gt; Avenues for complaints (telephone, e-mail, website, intranet)</li><li>&gt; Presentation of ESG company’s quarterly results</li></ul> | <ul style="list-style-type: none"><li>&gt; Ethics and anticorruption practices</li><li>&gt; Training and career development opportunities</li><li>&gt; Safety and health in the work environment</li><li>&gt; Processes and improvement initiatives</li></ul>   |
| <br><b>Suppliers</b>                                    | <ul style="list-style-type: none"><li>&gt; Raw materials and services suppliers</li></ul>   | <ul style="list-style-type: none"><li>&gt; Evolution of the materials and services required to meet customers’ and users’ needs</li><li>&gt; Win-win relations with trust in the Group’s operational continuity</li></ul>   | <ul style="list-style-type: none"><li>&gt; Annual assessment</li><li>&gt; External surveys</li><li>&gt; Avenues for complaints (telephone, e-mail, and website)</li></ul>   | <ul style="list-style-type: none"><li>&gt; Swiftness and efficiency in the relations with the company</li><li>&gt; Ethics and anticorruption practices</li></ul>  |
| <br><b>Board of Directors and its internal bodies</b> | <ul style="list-style-type: none"><li>&gt; Board of Directors</li><li>&gt; Audit committee</li><li>&gt; Corporate Practices and Strategy Committee</li><li>&gt; Compensations Committee</li><li>&gt; Sustainability Committee</li></ul> | <ul style="list-style-type: none"><li>&gt; Making decisions that will guarantee value creation for stakeholders, based on ethics and transparency, enriched by the organizational diversity and in line with the business model’s potential and the focus on sustainability</li></ul>                                     | <ul style="list-style-type: none"><li>&gt; Meetings (monthly or quarterly, as may be the case)</li></ul>  | <ul style="list-style-type: none"><li>&gt; Strategy, growth and consolidation plan</li><li>&gt; Innovation model</li><li>&gt; Risk assessment, audits, and compliance</li><li>&gt; Best Corporate Governance practices</li><li>&gt; Compliance with the guidelines provided for a public company</li><li>&gt; Collaborator attraction, training, and retention</li><li>&gt; Proposing and monitoring of sustainability initiatives and indicators</li></ul> |



STAKEHOLDER  
ENGAGEMENT

(GRI 102-12, 102-13,  
102-21, 102-40, 102-  
42, 102-43, 102-44)

| Stakeholders  |  | Value creation  | Communication channels   | Relevant topics   |
|---|--|---|--|---|
| <br><b>Financial community</b>               | <ul style="list-style-type: none"><li>&gt; investors</li><li>&gt; Financial institutions</li><li>&gt; Rating agencies</li></ul>  | <ul style="list-style-type: none"><li>&gt; Generate value focused on a win-win situation, that will provide financial returns and contribute to socioeconomic development, in order to comply with the financial support for the operation</li></ul>  | <ul style="list-style-type: none"><li>&gt; Meetings</li><li>&gt; Conference calls</li><li>&gt; Annual and quarterly reports</li><li>&gt; E-mail</li></ul>  | <ul style="list-style-type: none"><li>&gt; Financial and operating results</li><li>&gt; Risks and opportunities</li><li>&gt; Organic and inorganic growth</li></ul>   |
| <br><b>Authorities and regulatory bodies</b> | <ul style="list-style-type: none"><li>&gt; Mexican Stock Exchange (BMV, as per its acronym in Spanish)</li><li>&gt; National Banking and Securities Commission (CNBV, as per its acronym in Spanish)</li><li>&gt; Tax authorities of each country</li><li>&gt; Ministry of Labor and Social Security</li></ul> | <ul style="list-style-type: none"><li>&gt; Comply with the applicable regulation and rules of coexistence established in the various countries where we operate</li><li>&gt; Contribute to the development of new legislation and initiatives that will consolidate the framework for action and progress on matters of water and sanitation</li></ul>                        | <ul style="list-style-type: none"><li>&gt; Quarterly and annual reports (BMV and CNBV)</li><li>&gt; Monthly tax reports (fiscal authorities)</li></ul>   | <ul style="list-style-type: none"><li>&gt; Economic results</li><li>&gt; Risk management</li><li>&gt; Compliance with fiscal obligations</li><li>&gt; Management of labor obligations and compliance status</li></ul>   |
| <br><b>Community</b>                        | <ul style="list-style-type: none"><li>&gt; Non-governmental organizations</li><li>&gt; Universities</li><li>&gt; Community in general</li><li>&gt; Mass media</li><li>&gt; Chambers and associations</li></ul>   | <ul style="list-style-type: none"><li>&gt; Develop knowledge on the topics of water and sanitation, together with a culture of respect and reasonable use of this resource, making our experience available and implementing initiatives on site that will contribute to meet the needs of the population with a focus on permanence and installation of capacities</li></ul> | <ul style="list-style-type: none"><li>&gt; Forums in which Rotoplas participates</li><li>&gt; Fan del Agua Digital platform <a href="http://www.fandelagua.com">www.fandelagua.com</a></li><li>&gt; Social media</li><li>&gt; <a href="http://www.rotoplas.com">www.rotoplas.com</a> website</li></ul> | <ul style="list-style-type: none"><li>&gt; Product quality</li><li>&gt; User training on solutions for better acceptance</li><li>&gt; Impact of solutions on beneficiaries (household economics, health, and education)</li><li>&gt; Collaboration plans</li><li>&gt; Focus on the Group's innovation and investment in this aspect</li><li>&gt; Access to water and sanitation, and impact of solutions</li><li>&gt; Practices for rational water consumption</li><li>&gt; Business performance and evolution (including new solutions, company acquisitions, and collaboration initiatives)</li></ul> |



## STAKEHOLDER ENGAGEMENT

(GRI 102-12, 102-13, 102-21, 102-40, 102-42, 102-43, 102-44)

At Grupo Rotoplas, we seek to be an active part of the business community in the countries where we operate, as well as of the innovation ecosystem and the networks of water and sanitation experts. In addition, we participate in organizations that work for sustainability. We note our participation in the following organizations:

- > *Alianza por la Sostenibilidad* (Mexico)
- > *Aquafondo – The water fund for Lima and Callao* (Peru)
- > *Associação Brasileira dos Fabricantes de Materiais para Saneamento (ASFAMAS)* (Brazil)
- > *Câmara Guatemalteca de la Construcción* (CGC)
- > *National Chamber of Transformative Industries (CANACINTRA)* (Mexico)
- > *Mexican Confederation of Business Owners (COPARMEX)*
- > *Consejo Consultivo del Agua (CCA)* (Mexico)
- > *Consejo Consultivo de Finanzas Climáticas*, sponsored by the Climate Bonds Initiative and Grupo Bolsa Mexicana de Valores (Mexico)
- > *Basin Committee of the Yucatan Peninsula (CCPY)* (Mexico)
- > *Foro Argentino del Agua (FAAdA)*
- > *Instituto Trata Brasil (ITB)*
- > *International Water Association (IWA)*
- > *Red OTT (International)*
- > *Global Compact Network Mexico*
- > *B37 Ventures* (USA)





WE ARE...

# DYNAMISM

TO BOOST INNOVATION

We seek to develop **innovative and high-quality products** to broaden our portfolio of solutions, which includes products and services.

// INNOVATION, QUALITY AND EFFICIENCY





## INNOVATION MANAGEMENT

(GRI 102-12, 103-2, 103-3, 201-4, 203-1)

**Innovation** is part of our identity and it is implemented transversally throughout the company to meet the challenges concerning water and sanitation. Its potential contributes to the purpose we have set for ourselves of delivering value to our stakeholders, by developing and updating top-quality solutions, as well as transforming the existing processes and/or generating new ones, to benefit the teams' operating efficiency and performance.

This year, we launched our **Innovation Policy**, which fosters the creation, capture, and exchange of value. In it, we reflect our bet on an **open and inclusive model**, that will grow through the generation of ideas both within the company and based on external talent and alliances. We consider sustainability to be a key factor, so that innovation will enable us to maximize the impact of our solutions on improving people's quality of life and on generating development.

By incorporating sustainability as a criterion in innovation processes, and working on our operating performance, we seek to reduce all negative externalities that we may be generating directly or in the value chain; for instance, in transporting the solutions or for cleaning our tanks, through the design of a manual to reduce the need for water for this activity.





## INNOVATION MANAGEMENT

(GRI 102-12, 103-2,  
103-3, 201-4, 203-1)

The innovation processes are triggered based on our proactive identification of the population's and industry's needs regarding the availability and quality of water, as well as of sanitation. Likewise, we consider the expectations pointed out by each of the company's external partners, such as suppliers, distributors, clients, and users. We have teams specializing in innovation, including the operation of a center devoted to this activity in Mexico. Added to this is the development of knowledge at Canadian research center Sanzfield, which we acquired in 2017, as well as the rights derived from Grupo Rotoplas' stake in Advanced Innovation Center (AIC) in Chile.

In order to favor the socioeconomic impact of our solutions, we carried out an analysis regarding the stage of use of the outdoor toilet with biodigester, the rainwater harvesting systems, and drinking water fountains. With the results of this exercise, social value models were developed to make adjustments and capitalize on the impact of our solutions through the population's adoption, use, and care of the product.

The open profile of innovation materialized in various initiatives, such as the contest we launched at the Group level throughout the year. Through it, we aimed for collaborators to share ideas that would improve user experience, through proposals for either purification, water flow, storage, sanitation, monitoring, heating, and other solutions related to water.

Allied with the Mexican Confederation of Industry Chambers (CONCAMIN, for its Spanish acronym), we participated in the **Student Open Innovation program**. This program proposes a collaboration between the academia and the industry to develop young talent. CONCAMIN contributed to the program's methodology, and we at Grupo Rotoplas contributed the ideas that were worked on and the technical advice. The *Ojo de agua* initiative, among others, was born from this effort; it is a database on the quality of the water resource in Mexico.<sup>1</sup>

We launched **Agua Vita** (Water Value, Innovation, and Technology) together with one of the most important entrepreneurship organizations in Latin America, Startup México (SUM). *Agua Vita* consists in a contest for entrepreneurs with innovative solutions regarding water: sanitation and purification technologies, data analytics based on the Internet of Things, new businesses, and services related to water, social impact, distribution, and access to this resource.



<sup>1</sup> More information in the Chapter on Water culture and contribution to water and sanitation.

INNOVATION  
MANAGEMENT

(GRI 102-12, 103-2,  
103-3, 201-4, 203-1)

We devoted **\$52.7 million pesos** to the various **innovation projects** in the year. The different initiatives are managed through the following operating platforms:

Project platforms

**Optimiza**

**Goal:** To manage projects that seek an improvement in our traditional business processes and in the development of our capabilities, to boost what we currently do.

**Project Management Office**

**Goal:** Go manage high impact, investment-intensive projects with strategic relevance that are key to the Company's evolution, and to boost its growth.

**Rotoplas Labs**

**Goal:** To promote the development of projects using disruptive practices to generate radical innovations.

Main results

- > Launch of new solutions.
- > Consolidation of the product portfolio by country.
- > Project for the transformation towards a customer-centric organization.
- > Technological update for our field services management.
- > Development and implementation of a portal to coordinate transportation: Fleet optimization and distribution efficiency.
- > Cost and expense efficiency management.
- > IPS acquisition and integration.
- > Optimization and development of the e-commerce acquisitions.
- > Operation model for stores, call center, and web pages.
- > Reorganization of the management personnel structure for a better management of the business.
- > Development of the initiatives included in the Sustainability Strategy.
- > *Agua Vita*: contest for entrepreneurs.
- > *Ojo de agua*: database on the quality of the water resource.
- > Business model innovation based on the Drinking Water Service.



INNOVATION  
MANAGEMENT

(GRI 102-12, 103-2,  
103-3, 201-4, 203-1)

As a result of our effort, we continue to file patent applications before the authorities to safeguard the company’s intellectual property and to be able to use them in the solutions portfolio. In the year, 3 of the **patents** in the pipeline were awarded and we registred a total of 5 industrial designs.

In 2018, we were awarded \$2.48 million mexican pesos by the Institutional Fund for Regional Scientific, Technological, and Innovative Development (FORDECyT, for its Spanish acronym), to develop an underground water desalination system using photovoltaic solar energy, which will be implemented in alliance with the Mexican Institute of Water Technology (IMTA, for its Spanish acronym). In addition, we were awarded \$500 thousand Mexican pesos by the National Institute of Entrepreneurship (INADEM, for its Spanish acronym) to add water quality monitoring and flow-gauging functions into our storage systems.

The development of solutions to strengthen our portfolio and cater to the different needs<sup>2</sup> is a constant for Grupo Rotoplas. In 2018, **we launched 55 solutions**, some of the highlights being:



In 2018, we launched  
**55 solutions**

New solutions

Storage:

- > Agriculture tanks, Containments, Oil and Gas
- > Rainwater tanks
- > New model 5,000L and 10,000L tanks
- > Fire response tanks
- > Monolayer tanks
- > R40 tanks
- > New model 5,000L sand-colored tri-layer storage tank
- > OI expansion tanks
- > Sand, blue, black 1,500L water tank
- > 2,500L blue tank

Water flow:

- > Tuboplus Fortech SDR 7.4 and SDR 11 pipe
- > Corner valve

Improvement:

- > Water heater

Self-sustainable:

- > L-sustainable bathroom

Individual solutions  
(products)



- > 4.0 drinking fountain
- > 5.0 drinking fountain
- > Maguey CAPC drinking fountain
- > ECO dispenser
- > Compact ECO dispenser
- > External reverse osmosis for dispensers
- > Purified drinking water service taps

Services

2 The full catalog of Grupo Rotoplas solutions is available at: [https://rotoplas.com.mx/rtp\\_resources/catalogo/catalogo\\_productos\\_rotoplas.pdf](https://rotoplas.com.mx/rtp_resources/catalogo/catalogo_productos_rotoplas.pdf)

## QUALITY

(GRI 102-9,  
103-2, 103-3,  
204-1, 416-1)

At Grupo Rotoplas we are known for delivering excellent products and services, working in line with the highest standards and always focused on the value provided to users.

In line with the Quality Policy, our plants operate pursuant to standard ISO 9001 and 12 of them, specifically those located in Mexico, Guatemala, and Peru, are certified. We assess our whole portfolio's compliance with standards through internal audits performed by the Quality department and by specialized third parties.

Our understanding of **quality** begins with selecting the materials and working with the suppliers of raw materials. From them we require information that will certify their high standards of production and we carry out inspections upon arrival of the materials, to ensure compliance with the established criteria. In addition, with regard to resins, we implement a supplier selection and development program to incorporate high-quality alternatives in virgin and recycled resins. This is an example of how we share Grupo Rotoplas' focus on innovation and sustainability to other players in the value chain.





QUALITY  
(GRI 102-9,  
103-2, 103-3,  
204-1, 416-1)

Spending on  
suppliers 2018

49.2%  
Materials

11.1%  
Equipment and  
transportation

5.8%  
Technology

2.9%  
Fees

1.7%  
Services

29.4%  
Others

In the year, we destined **\$4,797 million pesos** to the acquisition of goods and services, particularly for the procurement of materials. We bet on the development of the industry in the countries where we operate. As a result, 76% of expenses were destined to local suppliers, thus generating opportunities close to our operations and reducing the environmental impact of transportation.

Efforts focused on process quality, the conditions of our plants and of the materials we use, together with innovation, translate into products that are a benchmark for reliability in the markets where we operate. We enrich our individual solutions or product portfolio with those that have related services.

As for the quality of our products, **we seek to go beyond** legal requirements, also considering specific technical standards on a regional and country level, as well as evaluations and certifications by specialized third parties. Such is the case with storage solutions in Mexico and Central America; with regard to the water flow family, the more standardized solutions, to which said local standards can be applied, are certified. On the other hand, with regard to improvement solutions, our heaters in Argentina are certified by the Argentine Gas Institute (IGA, for its Spanish acronym). In the US, we have the **NSF International certification for cisterns in the agriculture and chemical sectors**.

Certain of the quality of our products, in Mexico we have a **lifetime guarantee** for our water tank and cistern portfolio—a commitment that is based on the durability tests performed on the resins incorporated.





## OPERATING EFFICIENCY

(GRI 102-48, 103-2, 103-3, 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-2, 306-3, 306-4)

Our commitment to **operating efficiency** lies in the various benefits that it brings to the company and to our value chain, including the end users of our solutions, as well as to the environment through the reduction of our environmental impact.

**Appealing to our focus on innovation, we have implemented measures that enable a progressive evolution of the company's operations towards more sustainable practices.**

At Grupo Rotoplas, we work through processes, with a focus on ongoing improvement and adherence to optimal income and spending. We apply the Plan-Do-Check-Act (PDCA) methodology, which allows for an orderly approach to activities and monitoring, both of the resources required and of the results obtained. Its scope spreads to the whole of our operation, from the selection and supply of raw materials, to the delivery of the solutions and the rendering of any related services.

The **operation** starts with planning the demand for materials, considering future sales forecasts, the inputs we already have, and our capacity for product manufacturing, installation, and maintenance. Next, we prepare the production plan to distribute the load among the various plants and assign timeframes. To market the manufactured solutions, based on our clients' needs, we manage inventories and coordinate distribution through third parties. In this aspect, this year we improved our inventory management, optimizing the minimum product reserves and preventing, at all times, a lack of inventory.

At the company, we also offer post-sales services which, in the case of the solutions with maintenance services, is provided in collaboration with specialized installers and plumbers.



In Argentina, we have bolstered our customer and user service center for the Talsar heaters, a company that Grupo Rotoplas acquired in 2016.

We have succeeded in improving the lost calls indicator, going from 40% to less than 1%.

We should note that we have expanded the team that answers the reports, from 15 to 72 people in one year. Technicians are outsourced, but they specialize in our solutions and are certified by the National Gas Regulation Entity (ENARGAS, for its Spanish acronym).

With the improvements underway, in the Buenos Aires area, the reports are answered, solved, and closed in a maximum of 4 days. The technical service is key in expanding sales to other areas of the country by detecting and addressing areas for improvement.

The heater guarantee is in a range of 3 to 7 years, depending on the features of the product.



OPERATING  
EFFICIENCY

(GRI 102-48, 103-2, 103-3, 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-2, 306-3, 306-4)

Our **environmental performance** is ruled by the guidelines set forth in the Hygiene, Safety, and Environment Policy (HSA for its Spanish acronym), this year strengthened especially in topics related to the environment.

We seek to be efficient in the use of materials and energy, as well as in reducing waste and emissions generation. All our plants, four of which are certified<sup>3</sup>, operate under an environmental management system based on the guidelines of standard ISO 14001.

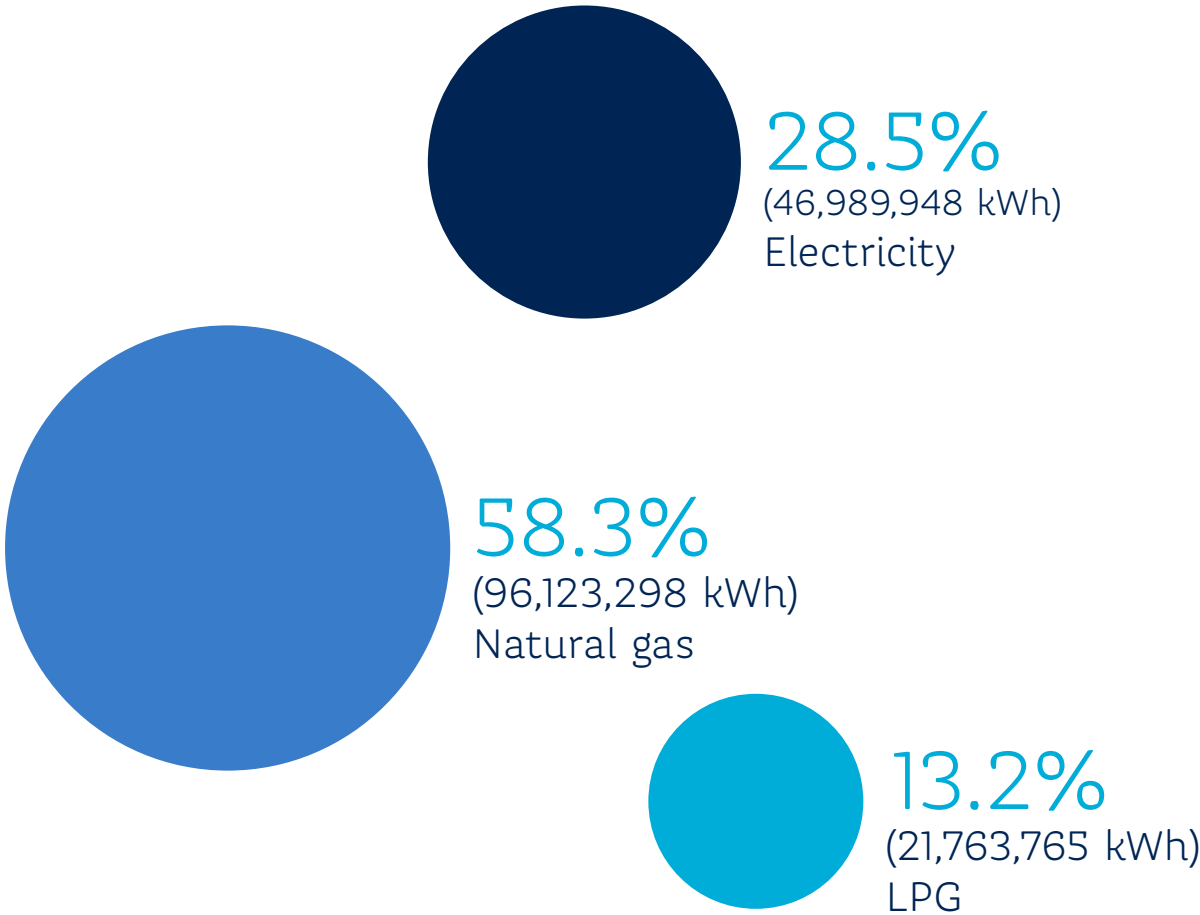
The company’s energy consumption is mainly focused on the roto-molding, milling, extrusion, and injection processes, totaling 164,877,013 kWh in 2018, including electricity, liquefied petroleum gas (LPG), and natural gas. This consumption decreased 4% vs. the previous year; on the other hand, it represents 95% of the total energy that Grupo Rotoplas requires.

As for energy efficiency in the main processes, which we measure against the resin processed, it translated into 1,733 kWh per ton—2% less than in 2017<sup>4</sup>.

83% of the electricity used in the main processes comes from clean energy sources.

| Energy consumption in the main processes (kWh) |   |             |             |                          |
|--|---|-------------|-------------|--------------------------|
| Process  | Source                                  | 2016        | 2017        | 2018                     |
| Extrusion, injection, and milling              | > Electricity                           | 32,200,953  | 42,144,284  | 41,390,169 <sup>5</sup>  |
| Roto-molding                                   | > Natural gas<br>> LPG<br>> Electricity | 113,228,799 | 129,642,667 | 123,486,844 <sup>6</sup> |

Energy consumption – main processes



<sup>3</sup> The plants in Leon (registered as two to align to internal monitoring) and Lerma in Mexico, as well as the one in Lima, Peru, are certified.  
<sup>4</sup> Only considers the energy consumption of the extrusion, milling, injection, and roto-molding processes. There is a restatement of the energy efficiency presented in the 2017 Report, which changed from 1,763 kWh/ton of resin; this is due to an adjustment in the amount of processed resin.  
<sup>5</sup> Includes the electricity consumption of Rotopinsa Lerma, Rotopinsa Leon (90% of the plant’s total consumption), and Compuestos Monterrey.  
<sup>6</sup> Includes only consumption of natural and LP gas for the roto-molding machines.

OPERATING  
EFFICIENCY

(GRI 102-48, 103-2, 103-3, 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-2, 306-3, 306-4)

As part of our initiatives to achieve an improvement in operating efficiency, through the optimization of energy consumption, we installed heater sleeves on the injection screws at the Lerma and Leon plants (Mexico); thus, the heat is concentrated within, preventing extra energy consumption from turning the screws on and off. Moreover, to increase the use of renewable energy through self-supply, we set up 1,749 solar panels. With a joint power of 1,274 kW, these panels are distributed among 5 plants in Mexico and will start operations in 2019.

In the year, we continued to work on our **Greenhouse Gas (GHG)** inventory, which we calculate based on the Greenhouse Gas Protocol, from the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). We accounted the emission of 46,152 tons of CO<sub>2</sub>eq in Scopes 1 and 2, translating into 0.49 tons of CO<sub>2</sub>eq per ton of processed resin<sup>7</sup>. Moreover, we monitored the emissions linked to the distribution of our products via freighters' vehicles, which translated into 17,726 tons of CO<sub>2</sub>eq.

Also, with regard to GHG emissions, we should note that through the supply of renewable energy purchased from third parties for our main processes, we prevented the emission of 4,657 tons of CO<sub>2</sub>eq.

As a result of the combustion of LP and natural gas in the roto-molding processes, we also emitted 10 tons of nitrous oxides (NOx) and 1 ton of particulate matter (PM).

| GHG Emissions (ton CO <sub>2</sub> eq) – scopes 1 and 2        |                   |        |                     |
|--|-------------------|--------|---------------------|
|  | 2016 <sup>8</sup> | 2017   | 2018                |
| Scope 1<br>Direct from fuel combustion and refrigerant leaks   | 21,954            | 27,468 | 26,524 <sup>9</sup> |
| Scope 2<br>Indirect from the generation of the energy consumed | 14,417            | 21,063 | 19,628              |
| Scope 1 + Scope 2  | 36,371            | 48,531 | 46,152              |

| GHG Emissions – scope 3 (ton CO <sub>2</sub> eq)  |               |        |                      |
|---|---------------|--------|----------------------|
|   | 2016          | 2017   | 2018                 |
| Scope 3<br>Indirect from fuel combustion in freighters' vehicles during the distribution of Grupo Rotoplas' products. | Not available | 17,671 | 17,726 <sup>10</sup> |

| Water withdrawal by source (millions of liters) |                    |        |
|---|--------------------|--------|
| Source  | 2017 <sup>11</sup> | 2018   |
| Municipal (third party water)                   | 68.27              | 76.71  |
| Surface waters                                  | 3.56               | 4.00   |
| Groundwater                                     | 51.50              | 66.10  |
| Other (tank cars of third party water)          | 9.34               | 12.27  |
| TOTAL   | 132.66             | 159.08 |

7 Considers the Scope 1 and 2 emissions.

8 Considers only the emissions related to energy consumption (fuels and electricity) in the main processes: extrusion, injection, milling, and roto-molding. For 2017 and 2018, the overall sources of emission at the facilities under operational control by Grupo Rotoplas are considered.

9 For the Scope 1, it includes 26,276 tons of CO<sub>2</sub>, 2,938 tons of CH<sub>4</sub> and 0.093 tons of N<sub>2</sub>O.

10 For the Scope 3, it includes 17,415 tons of CO<sub>2</sub>, 1,700 tons of CH<sub>4</sub> and 0.993 tons of N<sub>2</sub>O.

11 There is a restatement of the figures published in the 2017 Report, as the water consumption from the three US plants was included.



OPERATING  
EFFICIENCY

(GRI 102-48, 103-2, 103-3, 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-2, 306-3, 306-4)

We continue to work on optimizing water consumption at our plants, even though we do not have particularly water-intensive processes; we should note that we recycle and reuse 15.8% of the withdrawn water (23.9 million liters), which equals to 0.01 liters per ton of processed resin<sup>12</sup>. This year, a process water treatment recycling plant began operations in Guatemala.

In order to know the potential environmental impacts of our products and services, for the first time, we calculated the energy consumption of the operation in the year, for our products that require electric energy: drinking water fountains, reverse osmosis purifiers, and water treatment plants.

We should note that, through innovation, we worked on reducing the energy requirements of these products, as is the case of the 173 w/h reduction in our active carbon drinking water fountains between versions 3 and 3.1.

| External energy consumption 2018 (kWh) |           |
|--|-----------|
| Drinking water fountains               | 530,308   |
| Water purifiers                        | 13,113    |
| Dispensers                             | 204,399   |
| Water treatment plants                 | 9,034,341 |

In addition, we determined the **carbon footprint and water footprint of some of the most significant products** in line with standards ISO 14067 and ISO 14046, respectively. For this measurement, we considered the life cycle of the product and thus integrated the analysis of the stages corresponding to the value chain, both in the generation and transportation of the materials, and in the distribution, use, and end-of-life of the product. Based on these studies, we are developing operating practices to decrease our impact and increase efficiency at our workplaces.

| Carbon footprint            |                                       |
|-----------------------------|---------------------------------------|
| Product                     | GHG Emissions (kg CO <sub>2</sub> eq) |
| 5,000L cistern              | 329.5                                 |
| 10,000L cistern             | 619.0                                 |
| 750L Tri-layer Water Tank   | 89.5                                  |
| 1,100L Tri-layer Water Tank | 101.7                                 |
| 25 mm Class 16 Pipe         | 2.4                                   |

| Water footprint <sup>13</sup>  |                        |
|--------------------------------|------------------------|
| Product                        | Water consumption (m³) |
| 600L Self-cleaning Biodigester | 1.1                    |
| 1,200L Cistern                 | 55.3                   |
| 2,800L Cistern                 | 97.8                   |
| 5,000L Cistern                 | 159.9                  |
| 10,000L Cistern                | 163.1                  |
| 20 mm x 1/2 male coupling      | 7E <sup>-3</sup>       |
| 25 mm x 3/4 male coupling      | 1.3E <sup>-2</sup>     |
| Multicoupling with ball valve  | 4.2E <sup>-3</sup>     |
| 450L Tri-layer Water Tank      | 40.4                   |
| 750L Tri-layer Water Tank      | 67.9                   |
| 1,100L Bi-layer Water Tank     | 44.0                   |
| 1,100L Tri-layer Water Tank    | 68.0                   |
| 2,500L Tri-layer Water Tank    | 134.7                  |
| 20 mm Class 16 Pipe            | 1.1E <sup>-2</sup>     |
| 25 mm Class 16 Pipe            | 1.7E <sup>-2</sup>     |
| 32 mm Class 16 Pipe            | 2.7E <sup>-2</sup>     |

<sup>12</sup> Water consumption, contrary to past years, includes US operations. If in 2017 these operations had been included, the percentage of recycled water would have been 17.9%.  
<sup>13</sup> The results of the studies regarding the water footprint consider the different dimensions of water consumption, but also the effect of eutrophication, ecotoxicity, and scarcity, all segmented among the stages of the life cycle. This information can be consulted in <https://rotoplas.com/sustentabilidad/home-eng/>



OPERATING  
EFFICIENCY

(GRI 102-48, 103-2, 103-3, 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-2, 306-3, 306-4)

We use different materials to make our products, mainly polyethylene and polypropylene resins; we consumed 56,290 tons of these in 2018—10% more than in the previous year.

Guided by our focus on operating efficiency and the commitment to **evolve from a linear economy to a circular model**, we have implemented the Green Project. It comprises a program to increase the use of recycled resin, whether purchased from external suppliers or using the scrap from our own processes. As a result of these efforts, and as more remarkable examples, in 2018, **49% of the low-density polyethylene and 29% of the polypropylene random copolymer came from recycling**.

On the other hand, the management of **waste** at our plants follows the guidelines of our environmental management system and the corresponding legislation, including storage conditions, as well as final treatment and/or disposal, always carried out by third parties. All the hazardous waste that we generate is transported by this type of companies, and 78% is treated through coprocessing. The remainder is placed in confinement in compliance with the law. We also note that we did not experienced any spills in our plants during the year.

| Waste generated (tons) |       |       |         |
|------------------------|-------|-------|---------|
| Category               | 2016  | 2017  | 2018    |
| Hazardous              | 48.7  | 103.0 | 166.8   |
| Special handling       | 147.0 | 267.0 | 446.9   |
| Urban solid waste      | 662.1 | 516.8 | 478.2   |
| Total                  | 857.8 | 886.8 | 1,091.9 |

| Destination of the waste generated |              |             |           |
|------------------------------------|--------------|-------------|-----------|
|                                    | Coprocessing | End-of-life | Recycling |
| Hazardous waste                    | 71.2%        | 28.8%       | -         |
| Special handling                   | -            | 5.5%        | 94.5%     |
| Urban solid waste                  | -            | 91.3%       | 8.7%      |

N/A: Not applicable



41% of our waste  
undergoes a  
recycling process.



## CUSTOMER EXPERIENCE

(GRI 203-2, 416-1, 417-1)

To progress with Grupo Rotoplas' strategy towards 2020, we are giving special emphasis to bolstering our culture and processes, including the use of technology, to focus them on the client and the end user of our solutions<sup>14</sup>. This concept of focusing on the client spreads to the innovation and operation of all the Group's teams.

Based on an understanding of our customers and how they live their **experience** with the company, our solutions, and our services, we have identified improvement opportunities to keep bolstering our value proposition. The findings are incorporated into a roadmap on which we will continue to work.

The identification of areas of opportunity spreads throughout the journey that we share with customers, including design, internal operations, and communication. This scenario has triggered the creation of a new department under the name of User Experience which, under an expanding scope approach, has focused initially on Mexico and on our services platform.

As our customers are a priority, we have a Returns Policy which establishes a transparent and efficient process to handle cases when users are not content with the solutions provided, and which seeks to achieve their satisfaction.

**We have worked throughout our value chain**, empowering its participants and expanding our bet on a superior service; thus, we have triggered initiatives with our consultants, distributors, and plumbers.

Our value chain has over 27,000 points of sale, more than 10,800 direct customers (distributors), and over 13,700 service points (direct users).

<sup>14</sup> Throughout this subchapter, a customer is both the one buying the solution from Grupo Rotoplas for distribution and sale, and the one who ultimately purchases it for their own use.



## CUSTOMER EXPERIENCE

(GRI 203-2, 416-1, 417-1)

**Aimed to reinforce the business relation** with our distributors, we have developed the Sales Academy for those collaborators with commercial functions; it includes the best practices to be followed during the normal course of interaction with their clients.

Moreover, we maintain a close relation with the plumbers who independently install and maintain Grupo Rotoplas' solutions sold on the market. We continued to bet on the development of our **plumber training program** on a regional level, through which we offered 420 courses to train 7,627 attendees during the year. For the first time, we also launched online courses, reaching 185 participants.

Our courses are designed in various stages that guide plumbers based on their knowledge level. In Mexico, our most advanced plumber program has the CONOCER certification, with curricular value, issued by the federal authority, to recognize technical capabilities. The participants graduate as "Water solutions consultants". During the year, 350 plumbers successfully completed this plan.

Seeking to offer worthy employment opportunities, we awarded 30 scholarships so that male and female plumbers can enterprise and start their own business. Likewise, we offer plumbing training to inmates in social rehabilitation centers.





CUSTOMER  
EXPERIENCE

(GRI 203-2, 416-1, 417-1)

Moreover, we have generated a network of plumbers and other specialists to serve the clients of our services platform. We guarantee this group of professionals a constant volume of work, additional and periodic training based on their specialty level and the products they service, as well as professional development as allies.

Through our Customer Service Center (CSC), with round-the-clock service, we handle any queries regarding our products and services. Should the customer have a complaint, it must be handled immediately to find a solution. In 2018, 97% of the queries were solved by the executive during the call.

**95% of the customers who contacted the CSC would recommend its services.**

The CSC is also in charge of carrying out customer satisfaction surveys, which seek to provide us with a deeper understanding of the perception and needs of the solutions’ users, identifying strengths and improvement opportunities.

We have developed a multichannel strategy to be close to our customers and maintain permanent communication.

| Customer satisfaction <sup>13</sup> |      |      |      |
|-------------------------------------|------|------|------|
| Country                             | 2016 | 2017 | 2018 |
| Mexico                              | 93%  | 93%  | 93%  |
| Argentina                           | 89%  | 83%  | 81%  |
| Central America                     | 85%  | 86%  | 86%  |
| Peru                                | 83%  | 77%  | 82%  |

According to Interbrands, in its Best Mexican Brands 2017 release, Rotoplas has been rated as one of the 25 most valuable brands in Mexico, in terms of its financial value, with an estimated value of \$1,240 million pesos.

<sup>13</sup> Customer satisfaction is measured on a scale of 1 to 10, where 1 is the lowest rating and 10 the highest. The percentages of satisfied customers consider the ratings from 7 to 10 for both halves of each year. Given the context of the operations, the satisfaction survey has not been carried out in Brazil.





A full-page background image showing two hikers on a rocky trail. One hiker, wearing a green vest and grey pants, is standing and holding the hand of another hiker who is crouching. The second hiker is wearing a straw hat, a blue shirt, and a large tan backpack with a blue sleeping bag and a water bottle. The scene is set against a backdrop of steep, rocky cliffs under a blue sky.

# WE ARE... STRENGTH TO ACHIEVE SHARED GOALS

At Grupo Rotoplas, we believe in **the transformative power of our talent.** Therefore, we are committed with fostering a favorable environment for the operation of our teams and the generation of spaces to share ideas.

// HUMAN CAPITAL



STAFF  
DESCRIPTION

(GRI 102-8, 102-41,  
103-2, 103-3 401-1,  
405-1)

At Grupo Rotoplas, we value our **collaborators**, who are an essential factor for the development of the corporate strategy, relations with suppliers and clients, and the user satisfaction of the solutions we deliver.

The members of our team are a key piece as the **company’s engine of creation and development**. Thus, we place at their disposal technological tools that will simplify operations for them, as well as resources for their professional development and wellbeing, in a collaborative environment.

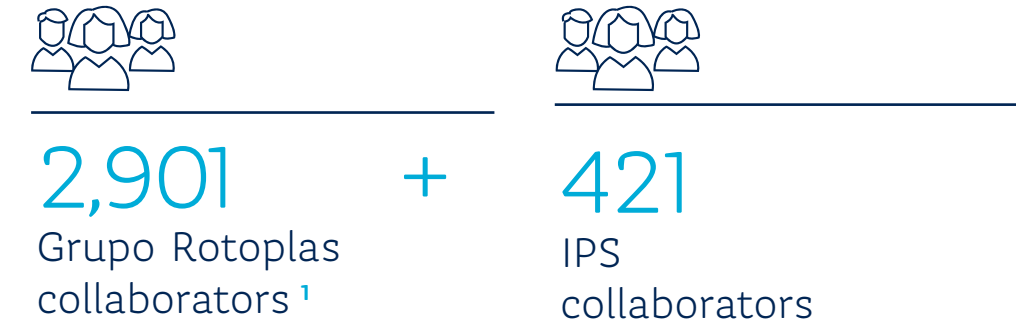
Seeking our collaborators’ stability, we bet on **permanent contracts**, which are already held by 81% of our staff—four percentage points more than in the previous year, and 10 points more than in 2016. As for the duration of the workday, 99.7% of the collaborators, work full time.

Our company is nurtured by the various views and places of origin. **23% of our collaborators are women**, and we believe in the collaboration between generations, adding the enthusiasm of the young to the experience of those of our collaborators with a longer track record.

On the other hand, we respect the right to free association. In 2018, 31% of the collaborators were members of some union, and the tally of the various organizations to which they are affiliated totals 11.



With the integration of Argentinean company IPS, we totaled **3,322 collaborators** in 2018, spread throughout the 14 countries where we operate.



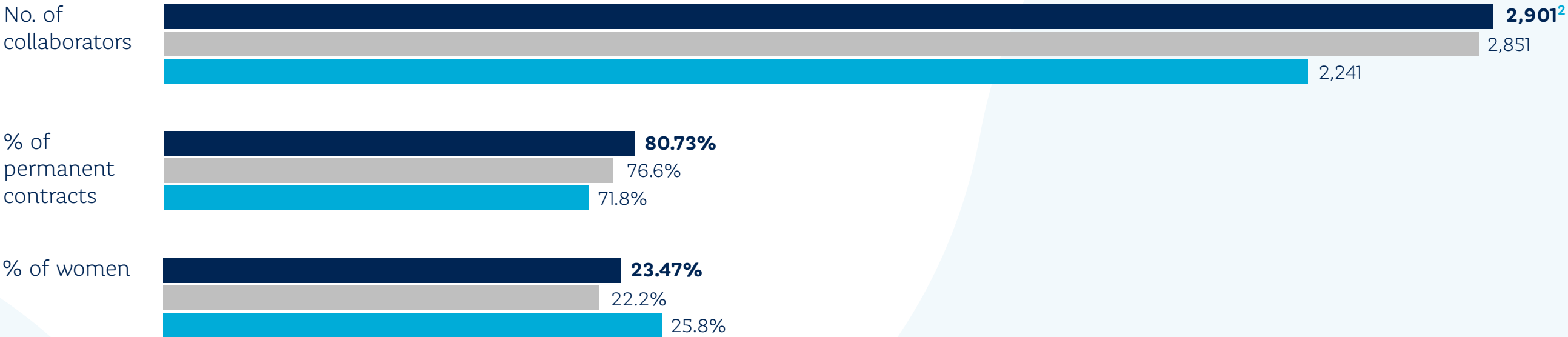
<sup>1</sup> This total considers the collaborators from Systesa, Talsar, and the US e-commerce platform. It does not consider the staff from AIC innovation center in Chile, Sanzfield in Canada, as Grupo Rotoplas is not a majority holder nor does it have operational control. IPS is separately presented as Rotoplas had operational control for less than a year.

STAFF  
DESCRIPTION

(GRI 102-8, 102-41,  
103-2, 103-3 401-1,  
405-1)

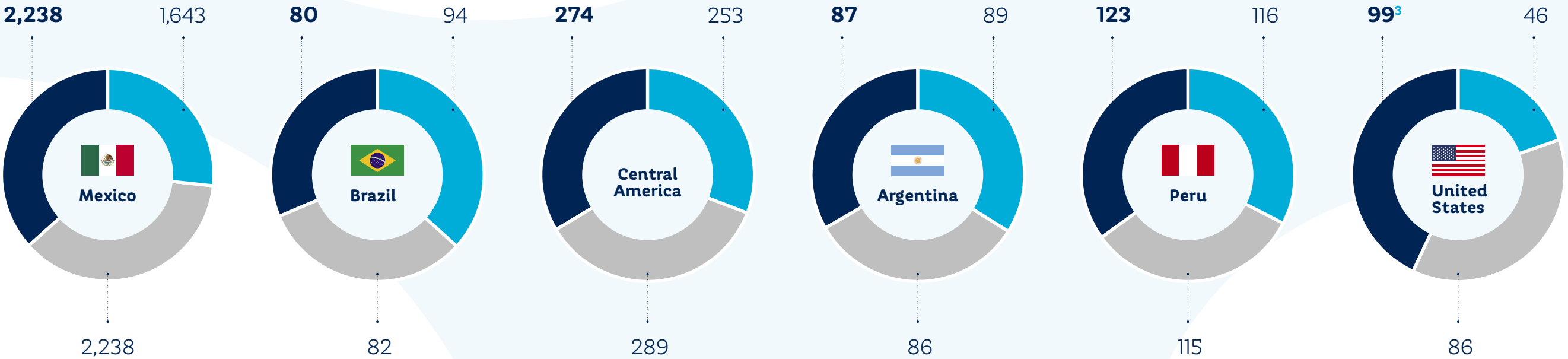
Workforce demographics

● 2016 ● 2017 ● 2018



Collaborators by country

● 2016 ● 2017 ● 2018



<sup>2</sup> It does not consider the collaborators from IPS, as this company was acquired in July 2018, therefore Grupo Rotoplas had operational control for less than a year.  
<sup>3</sup> It already includes the collaborators from the e-commerce platform.



STAFF  
DESCRIPTION

(GRI 102-8, 102-41,  
103-2, 103-3 401-1,  
405-1)

Collaborators by age group and gender

● Women (W)    ● Men (M)



776

< 30 years old



1,755

30 a 50 years old



370

> 50 years old



681

Women total



2,220

Men total

Collaborators by professional category, gender, and age group



\* Does not consider the collaborators from IPS, as this company was acquired in July 2018, therefore Grupo Rotoplas had operational control for less than a year.

## STAFF DESCRIPTION

(GRI 102-8, 102-41,  
103-2, 103-3 401-1,  
405-1)

Together with the company's growth, we require committed and varied talent, incorporating new collaborators who gain an opportunity for professional development at Grupo Rotoplas. In 2018, we hired 1,691 collaborators, 88% of them in Mexico; among the other countries, the US stands out with 6% of the new additions.

We bet on integrating talent from different age groups; we have a very similar percentage of new hires among young and experienced professionals, and a lower percentage of collaborators aged over 50. Our hiring combines organic growth with the incorporation of the teams from the companies that make up Grupo Rotoplas. We work to provide collaborators with an encouraging work environment and conditions, aiming for ongoing improvement, which we hope will be reflected in their commitment. In the year, the company's turnover rate was 23%<sup>4</sup>. The increase in this figure is mainly due to the treatment plant business, as it is a sector with high job mobility.

| New hires <sup>5</sup> |                    |                    |                   |       |
|------------------------|--------------------|--------------------|-------------------|-------|
| Age range              | Under 30 years old | 30 to 50 years old | Over 50 years old | Total |
| Women                  | 178                | 192                | 14                | 384   |
| Men                    | 626                | 572                | 109               | 1,307 |
| Total                  | 804                | 764                | 123               | 1,691 |

The development of our collaborators and the company is a mutually beneficial dichotomy. The growth opportunities, training support, and tools we set at their disposal enable collaborators to develop their maximum potential and feel satisfied with their performance, even as they are watchful of opportunities for ongoing improvement. On a company level, this translates into operating efficiency and innovation, as well as into our customers' and users' trust.

<sup>4</sup> We calculate turnover as: no. of severances with permanent contracts (voluntary and involuntary)\*100/n° of collaborators at Dec 31.

<sup>5</sup> The accounting of new hires does not include the staff incorporations into the Group resulting from the acquisition of a new company.





TRAINING AND DEVELOPMENT

(GRI 103-2, 103-3, 404-1, 404-2, 404-3)

At Grupo Rotoplas, we emphasize **training** in technical abilities and compliance with our internal codes, policies, and guidelines; thus, this year, we began to bolster aspects of performance and leadership management. Thus, we continued to update our global competencies model based on the detected needs. With a total of 24,030 hours of training provided, the average per collaborator was 8 hours. In this regard, we invested \$12.4 million pesos—**11% more than in the previous year.**

| Training by professional category |                         |             |                                |             |                                |             |                                |
|-----------------------------------|-------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|
|                                   |                         | 2016        |                                | 2017        |                                | 2018        |                                |
| Professional category             |                         | Total hours | Average hours per collaborator | Total hours | Average hours per collaborator | Total hours | Average hours per collaborator |
| Administrative                    | Executives              | 253         | 4                              | 392         | 8                              | 122         | 3                              |
|                                   | Middle management       | 5,292       | 19                             | 2,881       | 10                             | 4,236       | 23                             |
|                                   | Individual contributors | 14,559      | 19                             | 3,070       | 4                              | 6,555       | 6                              |
| Operations staff                  |                         | 14,911      | 13                             | 21,978      | 13                             | 13,117      | 8                              |
| Total                             |                         | 35,015      | 16                             | 28,321      | 10                             | 24,030      | 8                              |

Training is a transversal effort for the whole of the professional categories, which combines the on-site and virtual modes. In the year, we paid special attention to operational subjects by position profile and department, as well as to leadership, performance management, and empowerment for career development. In the case of newly hired collaborators, we seek for them to become immersed in the organizational culture, as well as in the business outlook and their performance guidelines, through courses on the Rotoplas Way, process organization, the contents of the Code of Ethics and Conducts, the initiatives’ management platforms, the strategy, and the Corporate Balanced Scorecard.

For growth within the company, we **evaluate our collaborators’ performance.** With regard to administrative staff, the process is based on the achievement of individual goals set at the beginning of the year by the collaborator and their leader together. These goals are assessed mid-period, in an adjustment process that seeks to support their achievement, and they are ultimately reviewed and rated at the end of the year.

For those collaborators in charge of teams, a 360° evaluation of the managerial responsibilities and the climate of the team is included. This type of assessment was taken by 203 collaborators in 2018 and 43 in the previous year. On the other hand, for those who relate to external clients or internal departments, the level of satisfaction with the services rendered is also evaluated. Regarding operations collaborators, the evaluation focuses on competencies, productivity, and adherence to the safety guidelines and the company’s values.

Our emphasis on the process leads to all the collaborators being evaluated based on their seniority and contract type.





COMMITMENT  
AND WORK  
ENVIRONMENT

(GRI 102-48, 201-3,  
401-2, 401-3, 403-1,  
403-2, 403-3, 403-4,  
403-5, 403-6, 403-7,  
403-8, 403-9, 403-10,  
405-2, 406-1)

**Diversity** is an asset for Grupo Rotoplas. Thus, talent makes no distinction by a person’s gender, origin, or any other variable. Likewise, respect for individuals’ integrity must prevail in how we interact, both within the teams and outside the company.

This year, we strengthened our Human Rights Policy<sup>6</sup>, which includes our focus on non-discrimination; added to this is the Code of Ethics and Conduct, as a framework with the guidelines to be followed.

Our efforts and team involvement contribute to an environment of respect. Nonetheless, we have made available communication channels to report any contrary situation. In 2018, we identified 6 cases of discrimination that were analyzed to take the appropriate measures.

When exercising their paternity or maternity leave, our collaborators have the company’s support. In the year, 91 collaborators exercised this right, 24% of whom were women; we should note that they all returned to work after their leave expired.

As for **compensations**, we strive to avoid gender-based differences throughout the various professional categories, justifying the salary and profile based on the position and on meritocracy reasons.

| Woman/man salary ratio  |             |  |
|-------------------------|-------------|--|
|                         | Base salary | Total compensation<br>(fixed+variable) |
| Executives              | 0.77        | 0.61                                   |
| Middle management       | 0.97        | 0.86                                   |
| Individual contributors | 1.24        | 1.12                                   |
| Operations staff        | 0.69        | 0.69                                   |



6 More information on the matter in the Subchapter on Sustainability strategy and progress (Strategy Chapter).



COMMITMENT  
AND WORK  
ENVIRONMENT

(GRI 102-48, 201-3, 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 405-2, 406-1)

Looking at compensations in more detail, we establish them considering the type of position and the common practice in the sector. 46% of our collaborators<sup>7</sup> have a variable linked to performance goals, which applies to the executives and middle management of the departments involved in commercial activities and strategic decision-making (quality, logistics, finance, and new business). Part of the top management team also has goals regarding sustainability, with a related remuneration, including the CEO, vice-presidents, and senior managers (managing directors).

On the other hand, we offer our full-time, part-time, and temporary collaborators the same **benefits**, including those that go beyond the legal requirements of the various countries where we have operations. Among the benefits, we include: life insurance, medical insurance, savings fund, Christmas bonus, paid vacation, and extended maternity or paternity leave.

In addition, this year we launched the Rotoplas Pension Plan in Mexico for all collaborators with a permanent contract, where collaborators can

contribute up to 3% of their salary, complemented by a contribution from the company which, based on their seniority and other specific characteristics of each collaborator, may equal that sum. By yearend, 196 collaborators were participating in the fund, which was started in August. Grupo Rotoplas has contributed a total of \$344,400 Mexican pesos. This program is added to the pensions plan that we offer in the US.

Our collaborators’ **safety and health** is our highest priority. Thereby, we make sure that they have optimal conditions and tools for their performance, and we foster a culture of prevention. We train them for this purpose through the “Do Your Share” program, which includes training sessions regarding aspects such as the use of personal protection gear. Moreover, they participate on the Safety and Hygiene Committees. We should note that compliance with the guidelines on safety and health is part of the conditions that we state in the agreements with unions, aiming for collaborators’ physical integrity.

7 It does not include Systesa collaborators due to internal management.





## COMMITMENT AND WORK ENVIRONMENT

(GRI 102-48, 201-3,  
401-2, 401-3, 403-1,  
403-2, 403-3, 403-4,  
403-5, 403-6, 403-7,  
403-8, 403-9, 403-10,  
405-2, 406-1)

This year, we bolstered our Hygiene, Security and Environment Policy (HAS for its Spanish acronym), which is one of the bases of our management System regarding this issue; both the Policy and the System cover the whole of our work facilities and collaborators, as well as the contractor outsourced workers that collaborate in those centers. The model compliance is evaluated through internal and external auditing.

Moreover, the plants in Lerma and Leon (Mexico), such as Lima (Peru) facilities, have a **certified management system** according to the norm OHSAS 18001, ISO 9001, and ISO 14001. This supposes a coverage of 27% of the workforce (791 collaborators). All for the United States operations, they all have implemented a compliance system adhering to the requirements of the OHSAS 18001.

We should note that we are also working so all the plants shift to consider the guidelines of the new ISO 45001 standard. On the other hand, at all our workplaces, we develop safety and health awareness activities, as well as safety tours, to achieve greater joint responsibility, prevention, and self-care among collaborators.

We perform facilities walkthroughs to identify risks regarding occupational health and safety, for which the plant committees, supply chain personnel and HSA team of each center are responsible; the latter consolidates the observations and findings together with the results provided by the medical team, and based on this, action priorities are established. They are worked on, following the “Do Your Share” program, which, through a risk prioritization, includes training sessions. This is reinforced through the compliance of legal applicable dispositions, including the design of evacuation plans.

Thus, working hand in hand with collaborator´s caution, **we reduce risks, such as damage to extremities and ergonomic diseases, given the nature of operations, particularly in rotomolding.**





COMMITMENT  
AND WORK  
ENVIRONMENT

(GRI 102-48, 201-3, 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 405-2, 406-1)

| Health and safety indicators <sup>8</sup>  |       |       |       |
|--|-------|-------|-------|
|  | 2016  | 2017  | 2018  |
| Number of minor injuries                   | 0     | 0     | 30    |
| Number of accidents                        | 144   | 95    | 76    |
| Number of occupational illnesses           | 4     | 1     | 4     |
| Number of casualties (fatalities)          | 0     | 0     | 0     |
| Number of days lost due to injury          | 1,398 | 1,164 | 1,074 |
| Injury incidence rate                      | 8.3   | 5.4   | 4.4   |
| Lost workdays due to work-related injuries | 999   | 1,164 | 1,074 |
| Rate of occupational illnesses (diseases)  | 22.9  | 5.7   | 22.9  |
| Illness incidence rate                     | 80.2  | 66.7  | 61.6  |
| Absenteeism rate                           | 0.3   | 0.2   | 0.2   |

The promotion of self-care among our collaborators is complemented with the possibility that they can report hazardous situations that they may detect, either directly to their superiors, or to the HSA team, or through the report channels available at the company.

We also safeguard their physical health and wellbeing, offering collaborators physical checkups, health campaigns, and active breaks, in addition to encouraging physical activity. Likewise, we provide medical care for excess weight and obesity. All this is developed with a focus that rewards and shares the best practices among our operations.

Seeking, in addition to exercise, to care for the environment, we foster carpooling and the use of bicycles, providing economic benefits to those who adhere to these practices.



Focused on **our collaborators' satisfaction**, we strive for Grupo Rotoplas to become a place of opportunities, of which they can be an active part, offering them an environment of trust and collaboration. Internal communication and support among teams are essential to the operation, innovation, and development that the company is experiencing; we enable it through channels and platforms such as our internal social media network, R-Connect, webinars, and activations at workplaces, among others.

We monitor our collaborators' perception through the annual work environment survey, which we carried out at a regional level in 2018, with 83% of the staff participating. The results show an improvement in the work environment, and in the integrated outlook of the company and the team where the collaborator participates, with **10 percentage-point growth in satisfaction compared to 2017**, reaching 79%<sup>9</sup>. We should also note that the perception is currently similar among operations and administrative staff, eliminating the gap in this aspect, which shows that our work environment approach is transversal throughout the company.

8 There is a restatement compared to past reports due to a change in the recording methodology. Injury incidence rate = (Incapacitating accidents reported in the year / average number of collaborators in the year) x 100. Rate of occupational illnesses = (cases of occupational illnesses reported in the year / average number of collaborators in the year) x 10,000. Illness incidence rate = (days lost in the year due to injuries / average number of collaborators in the year) x 100 Absenteeism rate = (hours lost in the year due to injuries / average number of work hours in the year x average number of collaborators in the year) x 100

9 For the 2018 survey, we continued with the different criteria internally; this is why no reference is made to Great Place to Work (GPTW).

COMMITMENT  
AND WORK  
ENVIRONMENT

(GRI 102-48, 201-3, 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 405-2, 406-1)

During the year, our main efforts focused on bringing the corporate strategy to the staff and enabling communication with Management, as well as bolstering the offer of team activities.

Those of us who are part of Grupo Rotoplas are strongly committed and proud to be able to contribute to the improvement of the living conditions of the population through water and sanitation solutions. Moreover, the company launched a **volunteering** program for all collaborators that, as it becomes established, will have a social impact on the receiving communities and strengthen commitment among our teams.

In Mexico, for the volunteering program, we identified area of operation that are particularly linked to water, such as the Tarango Canyon, in the southwest of Mexico City, which includes two rivers and a series of adjacent communities. In order to clean up and collect trash from the water bodies, two days were devoted to this activity, with the participation of 50 collaborators.

Moreover, allied with social development specialists, we worked in communities on environmental awareness and respect. It is worth noting the training of ecological guardians, or Ecoguards—a course where the participating children will become agents of change and promoters of the care of water bodies in their communities and their families.





WE ARE...

# IMPULSE

TO GENERATE DEVELOPMENT

Through our solutions, we collaborate **to improve quality of life** of people, families and communities; to create awareness and advocate preservation of water.

**// WATER AND SANITATION AVAILABILITY**





## WATER AWARENESS

(GRI 102-12, 103-2,  
103-3)

Linked to our mission, we seek to expand people's awareness regarding the use and care of water, as a collective contribution to safeguard the resource's future and the quality of life thus implied; this is further built upon the pillar of our Sustainability Strategy.

Each year, we develop different **initiatives and alliances**. We attended the construction summit, Expo CIHAC (Centro Impulsor de la Construcción y la Habitación, A.C.), a leading event in the construction industry, to offer conferences on water and sanitation, innovation, and social engagement. Moreover, in 2018, we participated in the first edition of EarthXMéxico, showcasing the operation and benefits of the drinking fountain and purification solutions.

In order to sensitize younger people and encourage safeguarding water as a future resource, we created the *ecoguards* program, where summer sessions were offered to children living in communities near water bodies. We also have an ongoing alliance with *Papalote Museo del Niño*, where we have set up a simulator of rainwater harvesting.

To commemorate the **World Water Day**, we launched a campaign to make people reflect on what would happen if the resource were exhausted, through street marketing and in bars in Argentina, as well as broadcasting contents on social media in the various countries where we operate. With these initiatives, we reached over 5.7 million people. Likewise, in Mexico, we collaborated as sponsors at the Water Race 2018.

On the other hand, we continue to foster **Fan del agua** (Water Fan), a platform open to the public, that broadcasts content regarding the use and care of water, as well as news related to the global water agenda. Moreover, in the year, we started an alliance with Discovery Networks, which resulted in broadcasting, through their channels and platforms, audiovisual reports on the importance of caring for the environment, how to use the solutions, and their impact on people, with direct testimonials from our users in communities. The results of the joint work led Grupo Rotoplas to be acknowledged as a Discovery Ambassador 2018.

The Rotoplas brand is naturally linked to water; we want our solutions to help people rethink its value and to develop a citizen awareness of appreciation for this resource.

We seek our products and services to have the support that will foster a better use of water; in the drinking water service platform, we provide digital and printed material to institutional and residential clients. For the users of the outdoor toilet with biodigester and the rainwater harvesting systems, we have designed manuals. Last, we deliver coloring books to schools that have the drinking fountain service.

We spread water awareness to our collaborators, who are essential to the company's capacity and commitment. This is why we sensitize them through the Rotoplas Way Month, the Sustainability Month, and the World Water Day. Moreover, we offer specific webinars on the context of water.





## AWARENESS AND COMMITMENT TO THE ACCESS TO WATER AND SANITATION

(GRI 102-12, 103-2,  
103-3, 201-2, 203-2)

At Grupo Rotoplas, we contribute to the development of knowledge regarding water and sanitation, as well as their relationship with quality of life and other variables linked to gender, health, and education. This includes the effort to start identifying and monitoring the impact generated by the solutions we offer as part of government programs or programs fostered by Community Service Organizations (CSOs). Likewise, we are very aware of the population's needs, identifying opportunities to develop solutions.

Based on our mission and focus on innovation and sustainability, we contribute to the **population's resilience to climate change**, particularly its response to the changes in rainfall patterns and their impact on the availability and quality of water. The contribution is greater in low-income communities, as they are the most vulnerable. As has been expressed in the **Climate Change Policy**, at Rotoplas we bet on maximizing our contribution to these communities and to the overall population.

As part of the transcendence we seek by delivering value to users in our solutions, we collaborate so communities exercise the **right to sanitation** through our outdoor toilets with biodigester. Thus, we contribute to improve people's quality of life in terms of health and safety. We are very aware of users' experience, through on-site professionals, which enables us to adapt the solutions.



In developing our solutions, we generate **innovation and knowledge regarding the management of water and sanitation**. It is worth noting the “Ojo de Agua” platform this year, prepared together with an IBM startup, to map and predict water quality in regions throughout Mexico. Thanks to the results we have available, we can understand the type of water supply in the area and thus work on designing and/or configuring our solutions so they deliver the highest potential. This is for projects such as drinking water fountains and drinking water purification.

**Boosting socioeconomic development and safeguarding water as a future resource** are included as business fundamentals for Grupo Rotoplas, and goals established in the Sustainability Strategy. We understand that, to achieve this, it is essential to have **alliances with third parties**, agencies that will help us understand the context of the water and sanitation needs, as well as others who wish to participate in designing and implementing initiatives. In the former case, throughout the year, we had an outstanding approach to community water and sanitation organizations (OCSAS for its Spanish acronym), to understand their work model and operation scenario in the communities. These organizations have an outstanding role in Latin America, and we were able to see for ourselves on-site how they work in Mexico and Guatemala.

With regard to collaborations in designing and implementing initiatives, the **community supply programs** fostered by government agencies, CSOs, and international agencies are noteworthy. We support flagship programs in multiple communities; in Iztapalapa, Mexico City, we participated in a comprehensive effort to make a change in the community through the availability of water via rainwater harvesting; in the Guatemalan highlands, we collaborated in water harvesting projects with native communities. In said programs, we delivered solutions ready for use and later provided periodic maintenance.<sup>1</sup> In the case of CSOs, we can also coinvest in the initiatives by donating products.

1. Get more information by accessing the website <https://rotoplas.com/sustentabilidad/water-and-sanitation-for-development/>

AWARENESS  
AND  
COMMITMENT  
TO THE ACCESS  
TO WATER AND  
SANITATION

(GRI 102-12, 103-2,  
103-3, 201-2, 203-2)

Below, we present the main results of our participation in these programs, including the metrics accrued since they were started:



Supply, installation, and maintenance  
of drinking water fountains at public  
schools in Mexico (since 2016)<sup>2</sup>.

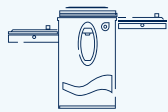
Improvement in health due to an increase in the consumption of quality water among children and teens, instead of high-calorie beverages.



4  
main programs



1,109,778  
students benefited



4,932  
drinking water  
fountains installed

2 In addition, we are starting the installation of drinking water fountains in Argentina.



AWARENESS  
AND  
COMMITMENT  
TO THE ACCESS  
TO WATER AND  
SANITATION

(GRI 102-12, 103-2,  
103-3, 201-2, 203-2)



Supply and installation of rainwater  
harvesting solutions in Mexico, Central  
America, and Brazil (since 2012):

Greater water availability; economic savings and  
reduced illnesses.



+1,332,000  
people benefited



29  
main programs

Supply and installation of  
sanitation solutions  
(since 2012)<sup>3</sup>

Improvement in environmental quality through  
the treatment of domestic wastewater by  
biodigesters, benefiting people's health.  
Individual dignity, greater safety, and health  
through the use of toilets (outdoor toilet with  
biodigester systems).



+792,000  
people benefited



17  
programs



530,000 rainwater  
harvesting and sanitation  
solutions that improve 2.1  
million people quality of life  
in Latin America.

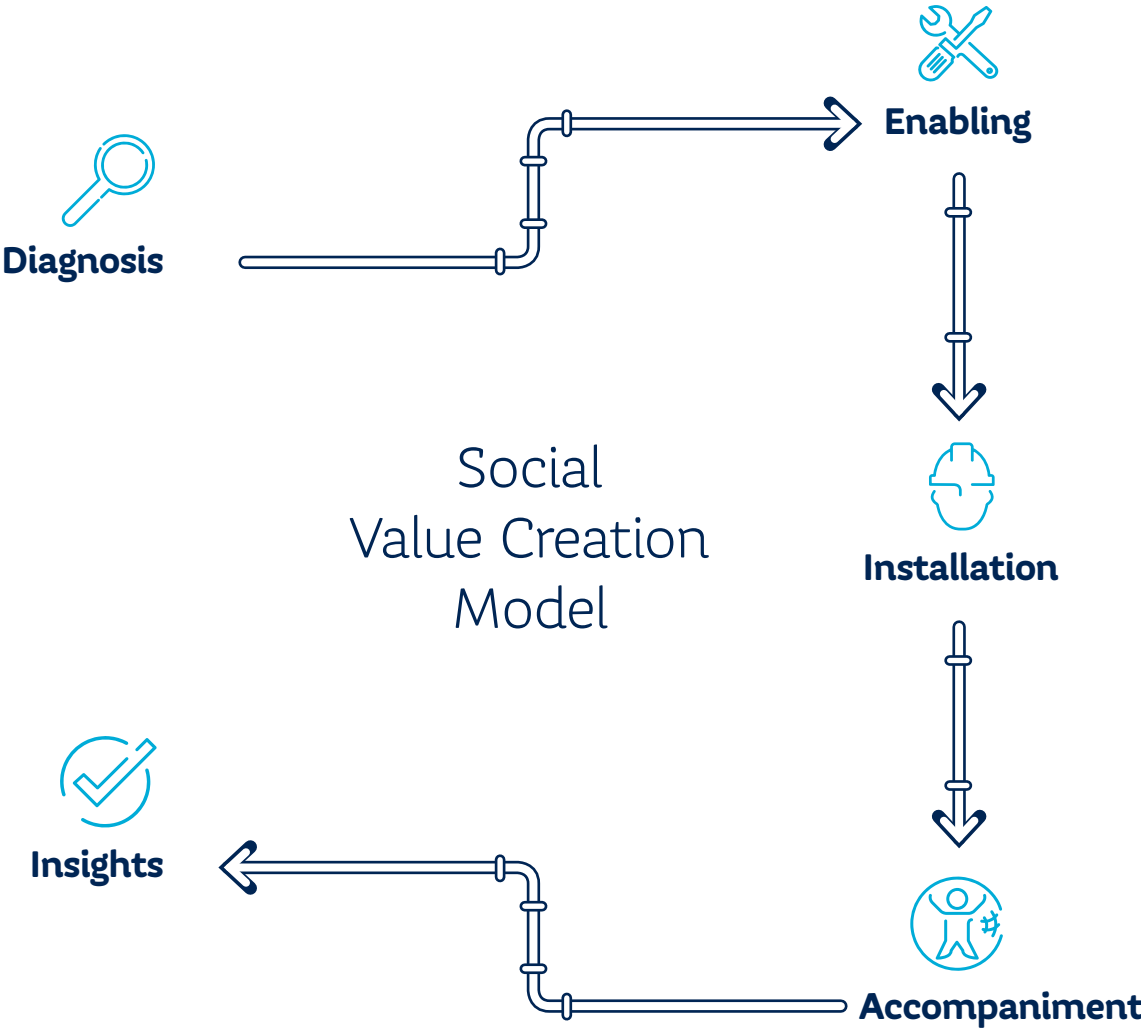
3 We have also developed outdoor toilet with biodigester programs in Central America.

AWARENESS  
AND  
COMMITMENT  
TO THE ACCESS  
TO WATER AND  
SANITATION

(GRI 102-12, 103-2,  
103-3, 201-2, 203-2)

To gain a deeper understanding of the impacts we generate and be able to maximize our contribution, we work on **developing models to create and evaluate the social impact** of our participation in school programs through drinking water fountains and community projects with storage and sanitation solutions.

Our Social Value creation models are designed as an impact proposition towards the end user of our solutions, which is supported by a value chain composed of key indicators and tasks. For our water fountain for school, rainwater harvesting with purifier and outdoor bathroom with biodigester projects, our models consider the following general stages:



We are aware that every school and communities have specific features that influence on the developed projects.

The social value creation models are based on a diagnosis of the variables to be gauged and the selection of indicators; next, they determine a baseline; and finally, they consider monitoring the use of the solutions. In the year, we carried out a pilot test in Oaxaca for drinking water fountains at 21 schools and for Basic Services for Housing (SBV, for its Spanish acronym) (rainwater harvesting and outdoor toilet with biodigester) in 3 communities with more than a 100 households.

We should note the following results in terms of impact:

| Main results of the pilot test for gauging social impact - Oaxaca |  |
|---|--|
| Rainwater harvesting and outdoor toilet with biodigester.         | <ul style="list-style-type: none"><li>&gt; 75% reduction in spending to obtain water.</li><li>&gt; 85% reduction in time devoted to obtaining water.</li><li>&gt; Due to having more time available, development of productive activities that generate up to \$800 Mexican pesos per month.</li></ul> |
| School drinking water fountains.                                  | <ul style="list-style-type: none"><li>&gt; 93% decrease in spending on water jugs.</li><li>&gt; 56% increase in water consumption.</li></ul>   |



FOSTERING  
WASTEWATER  
TREATMENT

(GRI 103-2, 103-3,  
203-2)

As part of our actions to guarantee the availability of quality water and the better use of the resource, at Grupo Rotoplas we foster **products and services for the treatment and reuse of wastewater**. We offer biodigesters, which are particularly useful in the case of homes without sewage, and purification, treatment, and recycling systems through installation, leasing, operation, and maintenance programs for institutional, industrial, and residential clients.

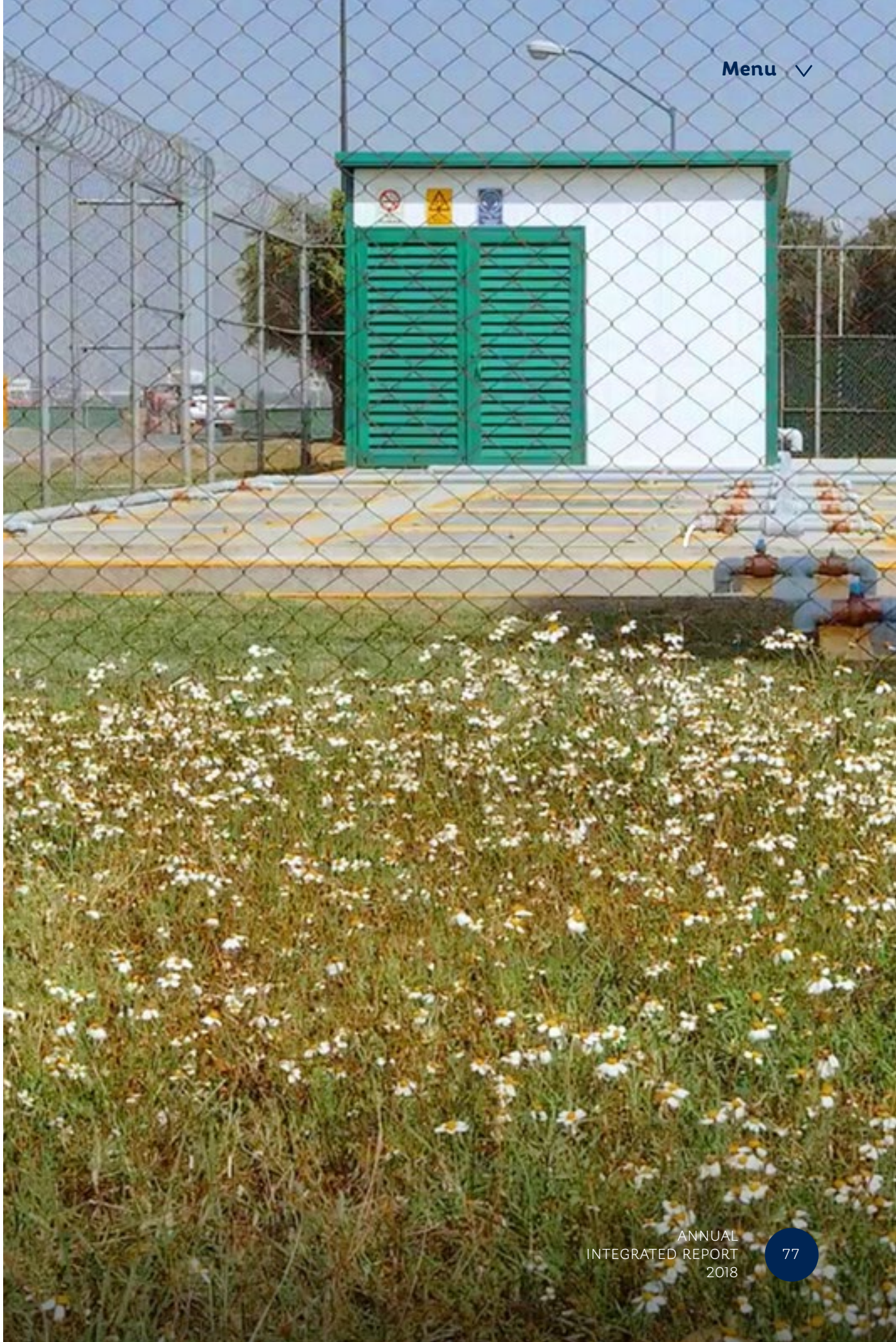
The water treatment and recycling plant service begins with the design of the plant, considering the client’s needs and the technical specifications of the various components to be integrated. Next comes the construction, operation, and maintenance by professionals who are well trained and have broad experience.

We have diversified the industries to which we offer our water treatment and recycling service; this year, we added clients in the transportation and manufacturing sectors.



Since 2016, when we acquired Sytesa, we have treated 15,368,901 m³ of wastewater<sup>4</sup>; 35% of the water was later reused.

4 Cumulative figures of wastewater treated; 2018 figures amount to 7,530,797 m³.





## CONTRIBUTION TO THE SDGs SUSTAINABLE DEVELOPMENT GOALS

(GRI 102-13)



Through our solutions portfolio, we contribute to users' development, true to our mission for people to have more and better water. This contribution is bolstered by the attention we pay to the needs of both the population and the industry, as well as by the soundness of the innovation processes within the company.

Our Sustainability Strategy was created in compliance with the 2030 Agenda of the UN (United Nations Organization), specifically, with the strategic contribution we can make through Grupo Rotoplas' water solutions, thus focusing on contributing greater added value.

Therefore, we carried out an analysis that enabled us to establish the baseline for our contribution to the Sustainable Development Goals (SDG), through the operation and initiatives included in the Sustainability Strategy.



Considering this analysis and our experience in the water and sanitation sector, the most remarkable contribution is to **SDG 6, which focuses on ensuring access to water and its sustainable management, and sanitation for all.** Our products and services, their implementation through programs for vulnerable communities, and the actions to foster a responsible use of the water resource are noteworthy.



We also contribute strategically to **SDG 9: Build resilient infrastructure, promote sustainable industrialization, and foster innovation.** At Grupo Rotoplas, innovation is a key pillar, which triggers the development of solutions, process improvement, and the proposal of business models, open to collaborating with third parties.



Moreover, we also contribute to **SDG 3, on health and wellbeing, 4 on quality education, and 5 on gender equality**, differentially as Grupo Rotoplas. With an easier access to water, women and children in communities gain more control over their time, which improves school attendance and empowers women to develop outside the home. Moreover, adding the sanitation solutions we deliver, we contribute to reducing the incidence of gastrointestinal and respiratory infectious diseases.



As a company, we also contribute to the generation of employment and economic development, both within and outside our work centers, for instance, through provisioning. This contribution, together with the strategic one, is mentioned throughout the report<sup>5</sup>.

<sup>5</sup> To reference the SDGs and goals, our own analysis of the strategic contribution and the guidelines of the Business Reporting on the SDGs initiative are considered.



CONTRIBUTION  
TO THE SDGs  
SUSTAINABLE  
DEVELOPMENT  
GOALS

(GRI 102-13)



Below, the detailed contribution to SDGs 6 and 9 is presented<sup>6</sup>:

| Goals: 6.1, 6.2, 6.3, 6.4, 6.7              |  |   |
|---|--|---|
| Category                                    | Grupo Rotoplas contribution  | Impact  |
| Access to water                             | <ul style="list-style-type: none"><li>&gt; Distribution of Rainwater Harvesting systems that collect and store water for use in toilets, irrigation, and washing.</li><li>&gt; Drinking water fountains with purification system installed in schools.</li></ul>   | <ul style="list-style-type: none"><li>&gt; +1,332,000 beneficiaries since 2012. 1,109,778 schoolchildren since 2016.</li></ul>  |
| Access to sanitation                        | <ul style="list-style-type: none"><li>&gt; Sanitation and hygiene solutions (e.g. outdoor toilet, biodigester).</li></ul>  | <ul style="list-style-type: none"><li>&gt; Outdoor toilets and biodigesters have benefited +792,000 people since 2012.</li></ul>  |
| Training on matters of hygiene              | <ul style="list-style-type: none"><li>&gt; Information delivered under pilot programs to gauge social impact.</li><li>&gt; Also, training under the anthropology team.</li></ul>   | <ul style="list-style-type: none"><li>&gt; 4,954 people trained in 2018.</li></ul>  |
| Water quality                               | <ul style="list-style-type: none"><li>&gt; Development, marketing, and maintenance of wastewater treatment and recycling plants.</li><li>&gt; Innovation through the drinking fountain and domestic purifier line.</li><li>&gt; Participation in the national drinking fountain programs.</li></ul>  | <ul style="list-style-type: none"><li>&gt; Sytesa has treated a total of 15,368,901m<sup>3</sup> of wastewater since 2016.</li></ul>  |
| Recycling and reutilization                 | <ul style="list-style-type: none"><li>&gt; Development, marketing, and maintenance of wastewater treatment and recycling plants.</li></ul>   | <ul style="list-style-type: none"><li>&gt; After going through the Sytesa plants, 35% of the treated water was reused.</li></ul>  |
| Cooperation for development regarding water | <ul style="list-style-type: none"><li>&gt; Pioneers in financing schemes focused on socioenvironmental contribution: Issuance of the first sustainability bond in Latin America.</li><li>&gt; Strengthening the gauging of social impact, essential in the interaction with other agents.</li><li>&gt; Open innovation processes and alliances with third parties in the innovation ecosystem.</li></ul> | <ul style="list-style-type: none"><li>&gt; In 2017, we issued the first Sustainable Bond in Latin America for \$2,000 million pesos, and in October 2018, the AGUA 17-2X bond was reopened for another \$1,000 million.</li></ul> |



<sup>6</sup> It complements the specific Report on the contribution to SDGs issued by Grupo Rotoplas every two years.

CONTRIBUTION  
TO THE SDGs  
SUSTAINABLE  
DEVELOPMENT  
GOALS

(GRI 102-13)



| Goals: 9.5, 9.7          |   |  |
|--------------------------|---|--|
| Category                 | Grupo Rotoplas contribution   | Impact   |
| Research and Development | <ul style="list-style-type: none"><li>&gt; Investment in innovation centers.</li><li>&gt; Strengthening the innovation team.</li><li>&gt; Open and inclusive focus of innovation.</li><li>&gt; Agreements to promote innovation and development of the startup ecosystem.</li></ul> | <ul style="list-style-type: none"><li>&gt; Three patents awarded on utility models and industrial designs to improve the solutions.</li><li>&gt; Five new applications to register industrial design</li><li>&gt; \$52.7 million pesos destined to innovation.</li></ul> |

As part of our commitment to the 2030 Agenda, we participate in different events and forums. We should note our presence at the STI Forum, Science, Technology and Innovation for the Sustainable Development Goals, held at the United Nations Assembly, where we shared our experience on developing innovative solutions and business models that contribute to close the gaps related to SDG 6. Likewise, we presented the launch of the Platform for the private sector, and the 2030 Agenda of the UNDP (United Nations Development Program) in Mexico, also participating in the dialogue among the sector’s representatives.





WE ARE...

# REFLECTION

OF OUR ACTIONS

**We create and share value towards our stakeholders,** in line with our values and based on the Rotoplas Way. Therefore, we strengthen the due diligence of our decision-making processes and business management.

**// CORPORATE GOVERNANCE**

STRUCTURE

(GRI 102-5, 102-18, 102-22, 102-23, 102-24, 102-27, 102-28, 102-30, 102-31, 102-33, 102-35, 102-36, 102-37, 405-1)

The definition and operation of our corporate governance have been established based on our values and in adherence to the Rotoplas Way, as well as to the main standards and regulatory provisions. Likewise, our Corporate Governance seeks to generate value for all our stakeholders, guiding the application of the corporate strategy.

Grupo Rotoplas trades on the Mexican Stock Exchange (BMV, for its Spanish acronym), and 30.98% of its shares are floating stock. The Company’s market capitalization value at year-end was \$10,741 million Mexican pesos.

The structure of our corporate governance and the performance of its members following, the principles, processes, and controls, guarantee the due diligence and efficiency of the decision-making process. The **General Shareholders’ Meeting** is responsible for appointing the members of the Board of Directors, reviewing, and in turn, approving the report of operations and results for the year, presented by the Board, and approving the audited and consolidated financial statements. Thus, the Shareholders’ Meeting assesses not only the Company’s evolution, but also the board members’ performance.

The **Board of Directors** has 13 members, 6 of whom are independent, which translates into a level of 46% of independence and is above the requirement established by the Securities Market Law. The average seniority in exercising the position is 11 years. This guarantees that they have a deep knowledge of the company. The Board is chaired by Mr. Carlos Rojas Mota Velasco, who is cofounder of the Group and its CEO. Hereafter, we present a list of the members:

Board Members are appointed by the General Shareholders' Meeting

Board of Directors<sup>1</sup>

**Carlos Rojas Mota Velasco**  
(66 years old)  
Mexican  
Chairman of the Board

**Mario Antonio Romero Orozco**  
(47 years old)  
Mexican  
Board Member

**Gonzalo Uribe Lebrija**  
(47 years old)  
Mexican  
Board Member

**Carlos Rojas Aboumrad**  
(36 years old)  
Mexican  
Board Member

**Francisco José González Gurría**  
(66 years old)  
Mexican  
Board Member

**Alfredo Elías Ayub**  
(68 years old)  
Mexican  
Board Member

**Pablo Iturbe Fernández**  
(30 years old)  
Mexican  
Board Member

**John G. Sylvia**  
(60 years old)  
American  
Independent Board Member

**Francisco Amaury Olsen**  
(69 years old)  
Brazilian  
Independent Board Member

**José María Tomás González Lorda**  
(73 years old)  
Mexican  
Independent Board Member

**Jaime Serra Puche**  
(67 years old)  
Mexican  
Independent Board Member

**Alejandro Aboumrad Gabriel**  
(76 years old)  
Mexican  
Independent Board Member

**Luis Fernando Reyes Pacheco**  
(66 years old)  
Brazilian  
Independent Board Member

**Mauricio Romero Orozco**  
(45 years old)  
Mexican  
Secretary non-member

<sup>1</sup> More information regarding the board members at: <https://rotoplas.com/investors/corporate-governance/>



## STRUCTURE

(GRI 102-5, 102-18, 102-22, 102-23, 102-24, 102-27, 102-28, 102-30, 102-31, 102-33, 102-35, 102-36, 102-37, 405-1)

For the Shareholders' Meeting to approve or ratify the Board members, the candidates must first present proof of their experience and the necessary skills to exercise their fiduciary functions and responsibilities. Likewise, they must offer proof of their independence, if such is the case. The appointment is for one year, renewable without a limit on the number of periods.

Board members are given an orientation regarding their duties and responsibilities, as well as the requirements defined in the Code of Ethics and Conduct. During the Board meetings, which are normally held every 3 months, board members receive necessary information regarding the state of the Group's operations to make an informed decision. In the year, 4 Board meetings were held and the average attendance was 81%.

The average seniority in exercising the position is 11 years. This guarantees that the members have a deep knowledge of the company, including the sector's effects, risks, and opportunities.

The Board of Directors' functions, stated within the Bylaws, include setting the strategic course and monitoring it through the activities of the management team and an analysis of their results. Likewise, the Board is responsible for approving the internal control and audit guidelines, as well as the policies for management compensation and the appointment of the CEO.

The Board members take an annual self-assessment of their performance, as well as of the organization and operation of the Board. The process and content were bolstered during 2018, with the participation of over 90% of the members. As a result of this assessment, various initiatives were outlined to be carried out during 2019.

The members' activities are compensated for each meeting in which they participate, whether it is on the Board of Directors or on one of the Committees; the sum is set by the Compensations Committee and approved by the Shareholders' Meeting, pursuant to the **Company's Bylaws**.

The Board's diligences are in turn supported by **3 committees**, chaired by independent members who report the progress in the segment for which they are responsible, including the issuance of an activity report which, in addition to being analyzed by the Board, is also presented at the Shareholders' Meeting. Below are the main functions of the committees and the list of their members:



For every 10% of the share capital held, individually or in a group, shareholders with voting rights will be entitled to convene the summon of General ordinary or extraordinary Shareholders meeting. The first meeting must be attended by 75% of the share capital; the second meeting at least 50% of the share capital must be present.

STRUCTURE

(GRI 102-5, 102-18, 102-22, 102-23, 102-24, 102-27, 102-28, 102-30, 102-31, 102-33, 102-35, 102-36, 102-37, 405-1)

| Committee   | Functions   |
|---|---|
| <p><b>Audit</b></p> <p><b>John G. Sylvia</b><br/>Chairman</p> <p><b>Francisco Amaury Olsen</b><br/>Secretary</p> <p><b>José María Tomás González Lorda</b><br/>Board Member</p>                   | <p><b>It meets on a quarterly basis or more often if circumstances require it, and it is comprised by 3 independent members.</b></p> <p>Some of its functions are:</p> <ul style="list-style-type: none"><li>&gt; Report to the Board of Directors on the irregularities found in audit processes</li><li>&gt; Supervise collaborators’ activities, as well as the work of external auditors, including reports and opinions</li><li>&gt; Report to the Board of Directors the state of the internal control system and the irregularities found</li><li>&gt; Supervise related-party transactions</li><li>&gt; Monitor the activities of the management team</li></ul> <p><b>The committee met on february, april, july and october, averaging 91% attendance.</b></p>   |
| <p><b>Corporate Practices and Strategy</b></p> <p><b>Jaime Serra Puche</b><br/>Chairman</p> <p><b>John G. Sylvia</b><br/>Secretary</p> <p><b>Luis Fernando Reyes Pacheco</b><br/>Board Member</p> | <p><b>It meets on a quarterly basis and is comprised by 3 independent members.</b></p> <p>Some of its functions are:</p> <ul style="list-style-type: none"><li>&gt; Give the Board of Directors its opinion on the administrative practices and operations</li><li>&gt; Request and obtain third-party opinions from independent experts</li><li>&gt; Assist the Board in preparing the annual reports</li><li>&gt; Assess inorganic growth opportunities</li><li>&gt; Monitor the Sustainability Committee’s initiatives and indicators</li><li>&gt; Assess strategic projects and capital investments</li></ul> <p><b>The committee met on february, april, july and october, averaging 83% attendance.</b></p>   |
| <p><b>Compensations</b></p> <p><b>Luis Fernando Reyes Pacheco</b><br/>Chairman</p> <p><b>José María Tomás González Lorda</b><br/>Secretary</p>  | <p><b>It meets on a quarterly basis or more often if circumstances require it, and it is comprised by 2 independent members.</b></p> <p>Some of its functions are:</p> <ul style="list-style-type: none"><li>&gt; Support the Board of Directors in reviewing the organizational structures of the Group and its companies to ensure that they are properly aligned with the corporate vision and strategy</li><li>&gt; Provide their review and opinion of the guidelines for compensation</li><li>&gt; Review the corporate values established within the institutional philosophy and ethics in the relations among collaborators, following the Company’s set of beliefs and values</li><li>&gt; Propose actions to improve the work climate and guide the processes of organizational development</li><li>&gt; Propose to the Board of Directors the fixed compensation and fringe benefits for board members and management, as well as the policies for positions and salaries</li><li>&gt; Propose and monitor the performance evaluation systems</li><li>&gt; Recommend training and development programs</li></ul> <p><b>The committee met on february, april, july and october, averaging 100% attendance.</b></p> |

All Committee members are independent.



## STRUCTURE

(GRI 102-5, 102-18, 102-22, 102-23, 102-24, 102-27, 102-28, 102-30, 102-31, 102-33, 102-35, 102-36, 102-37, 405-1)

The implementation of the corporate strategy and operations steering, are further supported by an experienced and high-performance management team, comprised of 4 vice-presidencies and 16 directorates, in an organization that was updated in the year. This movement was carried out in order to better serve the development of solutions and users' experience, as well as to benefit process efficiency and team relations.

The management team's compensation is set by the Compensations Committee; aside from the fixed part, they receive a Stock Option Plan, and an Allocation Plan of Reference Value Units (UVR, for its Spanish acronym), both linked to the results of their performance in the position, and in some positions, to metrics regarding Environmental, Social and Corporate Governance (ESG) topics.

Top management meets at various times to assess the evolution of the Company's activities and the operations, sustainability and business indicators. The strategic alignment, the Project Management platforms meetings team's presentations, and the review of the sustainability strategy by the corresponding committee <sup>2</sup> are noteworthy.



an experienced and high-performance management team, comprised of 4 vice-presidencies and 16 directorates

<sup>2</sup> A detail of the responsibilities and operation of the Sustainability Committee is presented in the chapter on Sustainability strategy and progress.



## ETHICS

(GRI 102-16, 102-17, 102-25, 102-26, 205-3, 412-2, 415-1)

We have created a team that is committed to the corporate values and adheres to the standards of conduct established for our relations with the various stakeholders and in the Rotoplas Way, which support the organizational culture.

At Grupo Rotoplas, we have a **Code of Ethics and Conduct**, reviewed and approved by the Board of Directors, which includes the values and rules of conduct. It applies to collaborators and board members, and is also extensive to suppliers, so that they must follow our criteria in ethics and transparency.

The Code expressly forbids any form of corruption, including extortion and bribery; these guidelines have further been bolstered this year through the launch of our **Anticorruption Policy**. In said document, political contributions are prevented and our understanding of conflicts of interest is established, as are the guidelines to prevent it or respond to situations where it may appear. We should note that the company is in full compliance with the requirements of the Securities Market Law and other applicable regulation; there were no corruption cases during the year.

Collaborators are introduced to the Code of Ethics and Conduct upon entry, and they commit to applying it; likewise, it is available through our internal network, R-Connect. All members of staff are examined annually regarding their compliance. For this purpose, we provided 865 hours of training throughout the year, in which 1,153 collaborators participated. During September and October, we carried out an internal communication campaign on our corporate values and Code of Ethics and Conduct, respectively.

On the other hand, our suppliers receive the Code during the registration process, and they are required to accept it; the rest of our stakeholders may access it through the company's website<sup>3</sup>. During the year, we carried out a self-assessment exercise on Human Rights, and we shared the diagnosis tool with our suppliers.

To report any breaches of the Code and the various policies, our collaborators and any related third party may access the **Confía Rotoplas system** (Trust Rotoplas), either by phone or through the online platform. It is managed by an independent third party; reports can be made anonymously, and they are submitted to the Legal and Human Capital Departments, who channel the cases to the corresponding departments, so they get followed through and a resolution is ultimately reached.

Likewise, the observations made by the Comptroller Department in the internal reviews of the operation, and which apply to the whole of our subsidiaries and work centers, are monitored.



Our Code of Ethics and Conduct applies to collaborators and board members, and is also extensive to suppliers.

<sup>3</sup> In "Relevant documents", <https://rotoplas.com/inversionistas/gobierno-corporativo/>



RISK  
MANAGEMENT

(GRI 102-11, 102-15,  
102-29, 103-2, 103-3,  
201-2, 205-1, 206-1,  
307-1, 416-2, 417-2,  
417-3, 419-1)

We understand risk management from a **proactive stance** that will enable us to be prepared to face any events that may arise, through the execution of our activities, the diversification of the solutions portfolio, the development and/or incorporation of new businesses, and the evolution of the markets where we operate.

To this effect, we have a **risk map** which we update annually and use to set prevention and mitigation measures. This is complemented by monitoring the activities that we carry out through the internal control system, including the monitoring of indicators and the internal audit reviews, as well as the assessment by external third parties.



We have a risk map  
which we update annually



## RISK MANAGEMENT

(GRI 102-11, 102-15, 102-29, 103-2, 103-3, 201-2, 205-1, 206-1, 307-1, 416-2, 417-2, 417-3, 419-1)

| Category    |     | Risk  | Details  |
|-------------|-----|---|--|
| Market      | \$  | Increase in raw material prices   | > The main raw materials we use are oil derivatives whose prices vary based on market conditions.  |
|             | 👤👤👤 | Changes in consumers' income and preferences  | > We are exposed to the disposable income of our clients, including government agencies, given the economic situation of each country.<br>> In a changing environment, consumer confidence can become affected and they can modify their preferences for one type of solution or other, particularly faced with an increasingly more global competition. |
|             | \$  | Macroeconomic conditions that affect the sectors that make up our market  | > Demand for our solutions in sectors such as construction or agriculture is influenced by short- and medium-term macroeconomic conditions.  |
|             | \$  | Decrease in the return on investment destined to increase and improve production capacity, given the changes in the macroeconomic environment | > The water solutions business requires a significant capital investment to design and build plants near the points of sale and distribution.<br>> Increased exposure to local sales, and thus, to the economic conditions of the country where we are operating, making it difficult to sell that production in markets with better trends.             |
|             | 👤👤👤 | Difficulties in the successful entry and expansion of operations in new markets   | > We continually analyze and explore the possibility of expanding our operations and entering new markets. Although decision-making is based on business plans, there are factors inherent to each market that are beyond our control.   |
| Regulatory  | 👤👤👤 | Effects on the limits of foreign trade operations   | > We are exposed to disruptive measures on issues of imports and exports in the countries where we have operations, those from where we import, and/or those to which we export.   |
|             | \$  | Unforeseen costs of complying with environmental, labor, and security laws  | > We are subject to various laws and regulations on environmental, labor, and security issues, which can be modified. Said modifications may represent additional costs, as well as costs derived from penalties for noncompliance.  |
| Operational | 🌿   | Operations affected by extreme weather conditions and/or natural disasters  | > Extreme weather conditions and/or natural disasters could hamper our operations or damage the infrastructure including production plants and distribution centers.   |
|             | 👤👤👤 | Stoppage and temporary shutdown of plants and/or distribution centers   | > Substantial interruption at production plants, supply chain, distribution centers, or distribution network for reasons beyond our control.   |
|             | 👤👤👤 | Inability to develop high quality and innovative products and solutions   | > The strength of our brand could face difficulties if we are unable to supply innovative and quality solutions.   |
|             | 👤👤👤 | High turnover and inability to attract talent   | > We are exposed to the loss of technical and strategic knowledge, as well as of investment in development due to turnover.  |

\$ Economic

👤👤👤 Social

🌿 Environmental



RISK  
MANAGEMENT

(GRI 102-11, 102-15, 102-29, 103-2, 103-3, 201-2, 205-1, 206-1, 307-1, 416-2, 417-2, 417-3, 419-1)

| Category  |     | Risk   | Details  |
|-----------|-----|--|--|
| Financial | \$  | Inability to manage the Company's growth efficiently | > We are exposed to a lack of own resources, sources of financing, processes, controls, and adequate systems to manage the Company's growth.   |
| Emerging  | 👤👤👤 | Cybernetic vulnerability                             | > We are exposed to cyberattacks and data leaks in the corporate information security. This risk also applies to the internet sales business line and the offer of services contracted by phone.   |
|           | 👤👤👤 | Political instability                                | > Political and social movements are experienced in the region and could generate unstable situations. This may affect various processes, from the operation to the sale of products and services.   |
|           | 🌿   | Transition to low-carbon economy                     | > The risks and opportunities of climate change, as well as the effects that it is already having on companies and the population, trigger measures by both governments and companies, as well as changes in the scenario of production costs, sales, etc. |

\$ Economic   👤👤👤 Social   🌿 Environmental

We should note that we are bolstering our **management of environmental, social, and governance risks** (ESG), starting with the identification that feeds the risk matrix mentioned above, as well as by responding through initiatives in the Sustainability Strategy, through which we seek to transform these risks into opportunities to generate shared value for the company and its stakeholders.

Grupo Rotoplas' operation, as the rest of the business sector, is exposed to the main global macrotrends and risks, such as the effects of technology, data handling, or climate change.

In the Company, we seek to anticipate the risk and impact that climate change may have on our operations and financial statements. In the year, we carried out an assessment together with external specialists regarding our degree of maturity in managing climate change, considering the guidelines of the FSB Task Force on Climate-related Financial Disclosures (TCFD)<sup>4</sup>.

With regard to the management processes for the set of identified risks, while we have express guidelines that address adherence to legality and internal controls, there are internal and external factors that lead to involuntary non-compliance.

In the year, 13 monetary penalties were levied against us, totaling \$111,568 Mexican pesos. Those penalties include a total of \$95,836 pesos from 10 penalties concerning labor breaches and a total of \$15,732 pesos from 3 environmental breaches related to our operations . We should also note the absence of any significant non-monetary penalties in terms of scope or subject matter. Moreover, there were no requirements for breach of regulations related to the effects of the products on user health and safety, solutions labelling and marketing, or anticompetitive practices.

4 International benchmark initiative regarding risk preparedness and the management of effects related to climate change and with financial implications.

## ABOUT THIS REPORT

(GRI 102-10, 102-32, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56, 103-1)

At Grupo Rotoplas, **we work with a focus on transparency**, responding to our stakeholders, whom make it possible to develop the initiatives presented in these pages.

Therefore, we are presenting our **fourth Integrated Annual Report, which includes the company's economic, social, environmental, and corporate governance performance during 2018<sup>1</sup>**. In order to keep reporting in line with previous years, this document has been prepared following the Standards of the Global Reporting Initiative (GRI), in its Comprehensive compliance option.

Continuing our maturity process regarding information management, this time we were provided external verification of the report, whose scope is presented in the GRI contents index and in the corresponding statement by the evaluator in charge. Thus, this report includes some restatements of the information presented in the previous year, which are integrated, alongside their justification, in the corresponding chapters, and which thus provide an adequate data comparison.

Based on the materiality study carried out in 2016, we were able to determine the most significant topics, comprehensively considering the views of our stakeholders and the company's strategic approach. Said study was used as a basis to design our Sustainability Strategy and to develop the contents of the next annual reports, including this one.

Below, we present a list of material issues and their limits; that is, where they are particularly significant throughout our value chain and the relations ecosystem, which have been validated together with the contents of the report by the Sustainability Committee and the Corporate Practices and Strategy Committee<sup>2</sup>.

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<sup>1</sup> IPS in Argentina is excluded from the scope of the report, given that it was acquired in July 2018, as is the AIC Innovation Center in Chile, since Grupo Rotoplas does not hold a majority stake in the capital. The human capital data does not include the Sanzfield innovation center, as we do not have operational control over it.

The collection of Grupo Rotoplas' subsidiaries may be consulted in the Financial Statements presented at the end of the report.

<sup>2</sup> The stages and activities implemented under our materiality study may be viewed in the chapter on Sustainability Model in our Annual Integrated Report 2016, page 26.



ABOUT  
THIS REPORT

(GRI 102-10, 102-32, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56, 103-1)

| Material issue                           | External limits <sup>3</sup>  |
|--|---|
| 1. Access to water and sanitation        | <ul style="list-style-type: none"><li>· Distributors</li><li>· Government and NGO clients</li></ul>   |
| 2. Collaborator attraction and retention | <ul style="list-style-type: none"><li>· Academic Institutions</li></ul>   |
| 3. Quality                               | <ul style="list-style-type: none"><li>· Raw materials suppliers</li></ul>   |
| 4. Water awareness                       | <ul style="list-style-type: none"><li>· Authorities</li><li>· Government and NGO clients</li></ul>  |
| 5. Collaborator development              | <ul style="list-style-type: none"><li>· Training suppliers</li></ul>  |
| 6. Economic performance                  | <ul style="list-style-type: none"><li>· Investors and other capital suppliers</li><li>· Raw materials suppliers</li><li>· Distributors</li></ul>  |
| 7. Operating efficiency                  | <ul style="list-style-type: none"><li>· Suppliers</li><li>· Distributors</li><li>· Government and NGO clients</li></ul>   |
| 8. Strategy, business model, and brand   | <ul style="list-style-type: none"><li>· Investors and other capital suppliers</li><li>· Distributors</li><li>· Government and NGO clients</li></ul>   |
| 9. Risk management                       | <ul style="list-style-type: none"><li>· Investors and other capital suppliers</li><li>· Suppliers</li><li>· Distributors</li><li>· Government and NGO clients</li></ul>   |
| 10. Innovation                           | <ul style="list-style-type: none"><li>· Investors and other capital suppliers</li><li>· Raw materials suppliers</li><li>· Distributors</li><li>· Government and NGO clients</li><li>· Universities</li><li>· Strategic partners (AIC)</li><li>· Authorities</li></ul> |
| 11. Customer relations                   | <ul style="list-style-type: none"><li>· Distributors</li><li>· Government and NGO clients</li></ul>   |

<sup>3</sup> Given that the various subsidiaries of Grupo Rotoplas are under a common corporate governance, internal limits are set at the Group level.

# GRI CONTENT INDEX

(GRI 102-55)

| GRI STANDARD 102: GENERAL DISCLOSURES 2016 |              |                |          |                             |                                    |
|--|--------------|----------------|----------|-----------------------------|------------------------------------|
| Material Issue                             | GRI Contents | Page / Link    | Omission | UN Global Compact Principle | SDGs and targets                   |
| Organizational Profile                     | 102-1        | 99             |          |                             |                                    |
|  | 102-2        | 4, 5, 30       |          |                             | 6.1, 6.2, 6.3, 6.4,                |
|  | 102-3        | 99             |          |                             |                                    |
|  | 102-4        | 9              |          |                             |                                    |
|  | 102-5        | 82, 99         |          |                             |                                    |
|  | 102-6        | 6, 9           |          |                             | 6.1, 6.2, 6.3, 6.4,                |
|  | 102-7        | 10             |          |                             |                                    |
|  | 102-8        | 61             |          | Principle 6                 | 8.5, 9.2, 10.3                     |
|  | 102-9        | 50             |          |                             | 9.2                                |
|  | 102-10       | 9, 30, 90      |          |                             |                                    |
|  | 102-11       | 87             |          |                             |                                    |
|  | 102-12       | 41, 46, 72, 73 |          |                             | 6.1, 6.2, 6.3, 6.4, 6.7, 6.8, 17.7 |
|  | 102-13       | 35, 41, 78     |          |                             |                                    |
| Strategy                                   | 102-14       | 14             |          |                             |                                    |
|  | 102-15       | 14, 87         |          |                             | 6.1, 6.2, 6.3, 6.4,                |
| Ethics and Integrity                       | 102-16       | 4, 86          |          | Principle 10                | 16.3                               |
|  | 102-17       | 86             |          | Principle 11                | 16.3                               |
| Governance                                 | 102-18       | 40, 82         |          |                             |                                    |
|  | 102-19       | 35, 40         |          |                             |                                    |
|  | 102-20       | 35, 40         |          |                             |                                    |
|  | 102-21       | 35, 41         |          |                             | 16.6                               |
|  | 102-22       | 82             |          |                             | 5.5, 16.6                          |
|  | 102-23       | 82             |          |                             | 16.6                               |
|  | 102-24       | 82             |          |                             | 5.5, 16.6                          |
|  | 102-25       | 86             |          |                             | 16.6                               |
|  | 102-26       | 30, 86         |          |                             |                                    |
|  | 102-27       | 82             |          |                             |                                    |
|  | 102-28       | 82             |          |                             |                                    |

Additional to the referred contents, the guidelines of the Standard GRI 101: Foundation 2016 are applied.  
The correlation between GRI contents, SDGs and its targets has been established by using the reference framework Business Reporting on the SDGs: An Analysis of the Goals and Targets, so as the strategic analysis of the SDG contribution performed by Grupo Rotoplas.



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(GRI 102-55)

| GRI STANDARD 102: GENERAL DISCLOSURES 2018 |              |               |                                       |                             |                  |
|--|--------------|---------------|---------------------------------------|-----------------------------|------------------|
| Material Issue                             | GRI Contents | Page / Link   | Omission                              | UN Global Compact Principle | SDGs and targets |
| Governance                                 | 102-29       | 87            |                                       |                             | 16.6             |
|  | 102-30       | 82            |                                       |                             |                  |
|  | 102-31       | 40, 82        |                                       |                             |                  |
|  | 102-32       | 90            |                                       |                             |                  |
|  | 102-33       | 82            |                                       |                             |                  |
|  | 102-34       |               | Classified, due to internal policies. |                             |                  |
|  | 102-35       | 82            |                                       |                             |                  |
|  | 102-36       | 82            |                                       |                             |                  |
|  | 102-37       | 82            |                                       |                             | 16.6             |
|  | 102-38       |               | Classified, due to internal policies. |                             |                  |
|  | 102-39       |               | Classified, due to internal policies. |                             |                  |
| Stakeholder engagement                     | 102-40       | 41            |                                       |                             |                  |
|  | 102-41       | 61            |                                       | Principle 3                 | 8.8              |
|  | 102-42       | 41            |                                       |                             |                  |
|  | 102-43       | 41            |                                       |                             |                  |
|  | 102-44       | 41            |                                       |                             |                  |
| Reporting practice                         | 102-45       | 90            |                                       |                             |                  |
|  | 102-46       | 90            |                                       |                             |                  |
|  | 102-47       | 90            |                                       |                             |                  |
|  | 102-48       | 9, 52, 66, 90 |                                       |                             |                  |
|  | 102-49       | 90            |                                       |                             |                  |
|  | 102-50       | 90            |                                       |                             |                  |
|  | 102-51       | 90            |                                       |                             |                  |
|  | 102-52       | 90            |                                       |                             |                  |
|  | 102-53       | 99            |                                       |                             |                  |
|  | 102-54       | 90            |                                       |                             |                  |
|  | 102-55       | 92            |                                       |                             |                  |
|  | 102-56       | 90, 98        |                                       |                             |                  |

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(GRI 102-55)

| DISCLOSURES BY MATERIAL ISSUE         |  |              |             |          |                             |  |
|---------------------------------------|--|--------------|-------------|----------|-----------------------------|--|
| Material Issue                        | GRI Standard Contents Title              | GRI Contents | Page / Link | Omission | UN Global Compact Principle | SDGs and targets   |
| Access to water and sanitation        | GRI 103: Management Approach 2016        | 103-1        | 90          |          |                             |  |
|                                       |  | 103-2        | 73, 77      |          |                             |  |
|                                       |  | 103-3        | 73, 77      |          |                             |  |
|                                       | GRI 203: Indirect Economic Impacts 2016  | 203-1        | 46          |          |                             | 5.4, 6.1, 6.2, 6.3, 6.4, 9.1, 9.4, 9.5, 9.7, 11.2  |
|                                       |  | 203-2        | 57, 73, 77  |          |                             | 1.2, 1.4, 1.5, 2.1, 2.4, 3.1, 3.2, 3.3, 3.8, 3.9, 4.5, 4.8, 5.1, 5.5, 6.1, 6.2, 6.3, 6.4, 8.2, 8.3, 8.4, 8.5, 10.2, 11.1, 11.5, 12.4, 12.5, 13.1 |
| Collaborator attraction and retention | GRI 103: Management Approach 2016        | 103-1        | 90          |          |                             |  |
|                                       |  | 103-2        | 61          |          |                             |  |
|                                       |  | 103-3        | 61          |          |                             |  |
|                                       | GRI 401: Employment 2016                 | 401-1        | 61          |          | Principle 6                 | 5.1, 8.5, 8.6, 9.2, 10.3   |
|                                       |  | 401-2        | 66          |          |                             | 3.2, 5.4, 8.5  |
|                                       |  | 401-3        | 66          |          | Principle 6                 | 5.1, 5.4, 8.5  |
| Quality                               | GRI 103: Management Approach 2016        | 103-1        | 90          |          |                             |  |
|                                       |  | 103-2        | 50          |          |                             |  |
|                                       |  | 103-3        | 50          |          |                             |  |
|                                       | GRI 416: Customer health and safety 2016 | 416-1        | 50, 57      |          |                             |  |
|                                       |  | 416-2        | 87          |          |                             | 16.3   |
| Water awareness                       | GRI 103: Management Approach 2016        | 103-1        | 90          |          |                             |  |
|                                       |  | 103-2        | 72          |          |                             | 6.4, 6.8   |
|                                       |  | 103-3        | 72          |          |                             |  |



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| DISCLOSURES BY MATERIAL ISSUE |   |              |             |          |                             |                  |                                     |
|-------------------------------|---|--------------|-------------|----------|-----------------------------|------------------|-------------------------------------|
| Material Issue                | GRI Standard Contents Title                   | GRI Contents | Page / Link | Omission | UN Global Compact Principle | SDGs and targets |                                     |
| Collaborator development      | GRI 103: Management Approach 2016             | 103-1        | 90          |          |                             |                  |                                     |
|                               |   | 103-2        | 65          |          |                             |                  |                                     |
|                               |   | 103-3        | 65          |          |                             |                  |                                     |
|                               | GRI 403: Occupational Health and Safety 2018  | 403-1        | 66          |          |                             |                  |                                     |
|                               |   | 403-2        | 66          |          |                             |                  |                                     |
|                               |   | 403-3        | 66          |          |                             |                  |                                     |
|                               |   | 403-4        | 66          |          |                             | 8.8              |                                     |
|                               |   | 403-5        | 66          |          |                             |                  |                                     |
|                               |   | 403-6        | 66          |          |                             |                  |                                     |
|                               |   | 403-7        | 66          |          |                             |                  |                                     |
|                               |   | 403-8        | 66          |          |                             | 8.8              |                                     |
|                               |   | 403-9        | 66          |          |                             | 3.3, 3.9, 8.8    |                                     |
|                               |   | 403-10       | 66          |          |                             | 3.3, 3.9, 8.8    |                                     |
|                               | GRI 404: Training and Education 2016          | 404-1        | 65          |          |                             | Principle 6      | 4.1 , 4.4, 4.5, 5.1, 8.2, 8.5, 10.3 |
|                               |   | 404-2        | 65          |          |                             |                  | 8.2, 8.5                            |
|                               |   | 404-3        | 65          |          |                             | Principle 6      | 8.5, 10.3                           |
|                               | GRI 405: Diversity and Equal Opportunity 2016 | 405-1        | 61, 82      |          |                             | Principle 6      | 5.1, 5.5, 8.5                       |
|                               |   | 405-2        | 66          |          |                             | Principle 6      | 5.1 , 8.5, 10.3                     |
| Economic performance          | GRI 103: Management Approach 2016             | 103-1        | 90          |          |                             |                  |                                     |
|                               |   | 103-2        | 17          |          |                             |                  |                                     |
|                               |   | 103-3        | 17          |          |                             |                  |                                     |
|                               | GRI 201: Economic performance 2016            | 201-1        | 20          |          |                             | Principle 7      | 8.1, 8.2, 9.1, 9.4, 9.5             |
|                               |   | 201-2        | 73, 87      |          |                             | Principle 7      | 1.5, 2.4, 11.5, 13.1                |
|                               |   | 201-3        | 66          |          |                             |                  |                                     |
|                               |   | 201-4        | 46          |          |                             |                  |                                     |

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| DISCLOSURES BY MATERIAL ISSUE |                                     |              |             |  |   |
|-------------------------------|-------------------------------------|--------------|-------------|--|---|
| Material Issue                | GRI Standard Contents Title         | GRI Contents | Page / Link | Omission   | UN Global Compact Principle<br>SDGs and targets |
| Operating efficiency          | GRI 103: Management Approach 2016   | 103-1        | 90          |  |   |
|                               |                                     | 103-2        | 52          |  |   |
|                               |                                     | 103-3        | 52          |  |   |
|                               | GRI 204: Procurement Practices 2016 | 204-1        | 50          |  | 8.3, 9.5  |
|                               | GRI 301: Materials 2016             | 301-1        | 52          |  | Principle 7 y 8<br>8.4, 12.2                    |
|                               |                                     | 301-2        | 52          |  | Principle 8<br>8.4, 12.2, 12.5                  |
|                               |                                     | 301-3        |             | Does not apply. Given the durability of the products that the company manufactures, the useful life extends in such long intervals that the utilization when it ends does not generate a significant impact. | Principle 8<br>8.4, 12.2, 12.5                  |
|                               | GRI 302: Energy 2016                | 302-1        | 52          |  | Principle 7 y 8<br>7.2, 7.3, 8.4, 12.2, 13.1    |
|                               |                                     | 302-2        | 52          |  | Principle 8<br>7.2, 7.3, 8.4, 12.2, 13.1        |
|                               |                                     | 302-3        | 52          |  | Principle 8<br>7.3, 8.4, 12.2, 13.1             |
|                               |                                     | 302-4        | 52          |  | Principle 8 y 9<br>7.3, 8.4, 12.2, 13.1         |
|                               |                                     | 302-5        | 52          |  | Principle 8 y 9<br>7.3, 8.4, 12.2, 13.1         |
|                               | GRI 303: Water and Effluents 2018   | 303-1        | 52          |  | Principle 7 y 8                                 |
|                               |                                     | 303-2        |             | Not available; we will work to have this information in the next report.   |   |
|                               |                                     | 303-3        | 52          |  | Principle 7 y 8<br>6.4                          |
|                               |                                     | 303-4        |             | Not available; we will work to have this information in the next report.   | 6.4   |
|                               |                                     | 303-5        |             | Not available; we will work to have this information in the next report.   | Principle 7 y 8<br>6.3, 6.4, 8.4, 12.2          |
|                               | GRI 305: Emissions 2016             | 305-1        | 52          |  | Principle 7 y 8<br>3.9, 12.4, 13.1, 14.3, 15.1  |
|                               |                                     | 305-2        | 52          |  | 3.9, 12.4, 13.1, 14.3, 15.1                     |
|                               |                                     | 305-3        | 52          |  | 3.9, 12.4, 13.1, 14.3, 15.1                     |
|                               |                                     | 305-4        | 52          |  | Principle 7<br>13.1, 14.3, 15.1                 |
|                               |                                     | 305-5        | 52          |  | Principle 8 y 9<br>13.1, 14.3, 15.1             |
|                               |                                     | 305-6        |             | Not available; we will work to have this information in the next report.   | Principle 8<br>3.9, 12.4                        |
|                               |                                     | 305-7        | 52          |  | Principle 7 y 8<br>3.9, 12.4, 14.3, 15.1        |



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| DISCLOSURES BY MATERIAL ISSUE      |   |              |             |  |                             |                                 |
|------------------------------------|---|--------------|-------------|--|-----------------------------|---------------------------------|
| Material Issue                     | GRI Standard Contents Title             | GRI Contents | Page / Link | Omission   | UN Global Compact Principle | SDGs and targets                |
| Operating efficiency               | GRI 306: Effluents and Waste 2016       | 306-1        |             | Not available; we will work to have this information in the next report. | Principle 8                 | 3.9, 6.3, 6.4, 6.6, 12.4, 14.1  |
|                                    |   | 306-2        | 52          |  | Principle 8                 | 3.9, 6.3, 12.4, 12.5            |
|                                    |   | 306-3        | 52          |  | Principle 8                 | 3.9, 6.3, 6.6, 12.4, 14.1, 15.1 |
|                                    |   | 306-4        | 52          |  | Principle 8                 | 3.9, 12.4                       |
|                                    |   | 306-5        |             | Not available; we will work to have this information in the next report. | Principle 8                 | 6.6, 14.2, 15.1, 15.5           |
| Strategy, business model and brand | GRI 103: Management Approach 2016       | 103-1        | 90          |  |                             |                                 |
|                                    |   | 103-2        | 30          |  |                             |                                 |
|                                    |   | 103-3        | 30          |  |                             |                                 |
|                                    | GRI 206: Anti-competitive Behavior 2016 | 206-1        | 87          |  |                             | 16.3                            |
|                                    | GRI 415: Public Policy 2016             | 415-1        | 86          |  | Principle 10                |                                 |
| Risk management                    | GRI 103: Management Approach 2016       | 103-1        | 90          |  | Principle 4                 |                                 |
|                                    |   | 103-2        | 87          |  | Principle 5                 |                                 |
|                                    |   | 103-3        | 87          |  |                             |                                 |
|                                    | GRI 205: Anti-corruption 2016           | 205-1        | 87          |  | Principle 10                | 16.5                            |
|                                    |   | 205-2        |             | Not available; we will work to have this information in the next report. | Principle 10                | 16.5                            |
|                                    |   | 205-3        | 86          |  | Principle 10                | 16.5                            |
|                                    | GRI 307: Environmental Compliance 2016  | 307-1        | 87          |  | Principle 8                 | 16.3                            |
|                                    | GRI 406: Non-discrimination 2016        | 406-1        | 66          |  | Principle 6                 | 5.1, 8.8                        |
|                                    | GRI 419: Socioeconomic Compliance 2016  | 419-1        | 87          |  |                             | 16.3                            |
| Innovation                         | GRI 103: Management Approach 2016       | 103-1        | 90          |  |                             |                                 |
|                                    |   | 103-2        | 46          |  |                             |                                 |
|                                    |   | 103-3        | 46          |  |                             |                                 |
| Customer Relations                 | GRI 103: Management Approach 2016       | 103-1        | 90          |  |                             |                                 |
|                                    |   | 103-2        | 57          |  |                             |                                 |
|                                    |   | 103-3        | 57          |  |                             | 12.8                            |
|                                    | GRI 417: Marketing and Labeling 2016    | 417-1        | 57          |  |                             |                                 |
|                                    |   | 417-2        | 87          |  |                             | 16.3                            |
|                                    |   | 417-3        | 87          |  |                             | 16.3                            |

VERIFICATION  
LETTER

ANNUAL INTEGRATED  
2018 REPORT  
**WE ARE ROTOPLAS,  
WE ARE WATER.**

(GRI 102-56)



Verification Letter of the Annual Integrated 2018 Report

“We are Rotoplas, we are water”

To Grupo Rotoplas, S.A.B. de C.V. y Subsidiarias Board of Directors, stakeholders and readers of the report:

You are informed that Redes Sociales en Línea Timberlan carried out an independent and impartial verification of the Grupo Rotoplas, S.A.B. de C.V. y Subsidiarias Annual Integrated 2018 Report.

Scope

A limited verification of the content of this report was developed. Based on the material issues list, the methodological compliance of the Global Reporting Initiative (GRI) Standards, the Rotoplas processes and the internal systems of controller as well as quality and the congruence of the published data were validated.

Our review included the adequate presentation of information according to the GRI Standards in accordance with the Comprehensive option. The following indicators were verified:

|       |        |        |        |        |       |        |       |
|-------|--------|--------|--------|--------|-------|--------|-------|
| 102-1 | 102-9  | 102-17 | 102-44 | 102-52 | 302-1 | 403-3  | 419-1 |
| 102-2 | 102-10 | 102-18 | 102-45 | 102-53 | 303-1 | 403-9  |       |
| 102-3 | 102-11 | 102-19 | 102-46 | 102-54 | 305-1 | 403-10 |       |
| 102-4 | 102-12 | 102-20 | 102-47 | 102-55 | 305-2 | 404-1  |       |
| 102-5 | 102-13 | 102-40 | 102-48 | 201-1  | 306-2 | 405-1  |       |
| 102-6 | 102-14 | 102-41 | 102-49 | 203-1  | 307-1 | 415-1  |       |
| 102-7 | 102-15 | 102-42 | 102-50 | 204-1  | 401-1 | 416-2  |       |
| 102-8 | 102-16 | 102-43 | 102-51 | 205-3  | 403-2 | 417-2  |       |

Responsibilities

Rotoplas is responsible for the preparation and presentation of the Annual Integrated 2018 Report “We are Rotoplas, we are water”, as well as the selection of material issues and GRI content reported.

Our commitment is to issue objective opinions about the report quality and the presentation of the information, taking as reference International Standards, such as: Ethical Principles of Independence of ISAE 3000; and *The external assurance of sustainability reporting of GRI*.

Activities for the verification

Our verification process covered the following activities:

- Interview with the organization personnel.
- Visualization of information management and control systems.
- Understanding of the organization processes.



- Verification of qualitative and quantitative information through visual, documentary and public evidence of the verified indicators.
- Reports comparison from past years regarding the presented information.
- Comparison of reports from past years regarding the information presentation.

Conclusions

During the report verification process did not found any factor that allows us to consider that:

- The Integrated Annual 2018 Report has not been prepared in accordance with the Comprehensive option of the GRI Standards and the Principles related to the definition of the content of the report have not been complied with.
- The information control of the company is not optimal to present quality information.
- The 2018 Integrated Annual Report contains erroneous data.
- The published data does not comply with the principles of precision, balance, quality, comparability, reliability and punctuality.

Recommendations

An internal report, exclusive for the client, is delivered separately, containing the areas of opportunity detected for future reports.

Alma Paulina Garduño Arellano

Redes Sociales en Línea Timberlan S.A. de C.V

Pico Sorata 180, Jardines en la Montaña,

Tlalpan, C.P. 14210, CDMX.

T. (55) 54 46 74 84 [paulina@redsociales.com](mailto:paulina@redsociales.com)

April24, 2019

Redes Sociales LT Independence and competence statement.

Redes Sociales employees have the competence level necessary to verify the compliance with standards used in the preparation of Sustainability Reports, so they can issue a professional opinion of non-financial information reports, complying with the principles of independence, integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. In no case our verification statement can be understood as an audit report and therefore no responsibility is assumed for the systems and processes of management and internal control from which the information is obtained. This Verification Letter is issued on April, 17th two thousand and eighteen and is valid as long as there are no subsequent and substantial modifications to the Grupo Rotoplas, S.A.B. de C.V. y Subsidiarias Annual Integrated 2018 Report.



## CONTACT INFORMATION

(GRI 102-1, 102-3, 102-5,  
102-53)

### **Grupo Rotoplas, S.A.B. de C.V. y subsidiarias**

Headquarters  
Calle Pedregal No. 24 piso 19.  
Col. Molino del Rey.  
Del. Miguel Hidalgo.  
Zip Code 11040, Mexico City

+52 (55) 5201 5000

### **INVESTOR RELATIONS**

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Mariana Fernández  
[mfernandez@rotoplas.com](mailto:mfernandez@rotoplas.com)  
[agua@rotoplas.com](mailto:agua@rotoplas.com)

### **SUSTAINABILITY**

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Abraham Jacobo Pineda  
[apineda@rotoplas.com](mailto:apineda@rotoplas.com)



**rotoplas.com**



**Rotoplas**

WE ARE  
CLARITY  
DYNAMISM  
STRENGTH  
IMPULSE  
REFLECTION  
MOTION

ANNUAL INTEGRATED REPORT

2018



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TO ADDRESS CHALLENGES

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