



Sustainable Bond Report **AGUA**

17X y 17-2X



Report on the **AGUA** 17X and 17-2X **Sustainable Bond**

At Grupo Rotoplas, we develop solutions for water and sanitation needs in the region and we favor the availability and quality of this resource for consumption in households, workplaces, and education centers. Moreover, through treatment, we enable the reuse and improvement of the conditions under which water returns to the environment.



In 2017, we issued the first sustainable bond in Latin America; this bond has had two issuances (respectively, under tickers AGUA 17X and 17-2X), totaling \$2 billion pesos. In 2018, we launched a reopening of the second issuance for an additional \$1 billion pesos. In all three events, demand has exceeded the offer by close to four times.

The goal of raising funds is to finance and refinance sustainable initiatives that improve access to water and sanitation. The bond's framework is aligned to the Green Bond and Social Bond Principles, as well as to the guidelines for Sustainable Bonds, and was rated by Sustainalytics as the independent third party.

The corporate bond program has enabled us to strengthen the long-term financial structure. The use of the resources has aligned to the company's Sustainability Strategy, committing to the development of water solutions with positive

social and environmental impacts that will in turn contribute to the achievement of the Sustainable Development Goals (SDGs).

The Corporate Practices and Strategy Committee oversees the selection of the projects to which the resources from the Sustainable Bond will be allocated, and it is comprised by 3 independent board members. The resources obtained are destined to the development of solutions under 4 categories, depending on the objective they seek: 1) Drinking water supply, 2) Water storage, 3) Sanitation and domestic wastewater treatment, and 4) Wastewater treatment and recycling.

By the end of 2019, we had used 80.5% of the net resources obtained through the Sustainable bond issuances. Of the sum used, 18.5% was destined to drinking water solutions (Category 1) and the remainder 62.0%, to water and wastewater treatment (Category 4).

As a highlight outside the period covered by this Report, we should note that in February 2020, we held the **second reopening of the AGUA 17-2X issuance** for a total of \$1.6 billion pesos, where demand exceeded the offer by 3.04 times. We will report on the use of said resources in the next Sustainable Bond review.

¹ 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).

Below, we present the main indicators related to the use of these resources and the results by solution. These figures are the accrued allocation of resources since the first projects in 2016.

CATEGORY 1 Drinking water solutions

PURPOSE

To provide access to clean water for 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.

130,901,747 liters	1.1 Purified water (liters of purified water for human consumption)
1,147,962 children (students)	1.2 Children benefited (school enrolment)
123,864 people	1.3 People benefited by the drinking water service (dispensers and purifiers) ²
21,077 tons	1.4 Reduction of CO2 emissions compared to PET bottled water ³

The amount of purified water translates into the sum of the operation of our drinking water fountains (since the first installations in 2016)⁴, dispensers, and purifiers (institutional and domestic drinking water service, respectively, since 2017)⁵.

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.

22,254,825,600 liters	4.1 Treated water
7,789,188,960 liters	4.2 Reused water

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

² It is obtained from the total dispensers as at December 2019 * average number of users per dispenser; likewise for purifiers.

³ It is obtained from the total liters purified divided by 0.5 to identify the number of 500ml bottles and multiplied by 82.8 grams of CO2 per bottle, and the result is converted from grams to tons. Finally, the amount of emissions in tons generated by Rotoplas' purification solutions are subtracted from the avoided tons.

⁴ It is obtained from the number of drinking fountains installed * average days of operation (up to December 2019) * average number of users * average water consumption per user per day.

⁵ 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.

Sustainable bond Certification letter



Grupo Rotoplas SAB

Type of engagement: Annual Review

Date: March 2020

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Introduction

In 2017, Grupo Rotoplas SAB ("Rotoplas") issued a sustainability bond aimed at financing and refinancing environmentally and socially beneficial projects. In March 2020, Rotoplas engaged Sustainalytics to review the projects funded through the issued sustainability bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Rotoplas Sustainability Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2017, 2018 and 2019 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"> • Descriptions of projects including the need for such infrastructure in various communities • Number of water fountains installed • Number of schools benefitted • Volume of water (m³) purified
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"> • Descriptions of projects including the need for such infrastructure various communities • Volume of water (m³) captured/stored
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"> • Descriptions of projects including the need for such infrastructure various communities • Number of sustainable bathrooms installed by region • Number of self-clean biodigesters installed by region • Number of households benefitted
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"> • Descriptions of projects including the need for such infrastructure various communities • Volume of water (m³) treated/recycled

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

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

Independence and Quality Control

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

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

Conclusion

Based on the limited assurance procedures conducted,¹ 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 80.5% of the proceeds of the sustainability bonds were allocated as of December 31, 2019.

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 and 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 and 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

¹ 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, 2019)
1. Drinking water solutions	
Litres of water purified	130,901,747
Children benefitted through the installation of water fountains (school enrolment)	1,147,962
People benefitted from PoU purification (users)	123,864
Tons of avoided CO ₂ emissions versus bottled water made from PET	21,077
4. Water and Wastewater Treatment	
Litres of water treated	22,254,825,600
Litres of water reused	7,789,188,960

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.

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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

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