

SUSTAINABLE
BOND
REPORT
AGUA
17X y 17-2X



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 America⁶ 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.**

⁶ 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).

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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 63.7% 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.



AGUA 17X AND 17-2X SUSTAINABLE BOND REVIEW

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)⁷

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)⁸, dispensers and purifiers (institutional and domestic drinking water service, respectively, since 2017)⁹.

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.

⁷ It is obtained from the total dispensers as at December 2018 * average number of users per dispenser; likewise for purifiers.

⁸ 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.

⁹ 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: April 2019

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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 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"> • 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

		<ul style="list-style-type: none"> • Volume of water (m3) treated/recycled • 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 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

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, 2018)
1. Drinking water solutions	
Litres of water purified	77,500,307
Children benefited 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.

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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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