



ANNUAL INTEGRATED REPORT 2019

Transformation

Rotoplas



What is **transformation?**

Transformation is about evolution and change, from the simplest aspects to the most complex. We change the way we do things and our cells renew so that we can continue to grow. **Our capacity to transform ourselves goes further, so substantial that it forever divides before and after.**

We have transformed the water industry, here at Rotoplas. Now we are challenging ourselves once again. We are transforming ourselves from within to reach our maximum potential, to become the ally **that addresses every water need with services and products of the highest quality.**

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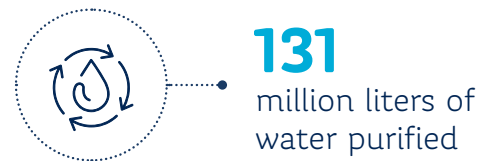
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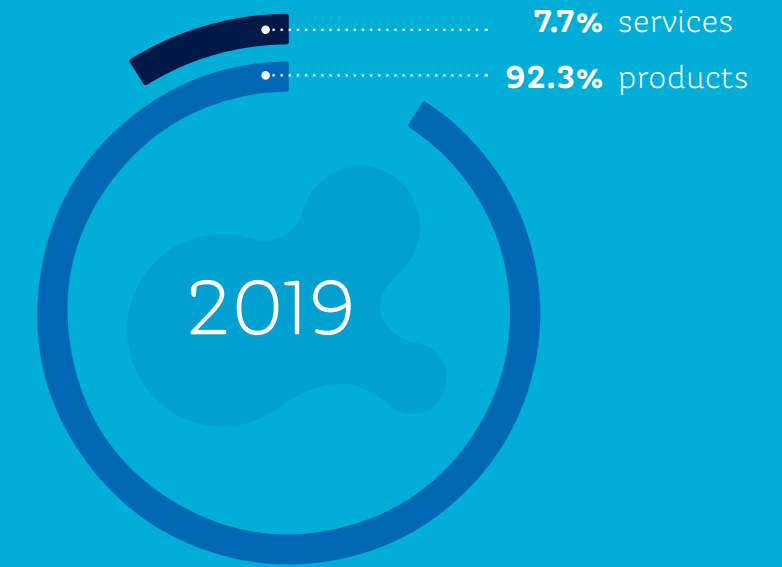
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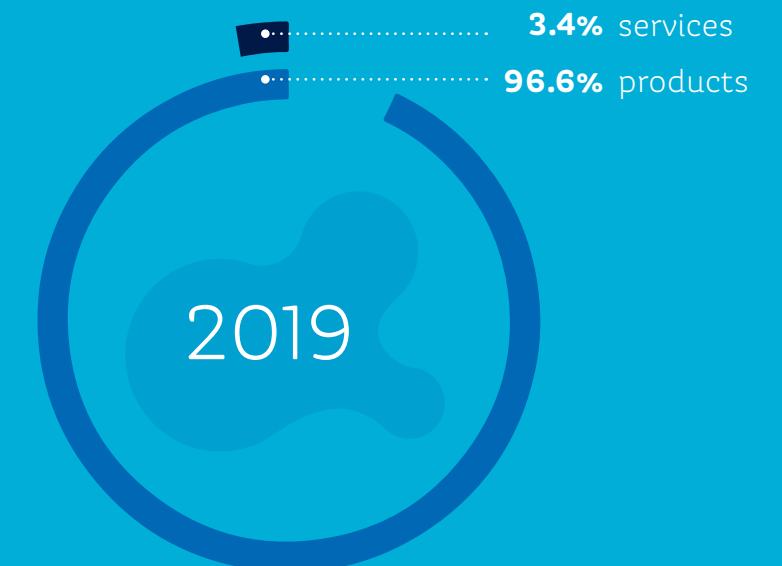
(GRI 102-7)



REVENUES BY SOLUTION



EBITDA BY SOLUTION



1 The difference compared to 2018 is due to the sale of the 3 rotomolding plants that we owned in the U.S.

2 Grupo Rotoplas plants also serve as distribution centers.

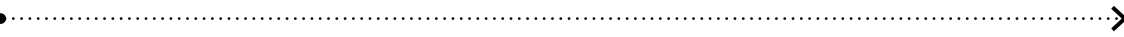
3 Net profit before discontinued operations.



Milestones

❖ **Launch of the Diversity Policy**, which encourages equal treatment and respect for every employee integrity.

❖ **Alliance with Imagine H2O**, an internationally renowned accelerator for water-related projects, to foster third-party innovation.



January - March

❖ **Appointment of Carlos Rojas Aboumrad by the Board of Directors as new CEO**, as part of the succession plan and in order to give continuity to the business development.

❖ **Renewal of the Board's composition**, including the appointment of three new members. Strengthening of generational and gender diversity; as well as an increase of representation of other markets outside Mexico.

❖ **Inclusion for the first time in the S&P/BMV Sustainable Index** of the Mexican Stock Exchange, a national sample of the issuers with the best performance in sustainability matters.

❖ **Adhesion to the CEO Water Mandate**, an initiative fostered by the United Nations and comprised by a group of leading companies committed to encouraging water management and the wellbeing that this resource brings to society.

❖ **Creation of the Center of excellence in user experience**, to strengthen the knowledge on how to use our solutions and incorporate them into innovation processes.

❖ **Cash reimbursement to shareholders** in the amount of \$0.38 Mexican pesos per share.



April—June



❖ **Development of the first edition of the *Hablemos de agua* open forum**, organized by Grupo Rotoplas, with the participation of experts in water and climate change.

❖ **Volunteer program in Mexico**, where employees carried out a reforestation activity in the Desierto de los Leones area.

❖ **Asset sale of three rotomolding plants in the U.S.**, to focus our efforts on strengthening the e-commerce platform.

❖ **Launch of Flow**, an organizational transformation program focused on the business' growth and profitability.

❖ Rotoplas was included for the **third consecutive year in the DJSI MILA Pacific Alliance Index**, which acknowledges the most sustainable companies in the region.



July—September



❖ **Launch in Mexico of the "Gana más con Rotoplas" loyalty program**, targeting plumbers and retailers, based on the Club IPS program in Argentina.

❖ **Launch of the Climate Change Strategy**, which includes the company's priorities for addressing the challenges and the opportunities that global warming brings.

❖ **Fitch ratified Grupo Rotoplas' 'AA(mex)' rating** with a stable outlook.

❖ **S&P Global Ratings confirmed the 'mxAA-' rating** with a stable outlook.

❖ **Startup of the first Electrochemical Advanced Oxidation Plant** resulting from the partnership agreement with the Advanced Studies Research Center of the *Instituto Politécnico Nacional* (Cinvestav-IPN), destined to sanitize the water of the *Chalco Canal* (Mexico City).



October—December

Letter from the **Executive Chairman**

(GRI 102-14, 102-15)

This has been a key year for Grupo Rotoplas, as we have entered a new growth stage for the company.

Supported by an intense organizational transformation program, we have bolstered our strategic focus on growth as well as profitability, while maintaining at the forefront our company purpose that has served as a guiding principle since the onset at Rotoplas: **for people to have more and better water.**

On a personal note, 2019 has been especially important as I have passed the baton of CEO after 30 years to Carlos Rojas Aboumrad, as part of a succession plan that was previously announced. The decision was supported unanimously by the Board of Directors and will ensure continuity and sustainable development for Grupo Rotoplas in the long term.



Carlos Rojas Mota Velasco

Executive Chairman of the Board



It has been an honor to build Rotoplas together with all of you to create the great company that it is today. It gives me enormous satisfaction to share our evolution and track record over the past three decades; we have innovated and penetrated numerous markets with high-quality products and services, while continuously improving technology as we overcome market challenges.

I am proud to see how Rotoplas has evolved from a company focused on a single product in Mexico City to a **market leader with a range of water-focused products and services in 14 countries throughout the Americas**. Today we are pioneers in green finance and recognized as a social, environmental and governance leader in Latin America.

I look forward with keen enthusiasm to sharing all my knowledge and experience to ensure the success of our CEO by providing support to develop future business strategy from my position as Chairman of the Board.

The long-term vision of Rotoplas in the current challenging scenario requires corporate governance that is diverse in profile, knowledge and experience. This is why, in 2019 twelve members of the Board of Directors were ratified and three new directors were appointed. Under this new structure, we increase the participation of independent members and achieve greater geographic diversity, in line with our operations. Likewise, we have progressed **in our commitment with gender and generational diversity**.

We have made important progress this year, consolidating positions in markets where we operate. We are confident of our international strategy; we observe the evolution of each market, constantly strengthening our teams, and diversifying our portfolio to increase operating efficiency and provide clients with a higher-value experience.

At Grupo Rotoplas, we maximize the way our **solutions contribute to the development of society**. We tackle the challenges of water access and sanitation, especially in areas where infrastructure is insufficient due to population growth.

In line with our commitment as a sustainable company, we promote the efficient use of materials, renewable energies and design optimization of our products and services in accordance with the circular economy. The incorporation of recycled resins in our processes highlights our innovation and technology as these materials maintain the same quality as virgin resins. Likewise, we will continue to evaluate the water and carbon footprint of our operations and principal products to strengthen our actions to combat climate change.

With this report, we invite you to become further acquainted with our economic results and the shared social, environmental, and governance value that we have created throughout the year.

Best regards,
Carlos Rojas Mota Velasco
Executive Chairman of the Board



**Carlos Rojas
Aboumrad**
CEO

Letter from the CEO

(GRI 102-14, 102-15)

I'm very pleased to present the balance of an intense year of work, **thanks to a firm commitment from the entire team at Grupo Rotoplas.**

In May, I took over as CEO, deeply honored and driven to continue contributing to the purpose of this great company, which I have been a part of for over 15 years.



After an extensive diagnosis of the Group in 2019, we launched **Flow, the organizational transformation program** that creates a roadmap for the coming years that allows us to strengthen our business model. Flow sets the primary goal of growing profitability, focused on optimizing ROIC and maintaining the guiding principles of sustainability, organizational health, innovation, customer/user experience, and digital technology.

Flow develops a work culture that fosters innovation and continuous improvement at every level of the company. Together with stakeholders, we coordinated technology skills to collaboratively explore and meet needs related to water in a decentralized and sustainable manner.

Within the analysis of our operations, we **mapped asset performance** by business unit and geography, developing action plans to trigger growth or consider possible divestments. In the United States, we closed a deal with a strategic ally for the sale of manufacturing assets, while maintaining an appealing supply agreement for both parties. This divestment helped us strengthen our balance sheet and reduce our net debt position.

In 2019, despite a challenging environment in Latin America, we increased our EBITDA margin, improved ROIC, and optimized working capital. These

results confirm the resilience of our business model, and I believe we are at a turning point with the company's financial performance.

Continuing with a disruptive growth strategy, we have outlined three key income sources for the coming years: the optimization of our current product portfolio, services in Mexico, and our e-commerce platform in the United States.

Throughout the year, we focused on our product line with a business model that provided stability despite a lack of economic growth in the region. Demand for these products is relatively inelastic since they provide solutions to basic needs, such as access to water and sanitation.

With our services platform, our main motivation is to offer quality water solutions for companies and families that also decrease environmental impacts. During 2019, *bebbia* – a subscription-based drinking water service – doubled the number of clients to over 18,000 points of purification.

Likewise, in our water treatment and recycling plants, we have diversified our client base, expanding our product supply to new industries and complementing our value proposition with rainwater harvesting and desalination.



As part of the relevant milestones and within the framework of our Sustainability Strategy, we have identified the company's principal risks and opportunities related to **climate change**, proposing a comprehensive strategy that contributes to the fight against global warming.

Given our knowledge of efficient use of energy and materials based on the principles of the **circular economy**, we have made particular progress in the use of recycled resins to manufacture our storage products.

The strong commitment to sustainability has enabled us to enter the Mexican Stock Exchange's **IPC Sustainable Index** and be part of the **Dow Jones Sustainability MILA Pacific Alliance** Index for the third consecutive year.

Likewise, this year, we ratified our adhesion to the CEO Water Mandate, continued to progress in the implementation of The Ten Principles of the United Nations Global Compact, and sought to maximize our contribution to the Sustainable Development Goals (SDG).

Looking forward, we envision that the key to bolster our leadership in the countries where we operate is a deep understanding of clients, the expertise to develop decentralized solutions, innovation of our products and services, digital technology, and sustainability.

Finally, I believe we have all the tools and talent to capitalize on the global trends in the water industry to propel a financially sustainable business model that will lead to a positive effect on society and the environment.

Regards,
Carlos Rojas Aboumrad
CEO



Rotoplas at a glance

At Grupo Rotoplas, **we are leaders in the development of products and services to solve the challenges faced throughout the water cycle.** Our solutions include storage, waterflow, sanitation, treatment, and recycling of this resource. Thus, we improve the quality and solve intermittent water supply, combining our expertise with the potential for innovation.

Water is essential to life, and at Rotoplas we are committed to care for it, improving people's day-to-day lives.



Values

(GRI 102-2, 102-16)

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.



Service-oriented attitude

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



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 are present.



Humility

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



Passion for Business

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



Integrity

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



Solutions

(GRI 102-2, 102-6)

We offer the population a broad range of **products** and **services**, designed specifically for a better use of water.

We reach our end users either directly or through our allies in distribution, retail, installation, and maintenance, sharing the value generation in the end-to-end process.





Products

We offer products for **water management in rural and urban spaces**, to meet the needs of storage, waterflow, and improvement. We also have auto-sustainable solutions where, by combining various Rotoplas products, a system is created to solve a specific issue of the water cycle, such as sanitation or rainwater harvesting.

The primary clients are home improvement stores, hardware stores, construction companies, non-government agencies (NGOs), among others, through which the products solutions are made available to end users.

In 2019, we should note **the overhaul of the storage category, where we incorporated a change in the manufacturing process, using induction,** which translates into greater energy efficiency.



STORAGE

- ✦ Water tanks
- ✦ Cisterns
- ✦ Industrial and agricultural ✦ Storage tanks for Water and Chemicals ✦ Inductor tanks ✦ Horizontal tanks ✦ Feeders

WATERFLOW AND PRESSURIZATION

- ✦ Pipes ✦ Hydraulic Tuboplus pipe ✦ Tuboplus Fortech-CT® pipe
- ✦ Plastic Bolts and Connectors
- ✦ Valves
- ✦ Pumps ✦ Hydropneumatic Systems ✦ Centrifugal Pump ✦ Peripheral Pump ✦ Submersible Pump ✦ Circulation Pump
- ✦ Sanitary Catch Pits

IMPROVEMENT

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

AUTO-SUSTAINABLE

- ✦ Rural Rainwater Harvesting System
- ✦ Urban water harvesting
- ✦ Outdoor toilet with biodigester



Services

With particular emphasis on **users' needs**, we provide:



WATER TREATMENT AND RECYCLING SERVICES

contracts for the construction and operation of water treatment plants.



For customers from various industries, we offer a water treatment plant design, construction, operation, and maintenance plan to match their hydric and wastewater needs. This solution can further be complemented with rainwater harvesting systems.

-
- ❖ Wastewater Treatment Plants, Post-Industrial Water, and Pre-consumer Water
 - ❖ Water Purification Plants
 - ❖ Water desalinating plants
 - ❖ Rainwater harvesting systems for industries (complement for water treatment plant)



Services

With particular emphasis on **users' needs**, we provide:



PURIFIED DRINKING WATER SERVICES

subscription and monthly rental plan for the residential and institutional sector, in addition to drinking water fountains for schools.



The drinking water platform, under the *bebbia* brand, includes customized purification options that match the water quality in the end user's location. It also considers the initial installation and periodic maintenance of the selected solution. With this plan, we make drinking water available for homes, offices, and industries.

Moreover, we provide installation and maintenance of drinking water fountains in schools.

- ❖ Residential and commercial; drinking water service (*bebbia*)
- ❖ Drinking water fountains for schools

During 2019, **bebbia doubled its revenues** and went from having a base of 8,500 purification points installed in 2018 **to over 18,000 in 2019**. Moreover, the platform is present in 107 municipalities in Mexico.



Distribution Channels

(GRI 102-2, 102-6)

We aim to make our solutions available anywhere and anytime users require them, **so we have diversified the marketing options of our product portfolio.**

Besides selling through third parties, organized retail, and other specialists (e.g. hardware stores), we are adding direct commercialization through our own e-commerce platform. Available in the U.S., this is a hybrid model evolving from physical sales to online sales. It includes the sale of third-party storage products for residential, industrial and agricultural use.

As for services, we have specialized commercial teams within the company through which we cater to businesses, companies, and/or families directly.



e-commerce platform in the United States

Products of different brands and suppliers are sold through our websites. These websites are also supported by **a specialized call-center and seven boutique stores, which also act as showrooms and product product-pickup facilities.**

From Grupo Rotoplas, we manage both commercialization and logistics.

The platform is leader in online sales of water storage products.



Our presence

(GRI 102-2, 102-4, 102-6)

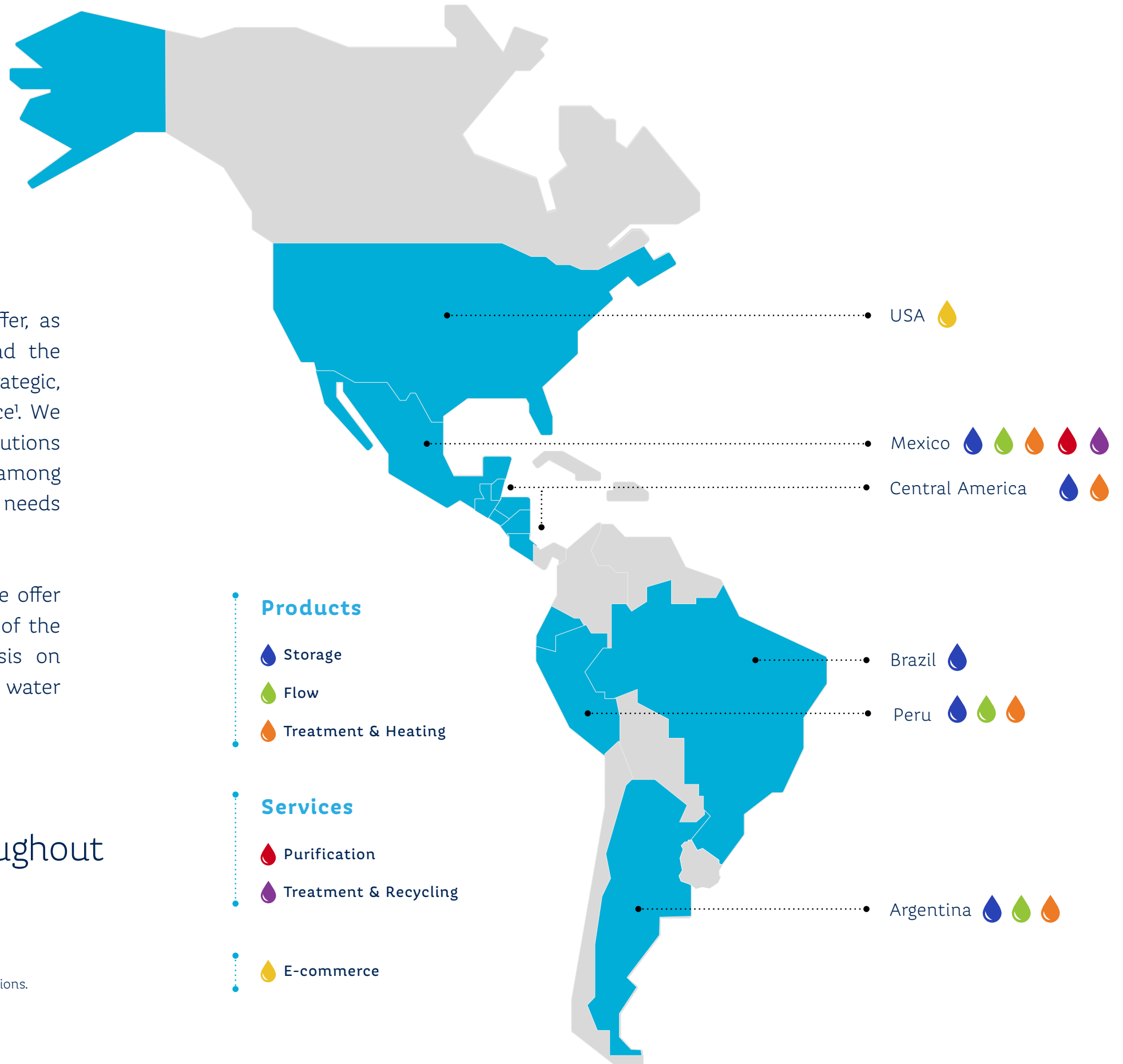
The growing range of solutions that we offer, as a result of investments in innovation and the incorporation of companies identified as strategic, has strengthened our international presence¹. We have worked on the consolidation of the solutions portfolio for each country, seeking synergies among the various product categories based on the needs and potential of the different markets.

In the case of services, we are maturing the offer in Mexico in order to spread it to the rest of the continent later, placing particular emphasis on Peru and Brazil for the development of water treatment and recycling plants.



Presence in 14 countries throughout the American continent.

¹ In 2019, the innovation centers in Canada and Chile ceased operations.





The strategy in **Mexico** focuses on maintaining leadership in products and boosting the service platform. Regarding products, efforts have focused on improving the marketing models, processes for delivery to retailers, and end customer/user service.

In services, the water treatment and recycling plant portfolio of clients has been expanded to reach various industries. In purification, *bebbia* has reached 107 municipalities in Mexico and doubled its user base, totaling over 18,000 clients.

In **Argentina**, we made progress in the management of IPS, a waterflow company we acquired in 2018. We have placed special emphasis on increasing exports, as well as on making the operations more efficient and increasing our presence, always focused on safeguarding the business' profitability.

As part of the marketing strategy, we should note the cross-selling pilot tests where we use a model of single sales teams in charge of commercialization, technical assistance and collection involving all three categories (storage under the Rotoplas brand, waterflow under IPS, and water heaters under the *Señorial* brand).

Within the water heater category, we launched a middle-range line to complement our initial offer focused on the premium segment. In the **United States**, following the manufacturing asset sale of the three rotomolding plants in July, we have focused on the e-commerce platform, due to its territorial scope and growth potential.

In **Peru**, we maintain our market leadership in storage solutions and we are working on the development of the waterflow segment, supported by the export platform in Argentina and Mexico. Within the water heater marketing model, we should note installation process, where we work with allies, managing to install 72% of total orders in under 24 hours after the purchase.

In **Central America**, we continued with the efforts to develop the heater offer, following the inroads we made in 2018, and we are exploring further diversification of the solutions portfolio and business segments served.

Through our Acqualimp brand, in **Brazil**, we developed a new line of open water tanks, which enables us to offer a broader range of products to retailers and strengthen our presence in the point of sale.



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 America¹; 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).

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).

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.

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 CO ₂ 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
Project Lead: Jonathan Laski, Project Manager, jonathan.laski@sustainalytics.com, +1(647) 264 6640

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.

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

Or contact us info@sustainalytics.com



We transform
ideas



into actions

Under the premise "**for people to have more and better water**", we seek to generate a positive impact that transcends and contributes to more sustainable societies. más sustentable.

Organizational transformation

Our path as a company is marked by the offer of innovative and high-quality solutions, the internationalization of operations, and the diversification of the portfolio to products and services. Likewise, in the last four years, we have incorporated some companies into the Group through acquisitions to complement and strengthen our presence.

During 2019, a new way of operating was outlined, which will give us the strength to face the coming years. This will be done through an organizational transformation program that is based on our track record and recurring operations, but that also meets the needs of a larger company, with a complete portfolio of solutions and presence in various markets.

Thus, in late 2019, the **Flow Program** was launched, with the initial goal of increasing the return on invested capital (ROIC) to the levels of the weighted average cost of capital (WACC), prioritizing the creation of economic value and thus contributing to the business' sustainability in time.

MAIN PILLARS OF THE TRANSFORMATIONAL PROGRAM, **FLOW**:

- ✦ Increase the **profitability of the current portfolio** through revenue, cost, and working capital levers.
- ✦ Execute **growth initiatives**, fine-tuning capital allocation decisions.
- ✦ **Improve organizational health** addressing change management, accountability, and identifying main areas of opportunity through surveys.

- ✦ Open innovation
- ✦ Synergies in the portfolio
- ✦ Expense control
- ✦ Operating efficiency
- ✦ Focus on sustainability
- ✦ Talent development
- ✦ Distribution capacity

FLOW

- ✦ Development of business cases
- ✦ Cost-benefit ratio
- ✦ Prioritization of initiatives
- ✦ Diligences in execution
- ✦ Monitoring by top management
- ✦ Multidisciplinary-interarea talent integration



Leadership



Growth



Profitability



Capacities

➤ Client/user orientation ◀

Flow Transformation Program



ENHANCE PERFORMANCE OF CURRENT PORTFOLIO

Revenue levers

- ✦ Price & volume optimization

Cost levers

- ✦ Material procurement
- ✦ Manufacturing efficiency
- ✦ Distribution costs optimization

Working capital levers

- ✦ Inventory levels optimization
- ✦ Customization of accounts receivable & accounts payable policies



GROWTH INITIATIVES

Improve **quality and execution on growth opportunities**

Main opportunities

- ✦ Cross Selling
- ✦ Boost the water-as-a-service platform
- ✦ Bolster growth of the e-commerce platform

Improve **capital allocation decisions**



IMPROVE ORGANIZATIONAL HEALTH

Change management

Project diligence and accountability

Organizational climate revision through OHI and GPTW Surveys

The initial stage of the Flow Program was a comprehensive diagnosis of the company to locate areas of opportunity and levers to maximize profitability and boost growth. Subsequently, all the Group's areas participated in defining the new initiatives, which are backed by a business case quantifying the economic return. Said business cases were put to test to prove their viability. Finally, the areas in charge of the work were aligned, as were the support teams and the timeline for the milestones.

The program also includes a new work discipline emphasizing the monitoring of each stage, from the idea stage to the implementation and quantification of the impact achieved.

As part of the Flow initiatives and within the capital allocation decisions, in July, the manufacturing assets of the three U.S. plants were sold to focus efforts on the e-commerce platform in that country. Moreover, the transaction contributed to strengthen the balance sheet and increase returns on invested capital (ROIC).

The set of initiatives implemented throughout the year under Flow led to a 250 bp increase in ROIC by yearend 2019.

¹ More information in the section called Our Presence (chapter Rotoplas at a glance).

Business model

(GRI 103-2, 103-3)

At Grupo Rotoplas, our goal is to facilitate access to decentralized water and sanitation solutions that improve people's quality of life.

In the last few years, we have driven the growth of the service platform and strengthened the product portfolio with ongoing innovation. Our current conception of the water solutions bets on an **integral value offer and the achievement of customer satisfaction**.

Within the products business line, we are present in various points of interaction during the user's experience. Thus, directly or through our allies,

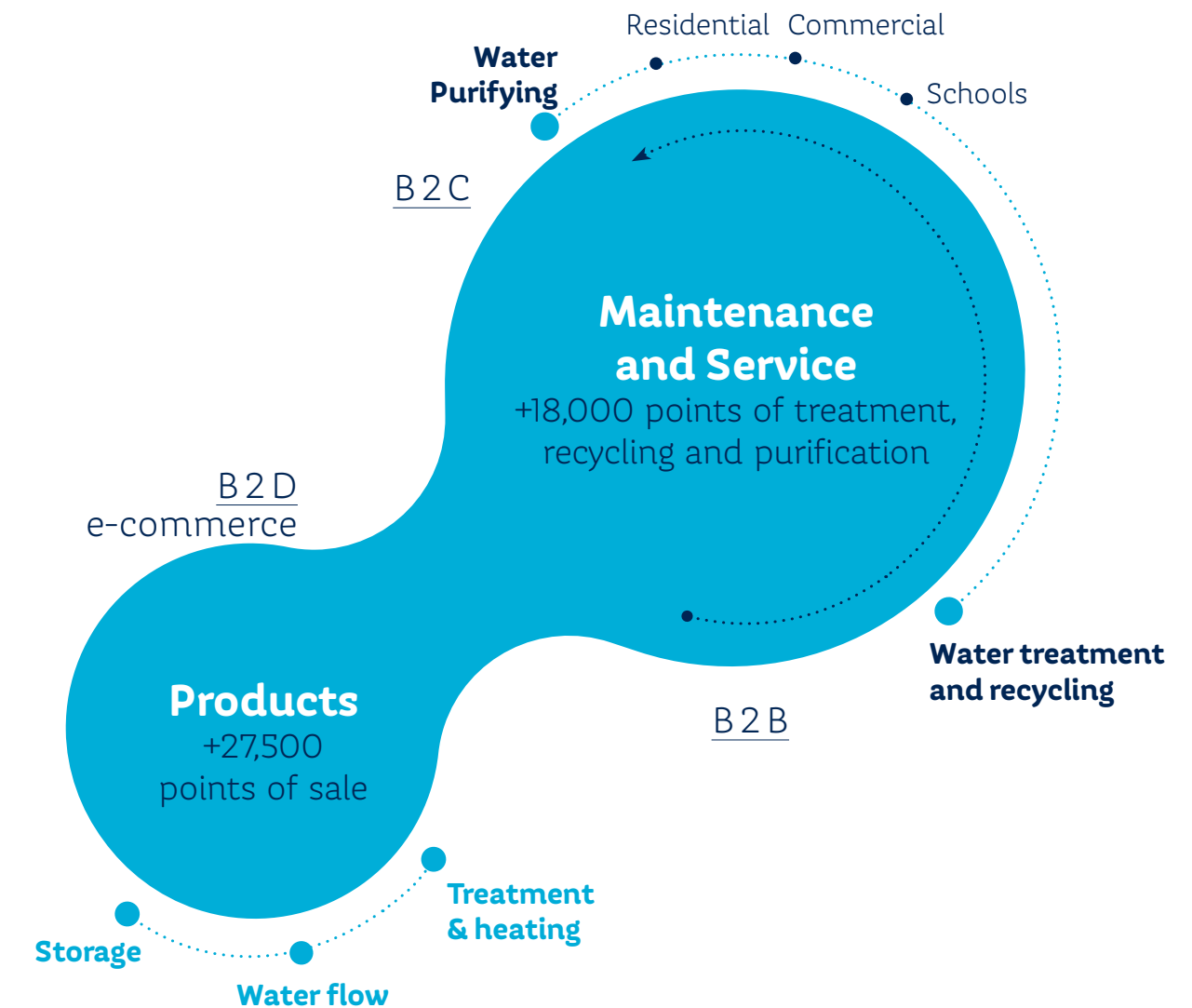
we offer diagnoses, advisory, installation and maintenance services, and customer service. As for services, our offer is unique and innovative, as it covers a drinking water platform under a subscription and monthly rental model, known as **bebbia**. Furthermore, it includes the installation and maintenance of drinking water fountains, as well as contracts for the design, construction, operation, and maintenance of water treatment and recycling plants.

With these solutions, Rotoplas becomes a reliable partner to meet the needs of a society concerned with water quality and environmental protection.

TODAY



EVOLUTION



B2B BUSINESS TO BUSINESS
B2C BUSINESS TO CONSUMER
B2D BUSINESS TO DISTRIBUTOR



Our business model is based on the identification and understanding of **users' needs**. However, in order to be able to deliver a **higher-quality experience**, we have done an in-depth analysis of our operating method, triggering changes in our processes, our market approach, and our relations with our value chain.

In the year, we began to create the **User Experience Center of Excellence**, to institutionalize the understanding of our users through innovation methodologies, data analytics and the identification of design opportunities. Moreover, this center's mission is to promote a client/user-focused culture within the company.

We have integrated the user focus into our various Macroprocesses. In the case of Innovation to Market (ITM), this outlook extends to the various stages, from detecting the need, to understanding the user, designing our solutions, agile iteration, marketing through various channels, service during the user experience, and monitoring customer satisfaction levels.

❖ **The detection of a need** stresses the discovery of points that are relevant to the end user, based on the various ways in which that user interacts with water.

❖ **The design** of the solutions focuses on the added value for the user, either in the home or industry, targeting ongoing improvements based on innovation.

❖ **Agile iteration** consists in generating viable prototypes that go on to be validated by the user, so feedback is obtained during the design process, ensuring a delivery of value for users.

❖ **Selecting and interacting with suppliers** seeks to develop top-quality products, including the joint work on innovating raw materials.

❖ **Product manufacturing**, we work in strict adherence to quality standards, focused on process efficiency and the knowledge provided by the company's experience.

❖ **Distribution to market** is done through multiple channels. Regardless of whether marketing is direct (services) or through third parties (products), we ensure that users have at their disposal the most adequate solution for their needs.

❖ **We reinforce users' experience** with the installation and/or maintenance through specialized third parties, whom we support with training and development plans.

2 Greater detail in the section on Innovation management (Chapter on Innovation, Quality, and Efficiency).

Bebederos

Solución de agua para beber
cambiar nuestra forma de hidratarnos



Bebedero ABS



Bebedero Slim



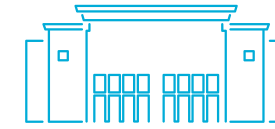
Bebedero Maguey



Bebedero Inox



SALES AND DISTRIBUTION CHANNELS



Organized trade: including self-service stores, department stores, price clubs, and convenience stores.



Retail: including hardware, plumbing, finishes, materials, and retail stores.



Direct: marketing our solutions through Rotoplas direct sales.



Distributors: sales points devoted to marketing products for construction in general (government and construction sales).



e-commerce: marketing through online platforms.



The integrality of the experience that we aim users to have is particularly noteworthy in:

Drinking water service, under the *bebbia* brand. We provide residential or corporate/institutional purification equipment under a monthly subscription plan. Rent includes a diagnosis of water quality, installation, and maintenance, as well as the periodic replacement of filter cartridges through a network of external specialists who receive training from Rotoplas.

We offer a customized solution, as we consider the water characteristics in each location. This is possible due to the development of **Ojo de agua**, Grupo Rotoplas' own intelligence platform, which has a database on the hydric resource quality in different geographic areas of Mexico.

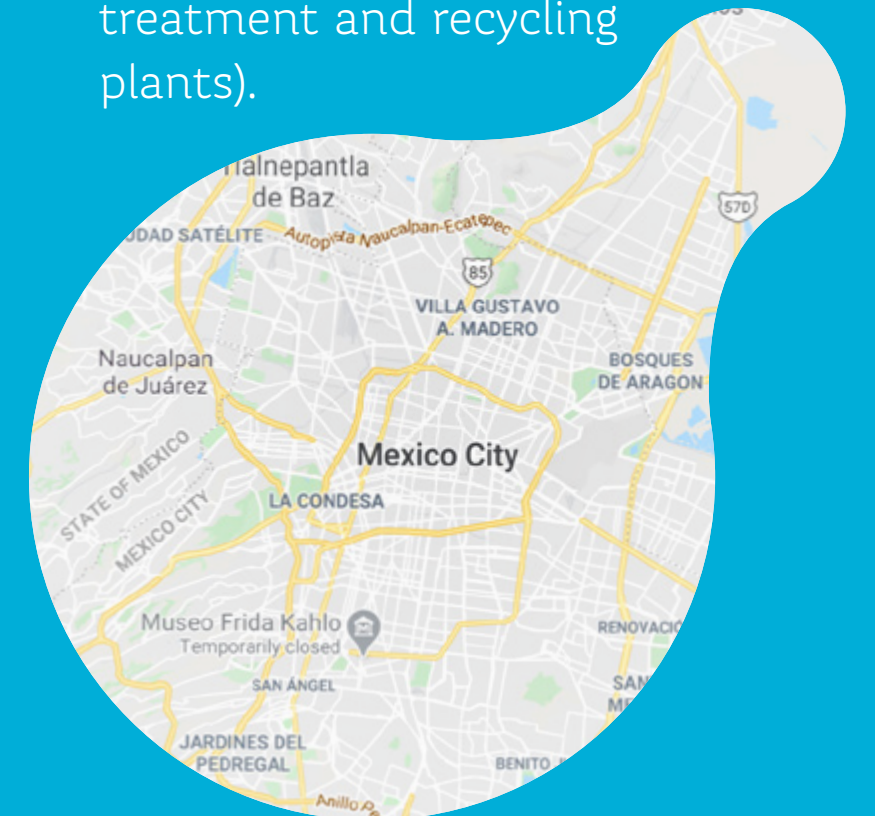
Drinking water fountains for public spaces, particularly schools, parks, and hospitals. We provide diagnosis, installation, and maintenance through a network of local technicians who have been trained by Grupo Rotoplas.

Water treatment and recycling plant service. We are in charge of designing and building treatment plants for various industries, in addition to operating them and giving maintenance with our own specialized personnel.

Water harvesting service for large rooftops a novelty this year. We calculate average rainfall and the amount of rainwater harvested based on the geographic region; thus, we design and offer rainwater harvesting solutions to supply industrial warehouses, shopping centers, and supermarkets, among others. We complement this offer with water treatment and recycling solutions. Thus, we help clients to diversify their supply sources.

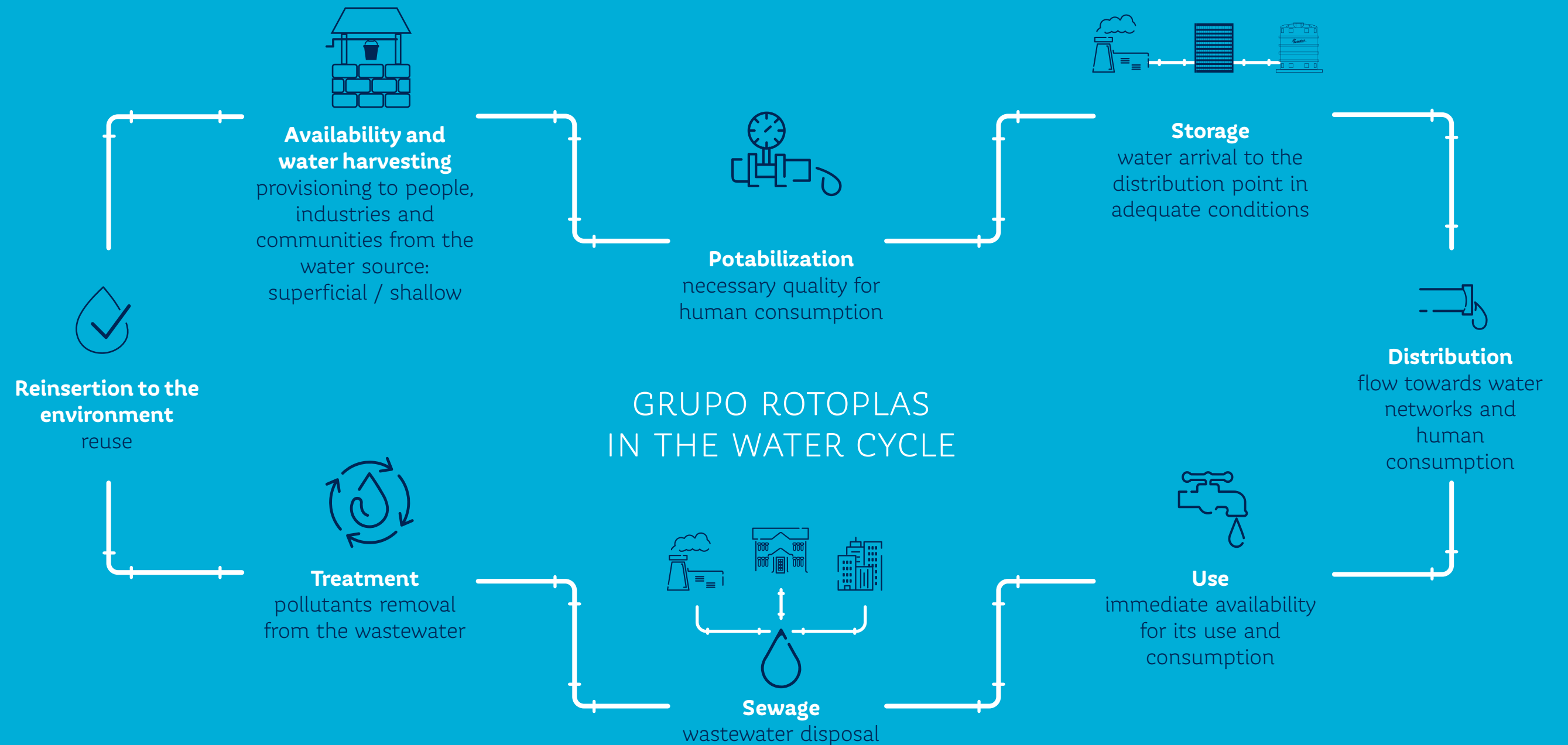
Ojo de agua

Technological platform for identification, sampling, and algorithmic prediction of the amount of water per geographic point in Mexico. It enables us to provide specific and customized solutions for each client within the water as a service platform (*bebbia*, water drinking fountains, and water treatment and recycling plants).



Our products and services position us as a solid company, key supplier of water and sanitation, with **solutions present throughout the water cycle**. We contribute to water accessibility through storage and waterflow. Moreover, we facilitate its

use efficiency and the possibility of reuse through treatment and recycling; in this way, we contribute to the reduction of extraction from the natural environment and to ensure that water discharge is done in favorable conditions for the environment.



Sustainability Strategy and progress

(GRI 102-13, 102-16, 102-18, 102-20, 102-21, 102-22, 102-26, 102-40, 102-42, 102-43, 102-44)

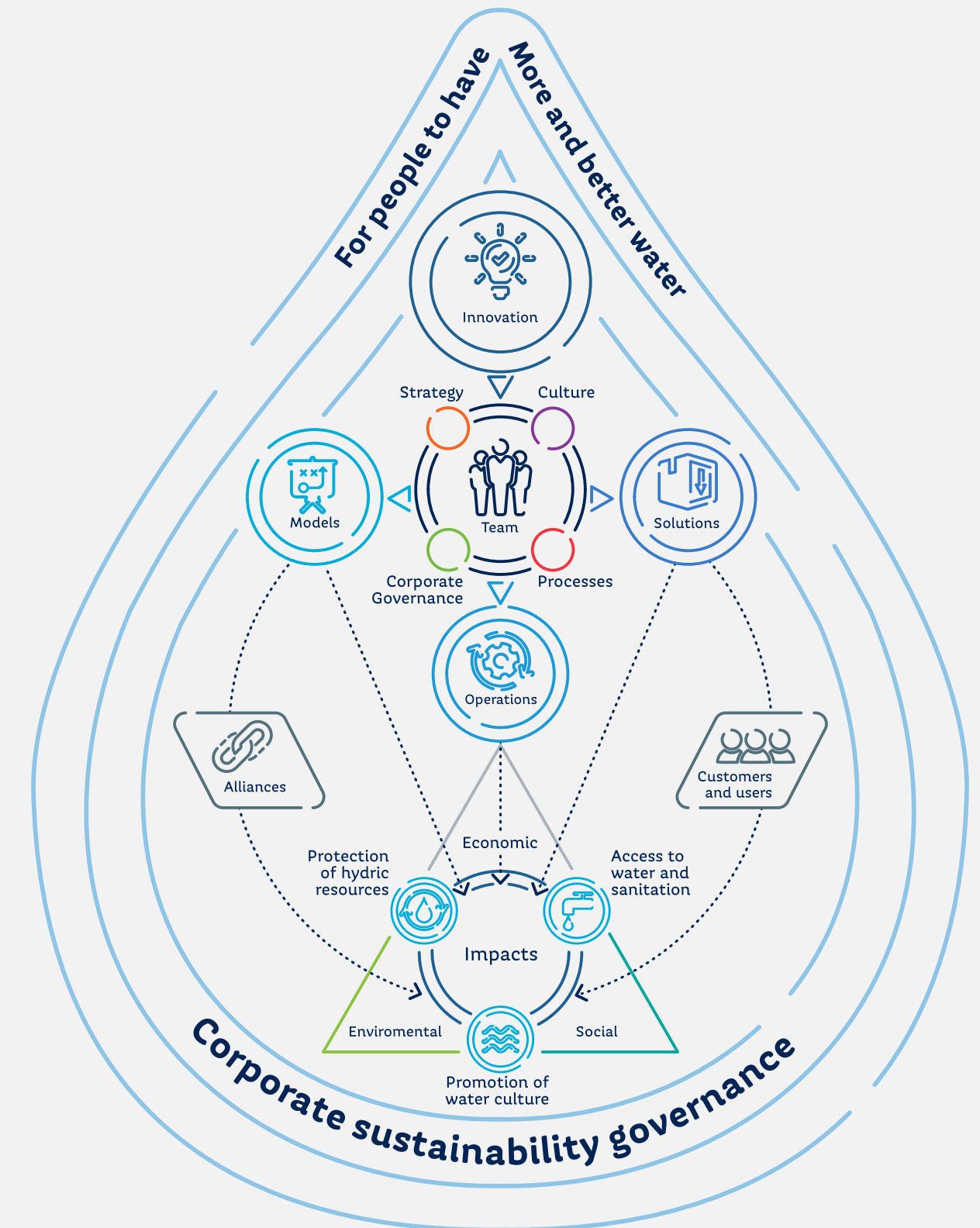
Contributing to sustainability is an essential part of the foundation of the way we operate and the purpose of the company. It is present in the whole of our relations with our stakeholders through a comprehensive value generation scheme all of them.

Four years ago, we materialized that understanding through our **Sustainability Strategy**, co-designed with the involvement, with the involvement of various areas, and based on the materiality study with direct consultation among our stakeholders. This strategy has served as a roadmap of our performance and it has strengthened trust in the company.

Its implementation goes hand in hand with the commitment and involvement of the senior management and all the employees, also supported by the development of policies, procedures, and corporate guidelines.

Below, we list the 4 focal points that comprise the Strategy¹, in turn integrated by their lines of actions, under which a broad set of initiatives are organized. In turn, they have the leadership and participation of several of the company's areas. Following are the main milestones in the year:

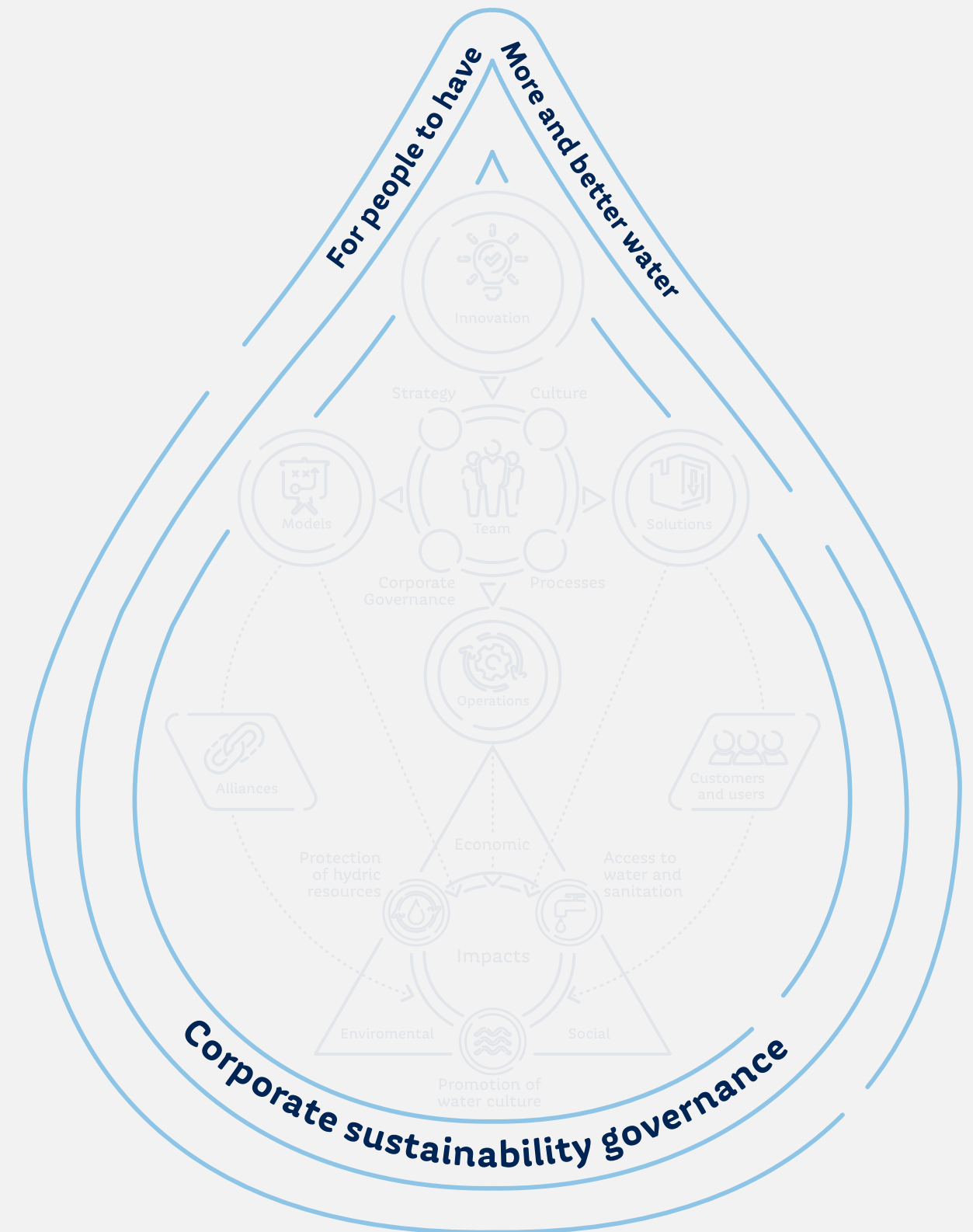
¹ The detail of areas and lines of action comprising our Sustainability Strategy is available at: <https://rotoplas.com/sustentabilidad/sustainability-model/>



FOCAL POINT 1

Corporate sustainability governance

- ✦ Design of progress indicator scorecard of the Sustainability Strategy.
- ✦ Reporting route approach for environmental, social and governance indicators.
- ✦ Design of the Strategy for Climate Change, which depends on the Sustainability Strategy.
- ✦ Launch of the Diversity Policy.
- ✦ Implementation of the training program on risks, sustainability, and Corporate Governance for the Board of Directors.
- ✦ Quarterly presentation of the company's sustainability results to employees and investors.
- ✦ Report from the Sustainability Committee to the Corporate and Strategic Practices Committee.
- ✦ Creation of processes for the resolution of cases of gender violence.
- ✦ Revision and launch of the Code of Ethics and of Conduct, with a training course for employees.
- ✦ Intensification of the scope of the Sustainability Strategy in Peru and Argentina.
- ✦ Ratification as members of the DJSI MILA Pacific Alliance; our rating increased by 45%.



FOCAL POINT 2

Collaborative innovation with purpose

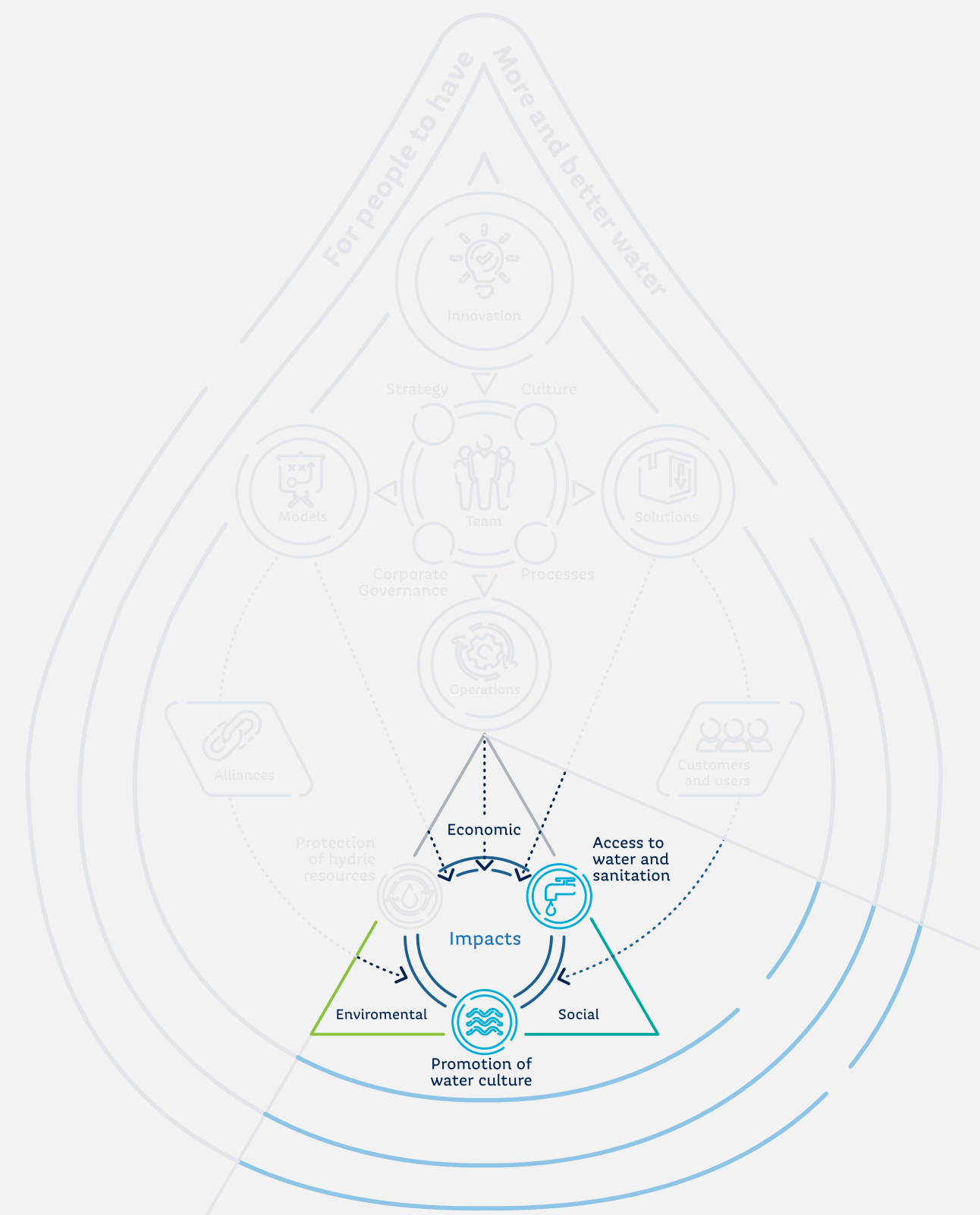
- ✦ Development of program with suppliers to generate recycled resins to be incorporated as a raw material.
- ✦ Partnership with universities, research centers, and other agencies. 58 players linked to innovation during the year.
- ✦ \$72.9 million Mexican pesos invested in research and development.
- ✦ Creation of the user experience Center of Excellence and joint work with the new Business Model Lab.
- ✦ Alliance with Imagine H₂O, an internationally-renowned accelerator for water-related projects, to foster third-party innovation.
- ✦ We were selected to host and develop a challenge under the Imagine H₂O program.
- ✦ Start of operation of solar panels at 5 plants.
- ✦ Energy efficiency projects at rotomolding and compounds plants (e.g. thermal sleeves on gas injectors).
- ✦ Development of blowmolding process to manufacture water tanks, as it is more efficient in energy and water requirements.
- ✦ Greater efficiency in the logistics delivery of orders with the operation of the RTMS (Rotoplas Transportation Management System).
- ✦ Internal environmental audits at work centers to detect and prioritize issues to be addressed.
- ✦ Continuity of fuel substitution program in the rotomolding process, in order to achieve efficiency improvements and reduce emissions.



FOCAL POINT 3

Driving economic and social development

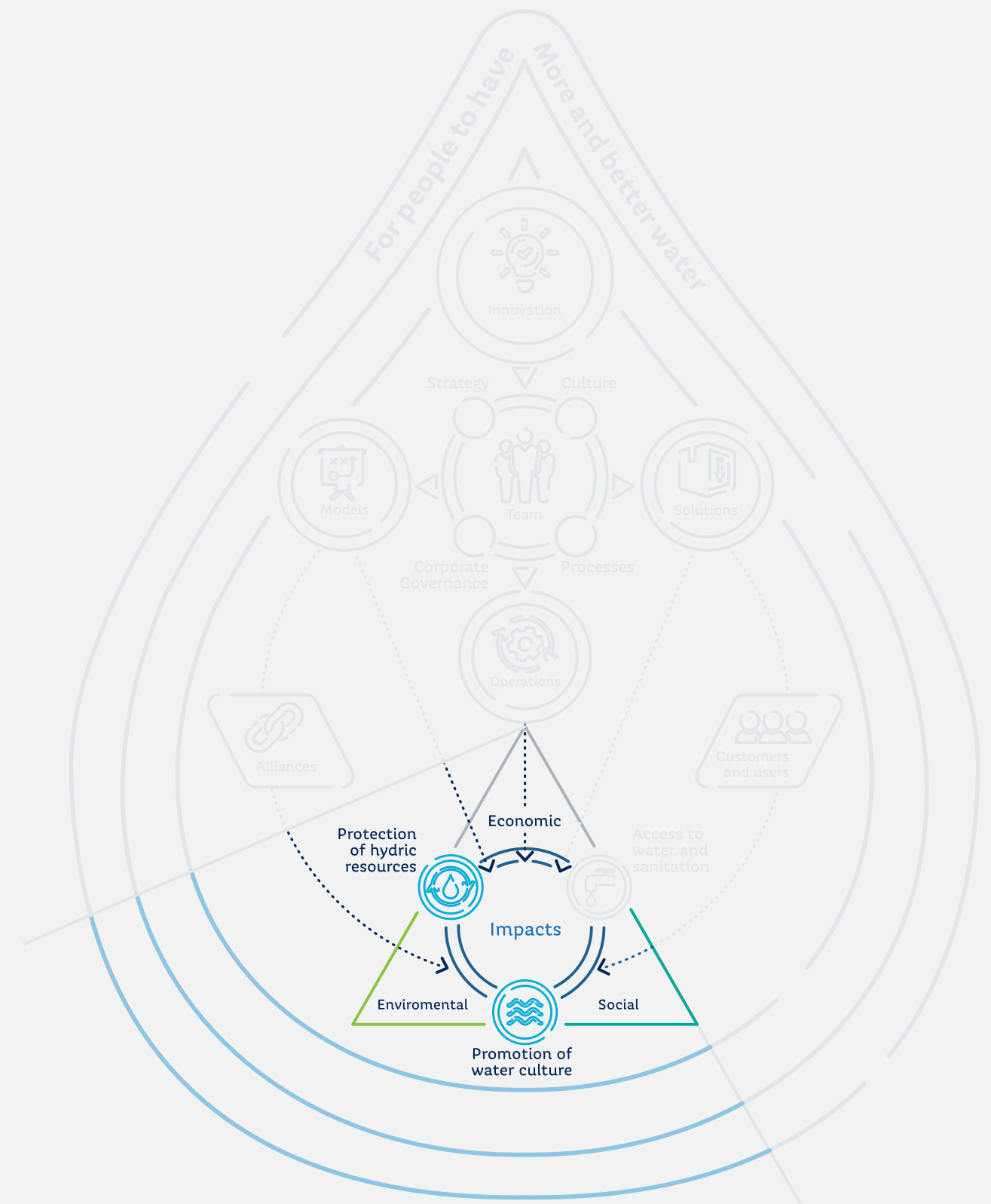
- ✦ Diversification of industries served with the wastewater treatment service.
- ✦ Integration of insights and experience in communities into User Experience Center of Excellence processes
- ✦ Boosting the drinking water service (*bebbia*); doubling the number of users.
- ✦ Marketing of the rainwater harvesting system for large rooftops (industrial and commercial).
- ✦ Serving drinking water needs at schools through the drinking fountain service. 1,147,962 children and teenagers benefited to date.
- ✦ Sanitation solutions: +817,000 people benefited to date.
- ✦ Rainwater harvesting solutions: +1,390,000 people benefitted to date.
- ✦ Participation in the main project for installing rainwater harvesting systems in Mexico City, through a collaboration with *Isla Urbana*. Expected installation of 100,000 systems in 6 years.
- ✦ Launch of the plumber loyalty program, “*Gana más con Rotoplas*” (Earn more with Rotoplas), which includes training.
- ✦ Strengthening of the plumber training program in Mexico and Central America, with 5,768 plumbers trained.
- ✦ Collaboration with organizations in Mexico, Peru, Argentina, Brazil, and Guatemala in high-impact projects for access to water and sanitation.



FOCAL POINT 4

Safeguarding water as a resource for the future

- ✦ First edition of *Hablemos de agua* (Let's talk water), a forum organized by Grupo Rotoplas, where experts speak about various water issues.
- ✦ Institutional campaign to spread the concept of water footprint.
- ✦ Launch of a short information capsules series "*El futuro ahora*" ("The future now"), tips for the use and care of water "*H&H Aconseja*" ("H&H Recommends"), hydric footprint measurement "*Empieza por Algo*" ("Start somewhere"). All this under the framework of "*Cuenta con cada gota*" ("Make every drop count") in alliance with Discovery Networks.
- ✦ Design and execution of a plan for the adoption and sensitization in water awareness as part of the purified drinking water service at institutions.
- ✦ Redesign of the "*Fan del Agua*" ("Water Fan") platform to increase its dynamism and the content it communicates.
- ✦ Collaboration with *agua.org*, the second Spanish-speaking most visited site on water topics.
- ✦ Implementation of awareness talks with customers of the wastewater treatment service.
- ✦ Volunteering in community-awareness and water-body cleaning. 100 employees participated in actions carried out in Mexico, Guatemala, and Peru.
- ✦ Participation in forums with an impact on water and sanitation.
- ✦ Diversification of Grupo Rotoplas' communication channels and websites, based on our geographic presence.





In compliance with the corresponding policy, the Sustainability Committee coordinates the execution of the initiatives established in the **Sustainability Strategy** and supervises their progress.

This year, we strengthened our management approach by defining a related scorecard and monitoring progress through indicators. Additionally, in the Committee meetings, the concerns of the various stakeholders are presented, the operation contexts are analyzed, and the company's main impacts, risks, and opportunities regarding the various topics related to sustainability are resolved.

The Committee is composed of representatives from various areas of the company that own initiatives included in the Sustainability Strategy, as well as the leaders designated in each country to follow-up the Strategy. It is chaired by the Vice President of Sustainability and Institutional Business, who reports the main results of the strategy to the Corporate Practices and Strategy Committee, which in turn brings noteworthy aspects to the notice of the Board of Directors.

Through the **Sustainability Policy**, we express our understanding and collective commitment to ESG

(environmental, social, and governance) topics, and we set the guidelines to maximize value creation and distribution to our stakeholders. It is further complemented by other specific policies for the main matters related to our operations.

The set of related policies and procedures creates a **management system** which is key for the alignment of our employees in the exercise of their activities and in the relationship with the different stakeholders. Moreover, we invite our suppliers, distributors, plumbers, and other members of the value chain to join in the commitments we declare in the policies, as well as to declare their adherence to the Code of Ethics and of Conduct.

Our employees receive training in sustainability through talks with the various work areas, provided by the sustainability team; likewise, newcomers to the company receive training during their induction process. Last, the sustainability leaders in each country are responsible for taking a more in-depth approach in the training, based on the needs and context of each operation.

SUSTAINABILITY MANAGEMENT SYSTEM



Sustainability
Policy



**Hygiene, Workplace
Security and
Environment** Policy



Climate Change
Policy



Human Rights
Policy



Diversity
Policy



**Sustainable
Purchases** Policy



**Institutional
Relations** Policy



Anticorruption
Policy

You may view the policies at:
<https://rotoplas.com/sustentabilidad/policies-and-certificates/>





At Grupo Rotoplas, we identify our **stakeholders** considering a multivariable analysis, which includes their prioritization from the dual approach of the impact caused on them by our operations, but also of their influence on our activity and on the achievement of our business goals and targets. For the various stakeholders, we also determine the key agencies and players in the interaction, in accordance to the **Policy on Institutional and Stakeholder Engagement Policy**.

In all cases, we understand the relationship from the mutual generation shared value. **Through our business model, corporate strategy, and operations, we aim to contribute to the socioeconomic development and environmental protection of our surroundings.**

You may view our value proposition for each stakeholder, the communication channels, and the key topics we identify through each interaction at: https://rotoplas.com/sustentabilidad/rtp_resources/descargas/stakeholders.pdf





At Grupo Rotoplas, we are an active part of our sector, as well as of the overall entrepreneurial and innovation community, in the various countries where we operate, while also being recognized as experts in water and sanitation matters. We understand that our commitment to sustainability is shared by other organizations, and we seek to build bridges to work collectively on the challenge of sustainable development, including the achievement of SDGs.

We should note our participation in the following organizations:

Business and sector

- ❖ *Associação Brasileira dos Fabricantes de Materiais para Saneamento, ASFAMAS* (Brazil)
- ❖ *Cámara Guatemalteca de la Construcción, CGC* (Guatemalan Chamber of Construction)
- ❖ *Cámara Nacional de la Industria de la Transformación, CANACINTRA* (National Chamber of the Transformation Industry, Mexico)
- ❖ *Confederación Patronal de la República Mexicana, COPARMEX* (Confederation of Business Owners)

Linked to water and sanitation, and other environmental aspects

- ❖ *Aquafondo* – The water fund for Lima and Callao (Peru)
- ❖ *Consejo Consultivo del Agua CCA* (Water Advisory Board, Mexico)
- ❖ *Consejo Consultivo de Finanzas Verdes, Bolsa Mexicana de Valores* (Green Finance Advisory Board, Mexican Stock Exchange)
- ❖ *Consejo de Cuenca de la Península del Yucatán CCPY* (Basin Committee of the Yucatan Peninsula, Mexico)
- ❖ *Edge Advisory Board, Duke University* (U.S.)
- ❖ *Foro Argentino del Agua, FAdA* (Argentine Water Forum)
- ❖ *International Water Association* (IWA)

With a comprehensive approach to sustainability

- ❖ *Alianza por la Sustentabilidad* (Alliance for Sustainability, Mexico)
- ❖ *Global Compact Network Mexico*

Others:

- ❖ *Instituto Trata Brasil* (ITB)
- ❖ *OTT network Mexico*

We should note that, during the year, we chaired *Aquafondo*—the water fund for Lima and Callao—as part of our commitment to the issue in the country, and with the aim to strengthen the creation of alliances. Moreover, represented by our Chairman of the Board, Carlos Rojas Mota Velasco, we participated in *The Nature Conservancy* and *Fundación Gonzalo Río Arronte* in Mexico, which work to preserve natural resources as a guarantee for future generations.



We transform
services
& products into experiences

In Rotoplas **we innovate in each of the solutions we create** by following the highest quality standards so that our users can count on every drop.



Innovation management

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

Innovation is essential to our value proposal for clients and users (henceforth clients), developing solutions to meet their needs and incorporate state-of-the-art technology.

For Grupo Rotoplas, innovation is an open and inclusive process, built collaboratively among all the areas that integrate the company. Alliances with the academia and other organizations linked to innovation and entrepreneurship, as well as the incorporation of the needs and vision of clients and users, are essential to strengthen this process. The **Innovation Policy** presents our guiding principles on the matter.

We seek to develop products, services, and business models that will foster an efficient management of the water resource, and that will also contribute to economic and social development, while safeguarding the environment.

The sustainability criteria also guide innovation in the processes and in our operating performance to reduce or eliminate negative externalities that we may be generating directly or in the value chain; for instance, Greenhouse Gas (GHG) emissions from product distribution.



In the year, we allocated **\$72.9 million Mexican pesos** to research and development.



To foster creative capacity and keep our employees informed, we have the following tools and channels:

- ❖ Innovation Fridays
- ❖ Research, Development, and Innovation bulletin
- ❖ Open spaces for sharing ideas

Focused on our client orientation, at yearend, we launched the **User Experience Center of Excellence**. Based on a study of our current and potential clients, and data analytics, it will reinforce the identification of needs, materializing them in design guidelines that will be passed on to the teams in charge of developing the solutions. It will work in coordination with the **Lab for New Business Models** and our **Innovation Center in Leon**, the latter of which specializes in materials. We will also be keeping an eye on the particularities of each of the markets and geographies we serve.

Moreover, we contribute to the development of the innovation ecosystem regarding water and sanitation through alliances and participation in third-party programs. Such is the case of our support to the Mexican network of Technology Transfer Offices (OTT).



We followed up on the research projects that we have been working on since the last few years, in collaboration with various centers, and incorporated new collaboration agreements and joint effort initiatives:

- Continuing the development of the **desalination system** in collaboration with the Mexican Institute of Water Technology (IMTA, for its Spanish acronym), for which Grupo Rotoplas received \$2.48 million pesos from the Institutional Fund for Regional Development through the Promotion of Science, Technology, and Innovation (FORDECyT, for its Spanish acronym), of which we have already used 33% by yearend 2019.
- Signing of collaboration agreement with the Center for Research and Advanced Studies of the National Polytechnic Institute (CINVESTAV, for its Spanish acronym) to progress in the development of an **advanced electrochemical oxidation system** destined to the treatment of polluted waters, which we also started implementing at 2 pilot plants in Xochimilco, (Mexico).
- Joint work with the Research Center for Applied Chemistry (CIQA, for its Spanish acronym), to formulate recycled resins using post-consumption materials.



On the other hand, we established an alliance with ImagineH₂O, one of the most important accelerators worldwide in water-related projects. Under this partnership framework, we acted as jury in the international **Urban Water Challenge (UWC) 2019** competition, which awards ideas that tackle the problem of water availability, granting commercial deployment and technological pilots.

During 2019, we launched 19 new products in our portfolio which, in their different versions, translate into over 200 references. We are also placing special emphasis on the incorporation of **IoT (Internet of Things)** into the solutions we offer. We have started with the equipment of the drinking water service (*bebbia*), industrial water treatment, and storage products. The goal is for users to be able to obtain the main data, becoming empowered to make consumption decisions, and being better informed of the state of their products. Thus, we have established alliances with the Purdue School of Engineering and Technology (IUPUI) and engineering and software firms, allocating \$3 million pesos. This is only the beginning of great advances for the coming years.

Quality

(GRI 103-2, 103-3)

At Grupo Rotoplas, we deliver **excellent products and services**, resulting from our commitment to clients and users, the work with suppliers, and the high standards both of production and of service during the stage of use.

All our manufacturing plants operate in adherence with the Quality Policy and the international standard ISO 9001; additionally, 15 of them are certified on the norm, including those in Mexico, Guatemala, Peru and one out of two plants of IPS in Argentina. As a corporate best practice we monitor compliance with standards through internal audits performed by the quality department and by specialized third parties.

For the products, we consider the technical standards of each country, whose compliance we confirm through independent certifications. We should note the certification of storage, waterflow, and purification solutions in Mexico and Central America. As for the heaters, in Argentina, they are certified by the Argentinian Gas Institute (IGA, for its Spanish acronym).

STANDARD	CERTIFIED SITES	
ISO 9001:2015	1. Lerma 2. Leon rotomolding 3. Leon injection 4. Peru 5. Compuestos 6. Monterrey 7. <i>Anáhuac</i> 8. Guadalajara	9. Golfo 10. Pacífico 11. Sureste 12. Tuxtla 13. Guatemala 14. IPS 1 15. IPS 2





Customer experience

(GRI 103-2, 103-3, 203-2, 416-1, 417-1)

Since our first years of operation, at Grupo Rotoplas, we have been concerned with how our clients use the solutions and with their degree of satisfaction with the products, working closely with retailers and plumbers. Through the development of the service line, we strengthen our connection, participating directly throughout the use phase. We have evolved towards the **comprehensive conception of customer experience**, from the design of the product and/or service to the end of its life cycle.

We tackle the various stages of the solution's life cycle, focused on the client, introducing changes in the various processes. Likewise, hand in hand with the members of our value chain, we have outlined initiatives related to distribution, marketing, and installation.

To serve our **distributors and retailers**, we have developed the Rotoplas Transportation Management System (RTMS) which, through the website, enables them to place orders and track them. The system makes it possible to plan the delivery considering the optimal logistic route. It has already been implemented at all the plants in Mexico and we expect to spread it to our centers throughout the region over the next year.

Moreover, we continue to strengthen employees' skills, training them in commercial functions through the **Sales Academy**.

We also care for our relations with **plumbers and installers**, for whom we have developed a training program on our solutions portfolio. In 2019, in Mexico and Central America, we offered 649 courses, training 5,768 plumbers.





In the particular case of Mexico, our most advanced plumber program has the CONOCER certification, with curricular value, issued by the federal authority to recognize technical skills. Participants graduate as “Water Solutions Advisors”, with 500 plumbers certified in the year. In Argentina, we trained 12,381 installers of Rotoplas, Señorial, and IPS.

We decided to go one step further in delivering value to plumbers, distributors, and sales assistants, launching **“Gana más con Rotoplas”** (Earn more with Rotoplas) in Mexico. This is a loyalty program, which rewards their trust through different benefits; plumbers and sellers receive points for purchasing our products, which they can use to obtain medical insurance, pay for utilities, make purchases, and leisure activities at different locations. Moreover, the program provides training and a referral system for the provision of installation services.

In the case of distributors, we assist them with the signage at the point of sale, items, and merchandise for their business. By yearend, we had 7,753 active participants. The program is based on prior experience with the **Club IPS** loyalty program in Argentina, which was greatly successful among salespeople and installers, with 9,415 active members.

As for our products and services, we aim to provide the clients with the necessary information to make the best purchase decision based on their needs, also offering them post-sales assistance. For Mexico and Central America, we have the **Customer Service Center** (CAC, for its Spanish acronym), which is responsible for dealing with possible claims; in 2019, 83% of the calls resolved the client’s query.

The Customer Service Center takes periodic satisfaction surveys and, based on their results, we work on the improvement opportunities detected.

CUSTOMER SATISFACTION¹

	Mexico	93%	Argentina ²	86%	Central America	89%	Peru	81%
2019								
2018		94%		84%		87%		84%
2017		93%		83%		86%		77%

¹ 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 nor in the U.S., given the size of the operations.

² Does not include the satisfaction data from IPS, which is gauged separately.



We transform
operation into **efficiency**

We are a company that for over three decades has challenged itself to **generate constant change in the water industry**. Today, through technology, we have built a more efficient business that promotes a culture of innovation, creativity and collaboration.



Introduction to efficiency

We seek to be efficient for an **optimal use of the resources**, hand in hand with our employees' expertise, and always adhering to the quality that characterizes our products and services.

Thus, we intend to make progress in the **sustainable practices** of our operations, reducing our environmental impact. We extend this commitment to the life cycle of the solutions, working with our value chain for this purpose.

At Grupo Rotoplas, we work through **processes**, with a focus on ongoing improvement and strict adherence to optimal income and spending. These aspects are being reinforced by Flow, the organizational transformation program that we started implementing in 2019¹.

We establish the needs for raw materials considering the estimate of future sales, inputs inventory already on hand, and the production plan. This plan distributes the load among the different plants and sets the production schedules.

With regard to production processes, our personnel is essential to the identification of efficiency opportunities. We launched a program in the year so the teams could propose ideas to improve procedures. While the scope began with a pilot selection of plants, in 2020 it will be spread to other locations.

¹ More information in the Organizational Transformation subsection (chapter on Strategy).



Based on our clients' needs, we manage inventories and coordinate distribution through third parties, in accordance with our Service Policy. For that purpose, we launched in Mexico the **Rotoplas Transportation Management System (RTMS)**, after two years of development. Our goal is to spread the scope to the plants outside Mexico as of next year².

We have strengthened **our customer service**; especially the direct service during the stage of use, in which we provide periodic maintenance to the purifiers and drinking fountains, as well as to the treatment plants and rainwater harvesting systems. Included in the monthly service fee, such maintenance can be provided by company personnel, or through our network of plumbers.

On the other hand, in the United States, we have specialized consultants who assist users of our e-commerce platform in choosing the best product to meet their storage needs.

When proposing changes to the efficiency of the processes, we consider our commitment to the environment, which is part of the guidelines of the **Hygiene, Security, and Environment Policy (HSA)**, for its Spanish acronym). Among the main goals is the reduction of Greenhouse Gas (GHG) emissions from our operations and the value chain; this focus further supports our **Climate Change Policy**. We should note that all our plants, four of which are certified³, operate under an environmental management system based on the guidelines of standard ISO 14001.

STANDARD	CERTIFIED SITES
ISO 14001:2015	1. Lerma 2. Leon rotomolding 3. Leon injection 4. Peru

² More information in the subsection on Customer experience (chapter on Innovation, quality, and customer experience).
³ Both plants in Leon (Mexico), the plant in Lerma (Mexico), and the plant in Lima (Peru) are certified.

Procurement

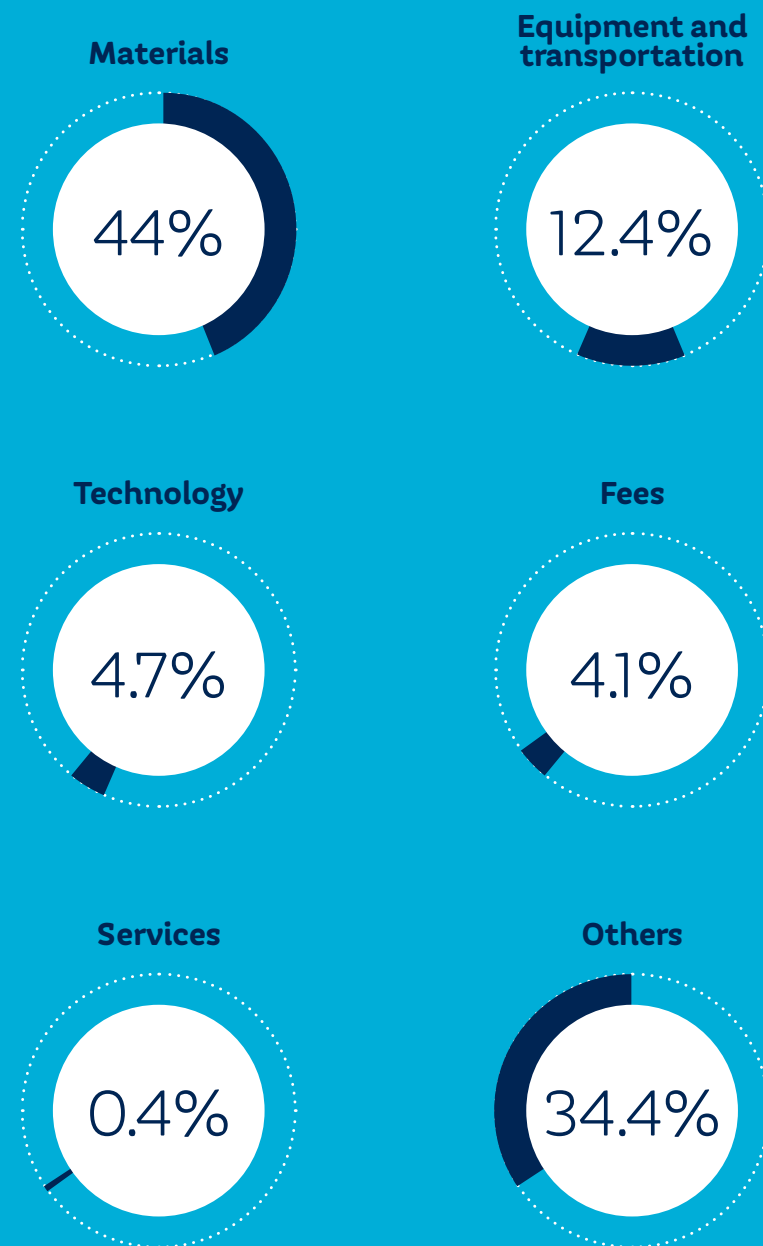
(GRI 102-9, 103-2, 103-3, 204-1)

Focused on the quality of the products and services in our portfolio, **we work closely with suppliers** in defining the materials and characteristics in order to guarantee the supply. In innovation, we work continuously to offer solutions that generate added value, both in products' technical attributes and in their social and environmental impact.

In the year, we destined \$4.92 billion Mexican pesos to the acquisition of goods and services, particularly for the procurement of materials. We should note our contribution to the development of the industry in the various countries where we operate, with 75% of the spending destined to local suppliers.

We extend our commitment to sustainability throughout the value chain, working on the life cycle of the products and services we offer. For this purpose, we have established a series of requirements on environmental, social, and corporate governance (ESG) topics for our suppliers, which are found in the **Sustainable Purchases Policy**.

SPENDING ON SUPPLIERS 2019





Circularity in energy and materials

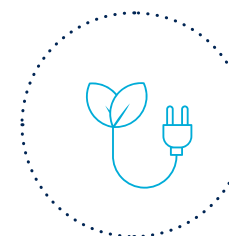
(GRI 102-48, 103-2, 103-3, 301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-2, 306-3, 306-4)



Just as water follows a cycle, at Grupo Rotoplas we understand that our operation must facilitate the harnessing of energy and materials in line with the principles of **circular economy**.

The diversification of our portfolio towards the offer of services contributes to this purpose, as we accompany users and extend the useful life of the products through periodic maintenance. We work on the risks and opportunities that we identify in our operation and throughout the value chain.

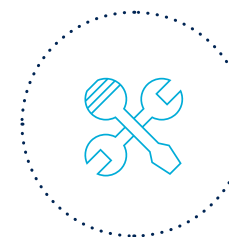
GRUPO ROTOPLAS APPROACH TO CIRCULAR ECONOMY



• Renewable energy supply



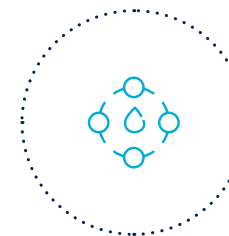
• Incorporation of recycled resins (own and third parties')



• Maintenance of performance-enhancing products (heaters) and services



• Development of drinking water services



• Reusing water through offer of treatment and recycling service



Among the materials we require are resins, mainly made up of polyethylene and polypropylene. We consumed 69,607 tons of resins in 2019, 11% more than in 2018⁴; in addition, we have packaging materials, namely 62 tons of plastic film.

While we make progress year after year in the incorporation of **recycled resins**, our growth in 2019, resulting from a change in strategy, is noteworthy. Faced with the impossibility of obtaining the amounts that we need through the available offer in the market, we started working with specialists on the development of these materials, with a greater supply guarantee. Moreover, we continue to harness those materials that are byproducts of our processes. The set of initiatives for the supply of recycled resins—both our own and third parties’—has generated \$70 million pesos in savings in 2019.

Of the resins we used in the year, 13% came from reuse and recycling; the random polypropylene copolymer and high-density polyethylene are noteworthy (with 37% and 28% of secondary origin, respectively). On the other hand, all the polypropylene homopolymer comes from reuse and recycling. Regarding **energy**, we consumed 165,962,521 kWh in all the company’s operations. 96% was used in rotomolding, milling, extrusion, injection, and blow-molding processes, which are the most energy-demanding operations.

To evaluate the impact of the various efficiency initiatives, we monitored the energy intensity, measured as consumption compared to the amount of resin processed. In 2019, this indicator totaled 1,731 kWh per ton for the main processes, in line with the previous year⁵.

We should note that we extended to all the rotomolding plants in Mexico the installation of thermal heater sleeves for injectors, which we had previously tested in Lerma and Leon. Moreover, we developed a new range of storage solutions generated through a blow-molding process with lower energy consumption than the traditional rotomolding operation, which will be launched in 2020.

ENERGY CONSUMPTION ON MAIN PROCESSES (kWh)

PROCESS	SOURCE	2017	2018	2019
Extrusion, injection, and milling	Electricity	42,144,284	41,390,169	39,764,911
Rotomolding	Natural gas LPG Electricity	129,642,667	123,486,844	119,494,729

⁴ Regarding the information presented in the previous report, the figure of total resins consumed is restated, shifting to 62,822 tons, after adding both the ones of primary origin and those recycled from previous uses.

⁵ Considers only the energy consumption in the rotomolding, milling, extrusion, injection, and blow-molding processes.

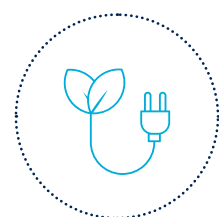
On the other hand, we started to make use of our own energy through the solar panels installed at five of the plants in Mexico in the previous year, which generated 594,797 kWh⁶. This measure contributes to the reduction of our Greenhouse Gas (GHG) emissions and it is further complemented in Mexico with the purchase of 37,643,531 kWh from a third party, produced through cogeneration.

We emitted 44,358 tons of CO₂eq in Scopes 1 and 2, which consider 0.48 tons of CO₂eq per ton of resin processed⁷. Moreover, we calculated the **emissions** from third parties transporting our products, which totaled 63,780 tons of CO₂eq; on the other hand, for the first time, we estimated emissions during

the stage of use of our drinking water fountains, dispensers, purifiers, and treatment plants, which stood for 5,186 tons of CO₂eq.

We worked on reducing our emissions together with the processes' greater efficiency in energy consumption and the provision of renewable energies; with the energy generated by the solar panels, we prevented the emission of 300 tons of CO₂eq.

The combustion of LP and natural gas in the rotomolding processes generated 28 tons of nitrous oxides (NOx) and 1.5 tons of particulate matter (PM).



85% of the energy consumption is from cogeneration and solar energy—more efficient and cleaner sources, respectively.

We measured the fuel consumption of the transportation of our products by third parties for distribution, which was 235,314,236 kWh, including both gasoline, diesel and LP gas.

⁶ Plants of Anahuac (Mexico City), Guadalajara, Los Mochis, Merida, and Veracruz.
⁷ Considering the Scope 1 and 2 emissions.

GHG EMISSIONS (ton CO₂eq) – SCOPES 1 AND 2

	2017	2018	2019 ⁸
Scope 1 Direct from fuel combustion and refrigerant leaks	27,468	26,524	25,707
Scope 2 Indirect from the generation of the energy consumed	21,063	19,628	18,651
Scope 1 + Scope 2	48,531	46,152	44,358

GHG EMISSIONS (ton CO₂eq) – SCOPE 3

	2017	2018	2019
Scope 3 Indirect from fuel combustion in freighters' vehicles during the distribution of Grupo Rotoplas' products	17,671	17,726	63,780⁹
S3. Use of products and services sold: drinking fountains, purifiers, dispensers, and treatment plants	Not available	Not available	5,186
Scope 3 Total	17,671	17,726	68,966

⁸ Not including the emissions from the rotomolding plants in the U.S., due to their sale in the year.

⁹ The increase vs. 2018 is mainly because the emissions of transportation from the distribution centers in Mérida (Mexico), Argentina, Brazil, Costa Rica, El Salvador, and Peru were not included in the scope.

About **water consumption**, although our operations are not particularly water-intensive, we continue to work towards optimizing the requirements of our various processes. In the year, we consumed 105 million liters, 2% of which correspond to reused water from our own processes; the water consumption intensity totaled 1,130 liters per ton of resin processed.

Concerned about the utilization of this resource, we reused 2.1%. Moreover, we are assessing the installation of water treatment plants in our production centers, and already have pilot tests in Guadalajara (Mexico) and Guatemala, to be followed next year by Merida (Mexico).

WATER CONSUMPTION BY SOURCE (MILLIONS OF LITERS)¹⁰

Source	2017	2018	2019
Municipal	68.27	76.71	40.25
Surface waters	3.56	4.00	16.78
Groundwater	51.50	66.10	32.32
Other (water trucks)	9.34	12.27	13.27
Reused (from our own operations)	23.75	25.11	2.05
TOTAL	156.42	184.19	104.65

¹⁰ Except for the reused water consumption, the rest is from water harvesting. There is a restatement of the information for 2017 and 2018 vs. the data published in previous reports, as the water that the company reuses in its processes was included under consumption.

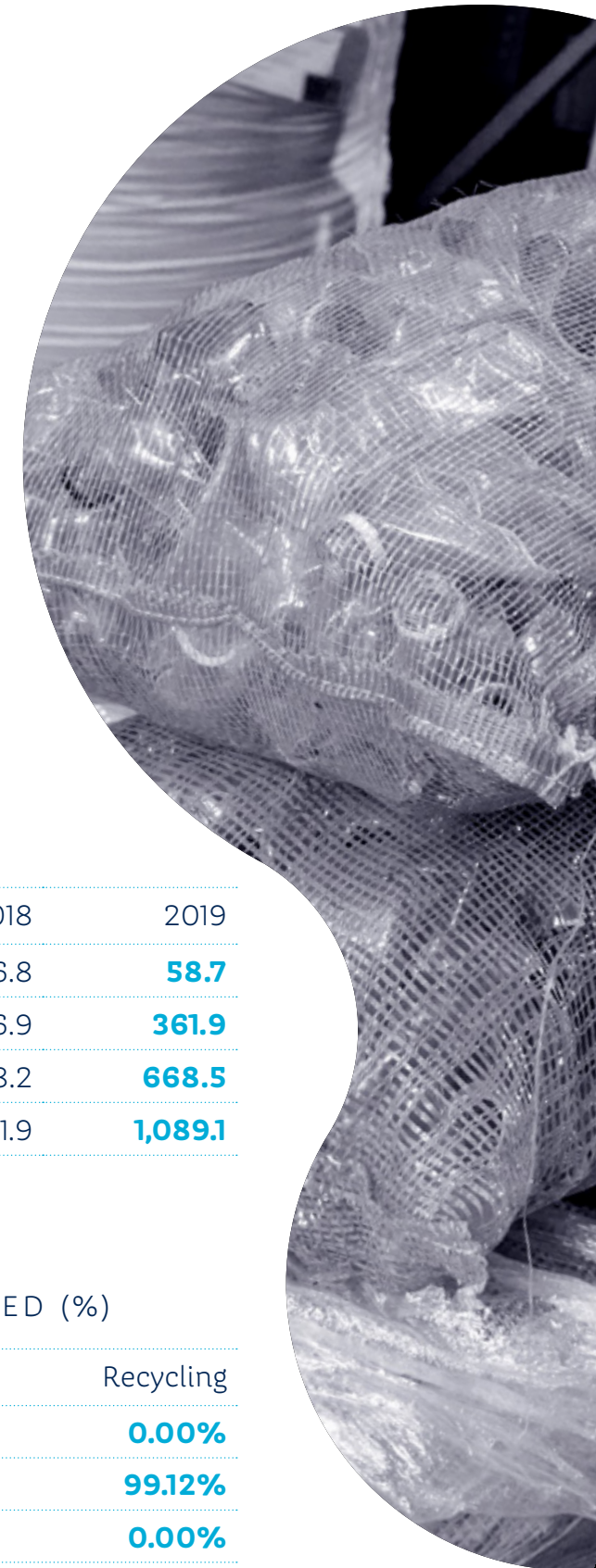
In our corporate practices that considers circular economy criteria, **waste** management is key. We seek to promote their reuse or recycling, making a differentiated separation and working with specialized suppliers so this waste can be harnessed. All the hazardous waste we generate follows that process; 54% is treated through coprocessing and the rest is confined in accordance to the law. We should also note that we had no significant spills at our plants during the year.

WASTE GENERATED (TONS)

	2017	2018	2019
Hazardous	103.0	166.8	58.7
Special handling	267.0	446.9	361.9
Urban solid waste	516.8	478.2	668.5
TOTAL	886.8	1,091.9	1,089.1

DESTINATION OF THE WASTE GENERATED (%)

	Coprocessing	End-of-life	Recycling
Hazardous	54.26%	45.74%	0.00%
Special handling	0.88%	0.00%	99.12%
Urban solid waste	0.51%	99.49%	0.00%





Product maintenance and efficiency

(GR 103-2, 103-3, 302-2, 302-5)

To achieve our users' full satisfaction, we consider the **training of plumbers and other technicians** who install or maintain our solutions to be key. We continue to develop services where we can have a more direct relation with the final user through installation and maintenance.

The case of the heaters is particularly worth noting, given the **post-sales service** efforts we are making in Argentina, where we are leaders in the country's water heating market. We are emphasizing the training of our service team, as well as consolidating a team of external specialized technicians, which now total 160 professionals throughout the country.

Regarding product durability, we should stress that the heater guarantee is in a range of 3 to 7 years, depending on the features of the product.

With regard to **bebbia**, our subscription-based drinking water service, we install the most suitable purification system for the client's area (activated carbon, reverse osmosis, among others). This information is obtained by our *Ojo de Agua* platform, which comprises a database on the characteristics and quality of water in Mexico by geographic zone. As part of the service, we offer maintenance every six months for cleaning or substituting the cartridges used by the purifiers.





As part of our portfolio, we offer products that require electricity for the stage of use: drinking fountains, institutional dispensers, residential purifiers, and treatment plants. In their design, we seek to **move towards increasingly energy-efficient models**. In the case of drinking water fountains, the type of purifier is essential, as the reverse osmosis models require six times more energy than the activated carbon and colloidal silver filter.

Below, we present an estimate of the energy consumption of these solutions in the year in the stage of use.

EXTERNAL ENERGY CONSUMPTION 2019 (kWh)

Drinking water fountains	634,333
Water purifiers	125,938
Dispensers	428,826
Treatment plants	9,079,740

As part of the efforts to reduce the environmental impact of our products, we calculate the **carbon footprint and water footprint** of a selection of the most significant solutions, pursuant to standards ISO 14067 and ISO 14046, respectively.

The purpose of this calculation is to find out the effect throughout the life cycle, including the stages corresponding to our value chain: materials generation and transportation, as well as distribution, use, and end-of-life of the product. Based on this, we can identify measures to be implemented in our operation and/or promote among third parties, and thus reduce the footprint of these products.

Likewise, we make available to the public the environmental data sheets, which contain the carbon footprint and the water footprint of some of our products, to create awareness in users and those involved in the stage of use. The information is available at: <https://rotoplas.com/sustentabilidad/results-water-carbon-footprints/>



We transform
talent into passion

We believe in the **transformative power of our team** to turn ideas into reality. We are committed to them and trust in their talent and abilities to unleash the change and generate a positive impact on the society and the environment.



Workforce description

(GRI 102-8, 102-10, 102-41, 102-49, 103-2, 103-3, 201-3, 401-1, 405-1)



3,213 employees

Our employees are key to the company's development; together, we materialize the strategy and achieve the business goals. Moreover, we create value for clients and users, in collaboration with the rest of the members of our value chain.

By yearend 2019, Grupo Rotoplas had **3,213 employees**¹. This year, we included in the figures reported under labor demographics the staff of IPS and, following the sale of the manufacturing assets in July, we registered the termination of the labor bond with the staff from the rotomolding plants in the U.S.

At Rotoplas, we are committed to job stability, **85% of our employees have a permanent contract**; in terms of working-hours, 99.6% work fulltime.

We know that diversity and ensuring people's integrity guarantee team's strength and continuity. To that effect, we have professionals who specialize in various fields, who are also members of different generational groups, which enriches the decision-making process. We work on simplifying access without gender discrimination, in an industry that traditionally has a greater presence of men; at the end of 2019, **22% of our employees are women**².

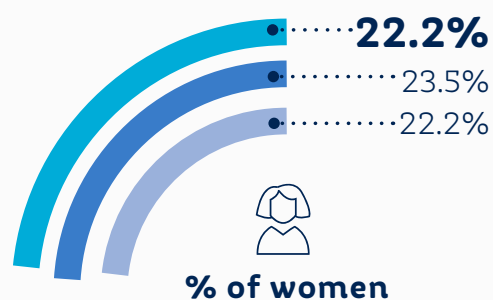
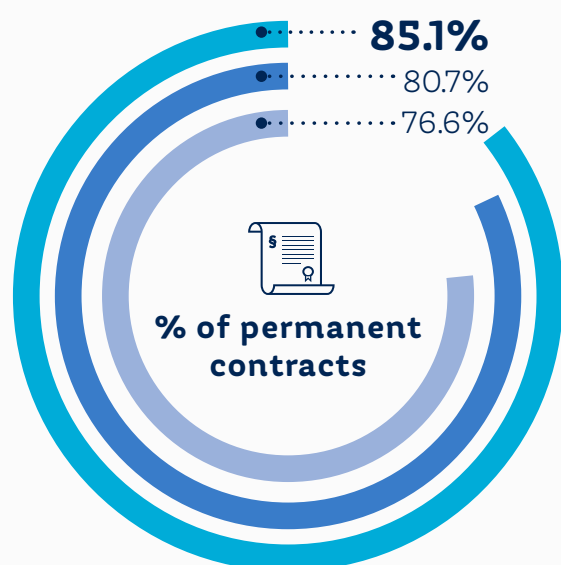
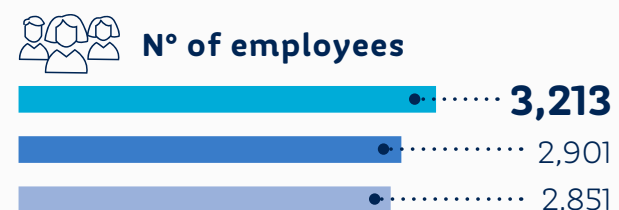
We respect the freedom of association right. At Grupo Rotoplas 43% of our employees are members of some union, distributed among 13 organizations.

¹ The information presented in the subchapter Workforce Description considers all our operations, including IPS. The information on training, benefits, and health and safety excludes IPS, whose will be integrated in the next period.

² The decrease in the percentage of women compared to 2018 responds to the incorporation of the IPS team, which is mostly comprised by male employees.

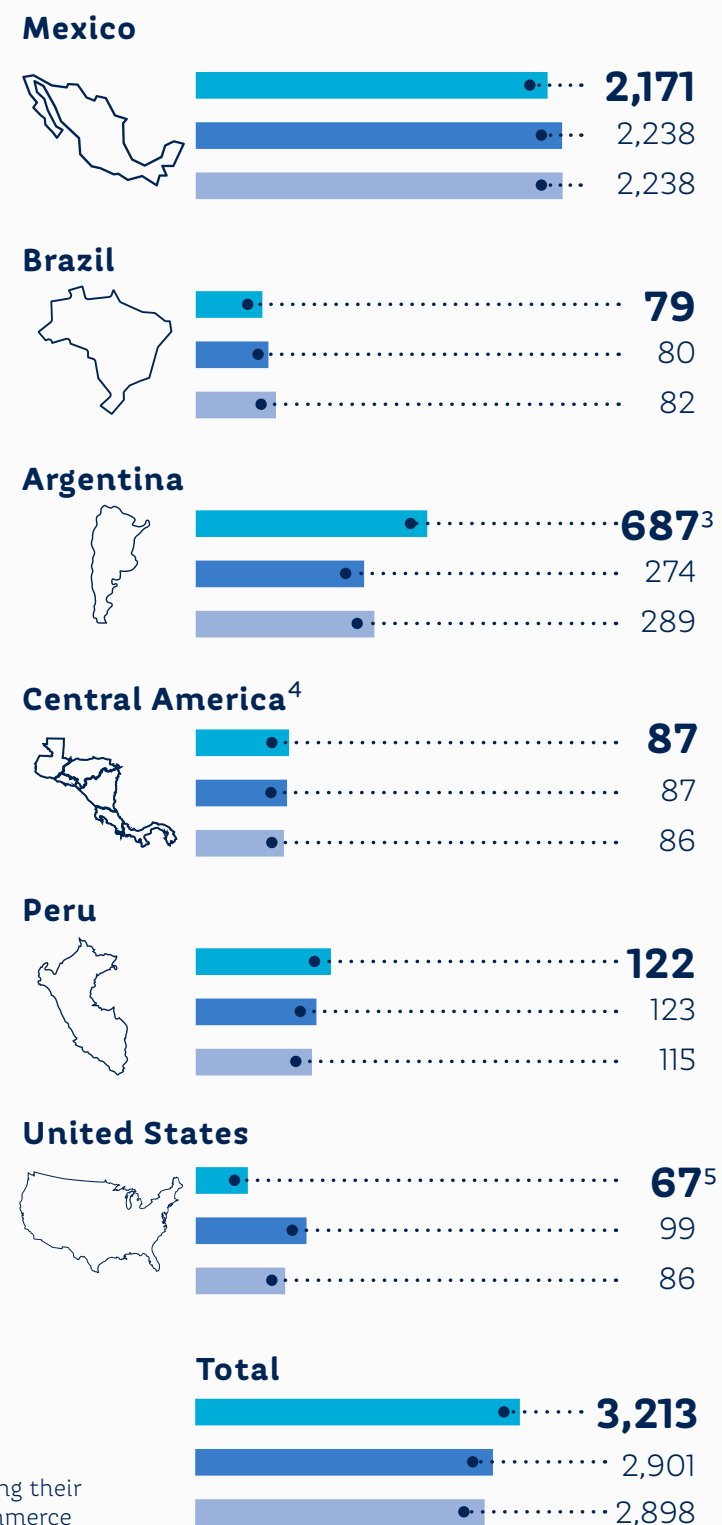
WORKFORCE DEMOGRAPHICS

● 2019 ● 2018 ● 2017



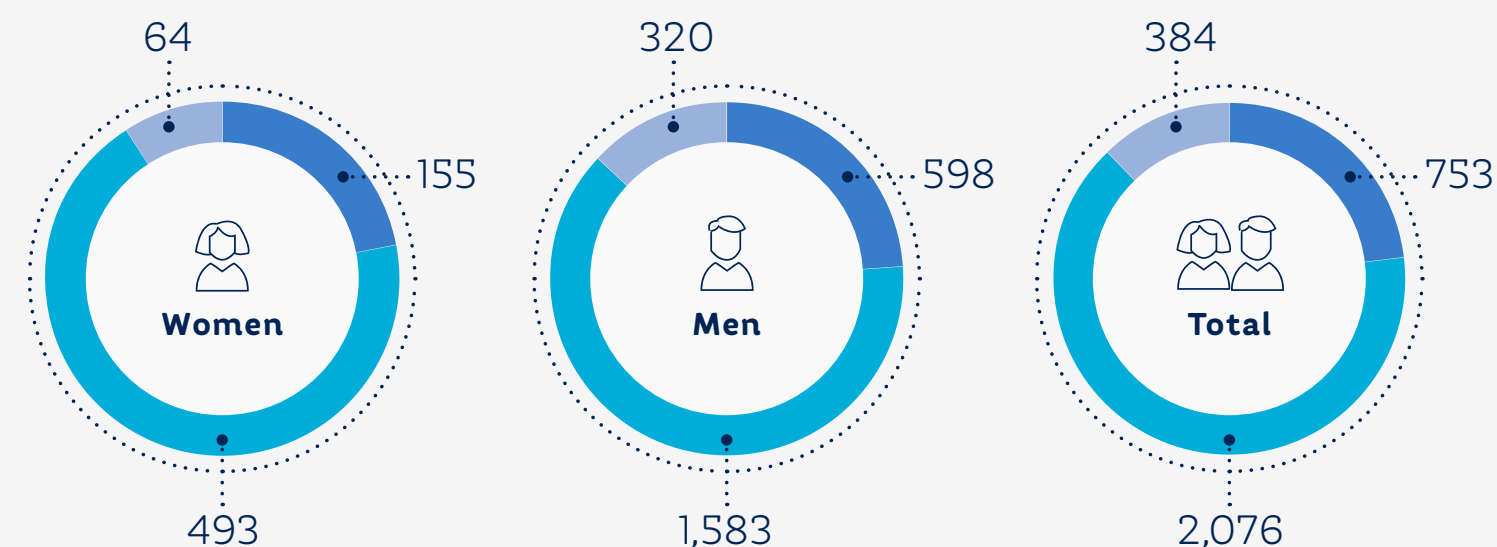
EMPLOYEES BY COUNTRY

● 2019 ● 2018 ● 2017



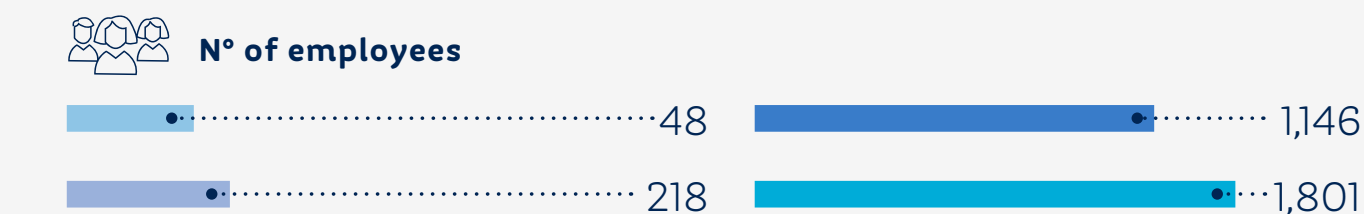
EMPLOYEES BY AGE GROUP AND GENDER

● Under 30 years old ● 30 to 50 years old ● Over 50 years old



EMPLOYEES BY PROFESSIONAL CATEGORY, GENDER, AND AGE GROUP

● Executives ● Middle management ● Individual contributors ● Operations staff



	Women (%)	Under 30 years old (%)	Between 30 and 50 years old (%)	Over 50 years old (%)
Executives	14.6	0.0	85.4	14.6
Middle management	26.6	2.8	79.8	17.4
Individual contributors	29.1	20.2	71.6	8.2
Operations staff	17.4	28.7	57.7	13.6

³ Considers for the first time, the integration of the IPS workforce.

⁴ Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

⁵ It doesn't include the employees of the rotomolding plants, following their sale during the year; it does include the employees from the e-commerce platform.



Our activity and market development require the **continuous incorporation of new talent**. In the year, we hired 1,067 employees, 82% of them in Mexico. Although we add talent in different age groups, we are eager to develop young people, who accounted for 54% of the new hires. As for gender, the sector in which we operate is predominantly male; nonetheless, 24% of the new additions were women.

We seek to provide our employees with a satisfactory work environment in which they can develop and commit to the company. **Turnover** in the year was 21%, figure lower than 2018⁶.

NEW HIRES BY AGE RANGE⁷

	Under 30 years old	Between 30 and 50 years old	Over 50 years old	Total
Women	141	106	12	259
Men	435	327	46	808
Total	576	433	58	1,067

The severance of the employees of the rotomolding plants that we owned in the U.S. was done respecting their rights. The factories' activity remains, so those employees kept their positions, except for those who chose not to take part under the new management, who received compensation above market standards as consideration for the services rendered to Grupo Rotoplas.



⁶ We calculate turnover as: no. of severances with permanent contracts (voluntary and involuntary)*100/n° of employees at December 31.
⁷ It does not include new additions to IPS, which will be included in the next report, but it does consider the rest of the Rotoplas Group's operations.



Training and development

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

We support our employees by providing them with technical **training** based on their position's profile, which we complement with transversal skill development, and training on the guidelines included in the company's various policies and codes.

In the year, we provided 19,715 hours of training, with an average of 7 hours per employee. We destined \$9.4 million pesos to it, convinced of the potential that it provides to the company and its importance for our employees' growth.

The **leadership program**, designed with the aim to generate high-performance teams, is noteworthy. Following the vice-presidents' participation, this year we expanded it to include all the directors. Likewise, we offer several online seminars, with current topics. We seek flexible formats that will enable employees to obtain knowledge, managing their own learning schedule according to their workload.



TRAINING BY PROFESSIONAL CATEGORY

	2017		2018		2019	
	Total hours	Average hours per employee	Total hours	Average hours per employee	Total hours	Average hours per employee
Administrative	6,343	5.5	10,913	8.8	7,978	6.1
Operations staff	21,978	12.9	13,117	7.9	11,737	7.8
Total	28,321	9.9	24,030	8.3	19,715	7.0



We offer our employees individual performance plans. They combine training and learning in three blocks: 1) Self-learning, based on operating performance; 2) Offered by others in the company; and 3) External, focusing on very specific concepts and techniques. The plan is set at the beginning of the year, and it is reviewed by the employee and their immediate superior at midyear and yearend as part of their periodic evaluation.

Employees are **evaluated on their performance**, with different processes based on the position. Administrative staff is subject to a process based on the achievement of individual goals set at the beginning of the year between the employee and their leader. If they also supervise other staff, a 360° evaluation is carried out on how they have performed their responsibilities as team leaders, on this metric, 885 employees were assessed in 2019.

Regarding operating employees, we focus the

evaluation on competence, productivity, and adherence to the safety guidelines and the company's values. We consider employee seniority and type of contract to define the required evaluation process; through this scheme, we assess all our workforce. We also acknowledge the outstanding efforts in our team, recognizing employees with unique contributions.

As part of our efforts to attract the best talent, we have initiatives to incorporate students and recent graduates, as well as to receive international interns. We should especially note the **Professionals Under Development Program** (PRODES, for its Spanish acronym), to whose participants we assign projects within the company; they participate during their stay in different areas, as a high performance program. We also have a version of the program for students and/or postgraduates (Masters Under Development, or MADES for its Spanish acronym). In 2019, these temporary stay programs had 18 participants overall.



Commitment and work environment

(GRI 102-48, 103-2, 103-3, 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)

At Rotoplas, we understand **diversity** as a strength in our team, and we ensure respect for the integrity of everyone who is part of the company. Together with the guidelines on this matter, included in our Code of Ethics and Conduct and the Human Rights Policy, this year we went one step further, launching the **Diversity Policy**. This policy will serve as a guide for our behavior both in selecting and incorporating new employees, as well as in internal promotion, delivering compensations and benefits, and the daily interaction within the teams.

Together with the guidelines, we work actively on promoting a culture of respect, and provide our employees with channels to report any situation. In 2019, we identified 3 cases of discrimination, for which we established various measures that

made it possible to resolve them in the same year.

Equal treatment between women and men is a maximum standard in the company. Among other aspects, it materializes in the support provided to employees who decide to make use of their maternity or paternity leave, a right exercised by 92 employees in the year. Of them, 29% were women and 97% of them returned at the end of their leave.

Regarding compensations, we strive for salary equality in equivalent positions and with equal seniority, regardless of gender. Below, we present the ratios broken down into the main professional categories; the differences presented between genders are due to how they are distributed among the different profiles included in each category.

WOMAN/MAN SALARY RATIO

	Fixed	Fixed + variable
Executives	0.93	0.75
Middle management	0.97	0.96
Individual contributors	1.16	1.02
Operations staff	1.07	1.01

Compensations are always set through a formal process that considers the profile of the position and the situation in the sector. From our employees, 50% have a variable part linked to performance goals⁸. In the case of top management, some of them have metrics linked to the company's performance in sustainability, in addition to other business and/or department indicators.

⁸ Includes the IPS staff.



Concerned with the employees' **wellbeing**, we have developed various initiatives. In Mexico, it is worth noting the launch of the **Employee Assistance Program (PAE, for its acronym)** in 2019. This program works as support for our staff and their direct family members in preventing or resolving situations linked to personal or job concerns that could generate stress and/or affect their emotional state, with the assistance of external specialists. Users can communicate on the phone, through internet, or through an app, safeguarding their anonymity. In its first year, it served 180 people.

In the year, moreover, we made progress in the compliance with Official Mexican Standard NOM-035-STPS-2018, with the diagnosis of the causes affecting wellbeing and their monitoring.

We safeguarded the staff's **health and security**, granting them suitable work conditions, as well as promoting self-care and prevention. We should also note that compliance with the guidelines in this respect is part of the conditions we set in the agreements with the unions.

Our **Hygiene, Safety, and Environment (HSE) Policy** includes the main guidelines; both our employees and external contractors who work at the various plants must comply with it, and it is evaluated through internal and external audits. The Leon rotomolding, Leon injection and extrusion, and Lerma plants in Mexico, as well as the one in Lima, Peru, have a

certified management system in accordance with the OHSAS 18001 standard; this translates into a coverage of 20% of the staff (643 employees).

Each plant has a **Safety and Hygiene Committee** that, together with the supply chain personnel and the HSE team, carry out safety tours to identify risks. The HSE team consolidates the findings and adds them to the notices that may have been submitted by employees directly and/or through the report channels, and to the information held by the medical team. With all this, work priorities are established in each center. It should be noted that the Safety and Hygiene Committees include representatives from the employees, guaranteeing their participation in the various management and monitoring functions.

Moreover, we have developed an **annual safety training program** at each plant, for the prevention of accidents, that tackles the main risks; this is added to the performance of drills. Through the trainings, we have got 30% of the employees at the plants to become brigade members, having teams available in all shifts.

STANDARD

CERTIFIED SITES

OHSAS 18001:2007

1. Lerma
2. Leon rotomolding
3. Leon injection
4. Peru

On the other hand, related to **employees' health**, we offer periodic medical exams that we complement with campaigns for vaccination and/or specific issues.

Thus, we reduce the risks in our processes, which are mainly damages to limbs and ergonomic ailments, particularly in the rotomolding activity.

We also aim to promote healthy habits, with nutrition recommendations and sports activity options. We encourage the use of bicycles to commute to work; it is part of an economic bonus system to reward alternatives to using their own car, as is carpooling and the use of public transportation.

HEALTH AND SAFETY INDICATORS⁹

	2017	2018	2019
Number of minor injuries	0	30	25
Number of incapacitating accidents	95	76	58
Number of occupational illnesses	1	4	0
Number of casualties	0	0	0
Number of days lost due to injury	1,164	1,074	894
Accident rate	16.8	13.2	10.5
Rate of occupational illnesses	0.2	0.7	0
Absenteeism rate	0.2	0.1	0.1

⁹ With regard to previous reports, there is a restatement in the value of the indices and exchange rates in the calculation formulas.

Accident index= number of incapacitating accidents/total hours worked*1,000,000

Occupational illness rate = number of occupational illnesses/total hours worked*1,000,000

Absenteeism rate= % of days lost (due to injury)/total working days in the year (excluding vacations) of the whole staff.

¹⁰ 84% of those employees invited participated; in turn, 76% of the staff, on a regional level, was invited to participate.

Together with the training in various topics and the promotion of wellbeing, we provide employees with another series of benefits, similar for the staff that work part time and those who work full time. Among the benefits, we include; life insurance, medical insurance, savings fund, Christmas bonus, paid vacation, and extended maternity and paternity leave.

Moreover, in Mexico, since 2018, we have been testing a pension plan, which is applicable to all employees with a permanent contract. Employees can contribute up to 3% of their salary, and the company, based on seniority and other variables, can match up to that sum. This year, 10 employees retired using that scheme; 236 employees are already participating in the program, after its launch in 2018. Rotoplas contributed \$1.34 million pesos to this plan.

Concerned with our employees' expectations and the work environment in the teams, we carry out an annual **work climate** survey annually. In 2019, we obtained 75% satisfaction, which continues to show a significant improvement compared to 2017¹⁰. Moreover, under the organizational transformation program, Flow, we carried out a diagnosis of the organizational health, as a complement to the work environment survey.



We transform
necessities



into
opportunities

Through our solutions we collaborate to **improve the quality of life** of individuals, families and communities; as well as to raise awareness on water preservation.

Context of the water issue



IN LATIN AMERICA

~37 million people lack access to safe clean water.

~110 million people lack access to sanitation.

Only 31% of water sources in the world are located.

72% of water extraction in Latin America is intended for agriculture. (FAO)

ON A GLOBAL LEVEL

Around **90% of natural disasters** are related to water (UNESCO)

6 out of every 10 people lack access to hygienically safe sanitation facilities (UNESCO)

In low and middle income countries, **38% of health centers** lack access to improved water sources. (UN)

3 out of every 10 people lack access to safe drinking water (UNESCO)

Over 2 billion people live in countries experiencing high levels of water stress (UNESCO)

By 2025, **half of the world population** will live in areas facing water scarcity (UN)

2/3 of the world population experience serious water scarcity, at least one month a year (UNESCO)

Over 80% of the wastewater flows back into the ecosystem without adequate previous treatment (UNESCO)

Climate Change **impacts in precipitation variability, freshwater availability, and faster pollution of water bodies**, among others (UN)

Daily 1,600 liters of water per person are currently extracted (FAO)





Challenges and trends

The acceleration of climate change, population growth, and its uneven geographic distribution trending towards urbanization are posing significant challenges. As a result, water demand increases while availability decreases. In this context, decentralized solutions for water storage, waterflow, purification, treatment and recycling are even more necessary.

Households

The main challenge is having a constant supply and the quality of the resource delivered, as well as awareness in its responsible use, as public investment in infrastructure is not enough to meet the water needs.



Industry

It is becoming more critical to have supply alternatives to the public grid, as well as to have water treatment and recycling tools, given the ever more demanding environmental requirements and intermittencies in the supply of this resource. A similar situation is seen in the commercial sector, where water utilities prices have increased.



Agriculture

given an ever-greater scarcity, price hikes, and high intensity in water consumption, the focus is placed on use efficiency. Technology is essential to the development of SMART systems applicable to irrigation and other processes related to agriculture.



Commitment and water culture

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

In 2019, we adhered to the **CEO Water Mandate**, fostered by the United Nations; this initiative encompasses the public commitment of outstanding companies in six fields of action, including water security for their activity, safeguarding ecosystems' health, and society's wellbeing through collective action¹. We have adopted an active role in this initiative, participating in the international forums organized by the CEO Water Mandate.

We seek to promote awareness in people regarding the responsible use of water, through different campaigns and forums. We want people, communities, and industries to be able to have access to each drop of the resource.

In Mexico, we organized the first **Let's Talk Water** forum—a space devoted to the exchange of knowledge and experiences among various specialists and the general public. In this edition, we discuss the relationship between climate change and the main challenges to water availability, with lectures by The Nature Conservancy, *Instituto Internacional de Recursos Renovables (IRRI)*, *Cuatro al Cubo*, and *Isla Urbana*.

¹ Throughout this report, we inform our contribution to the areas of commitment established by the CEO Water Mandate. More information at: <https://ceowatermandate.org/>

We were also able to present at forums organized by *Universidad Anahuac* and *Universidad Panamericana*, or the operator of the Mexico City Water System (*Sistema de Aguas de la Ciudad de México, SACMEX*), among others; moreover, we participated in encounters fostered by The Nature Conservancy and the Mexican Agency for International Development Cooperation (*Agencia Mexicana de Cooperación Internacional para el Desarrollo, AMEXCID*), entrepreneur accelerator *Make Sense*, and the National Association of Water and Sanitation Enterprises, among others. Our presence in those spaces seeks to foster a new water culture where citizens, companies, and public agencies join to meet the challenges of water and sanitation in Latin America.

On the other hand, we continued to offer talks on water awareness for corporate clients of services both of *bebbia* and of water treatment plants, through which we talked with our clients' employees regarding the importance of the proper use of water, thus increasing their trust in our products and services. In addition, we held sessions in schools that have drinking water fountains, which we have installed under various government programs.



We are also spreading the water culture initiatives to other countries where we operate. In Argentina, we held trainings at schools, and we donated purification systems to the Safe Water Project, which develops social programs for water access. The IPS Race is also noteworthy, as it commemorated Water Day, with the participation of over 3,000 people, including employees and their families. On the other hand, in Peru, we held awareness workshops at school centers, and participated in fairs where our employees communicated the importance of having safe water; in Brazil, we should note the public campaign, based on the closeness of our local mascot, Acquafantinho.

We have made available to the public **Water Fan (*fan del agua*)**, a recently designed platform through which we broadcast content regarding the use and care of water. In it, we offer each user the possibility of calculating their water footprint, and we thus seek to foster awareness of water consumption². Likewise, we include informative material with our products and services to sensitize people on the responsible use of water. These brochures are complementary to the instructions for the proper use of the solutions.

We signed a collaboration agreement with the website agua.org, the second Spanish-speaking most visited site on water topics.

² <https://fandelagua.com/>

Through this agreement, we promote the generation of content, materials, and research communicating a new water culture. In this framework, we should note the publication of interactive maps with georeferenced information on water in Mexico.

Our employees are a key element of the company's commitment to water culture. Throughout the year, we hold various internal awareness events; we extended the scope adapting our activities with employees towards hydric topics at all our work centers. An example of this is Family Day, where employees and their families participated in educational, fun, and friendly activities whose main message was water consumption for health and efficient use of the resource.

We also encourage employees' participation in **volunteering** activities, linked to the improvement of water. We should note that 70 employees participated in the reforestation of recharge areas of Mexico City's watershed. As for waterbody cleanup activities, in Guatemala, our teams collaborated in the *Atitlan* lake, and in Peru, in the *Rimac* river. We developed these activities together with local organizations.





Impact of products and services

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

Our solutions **improve people's quality of life**, contributing to the availability of water, as well as to its safekeeping for future generations, through its responsible use, treatment, and recycling.

We favor the population's resilience to the effects of Climate Change on the amount and quality of available water. We also contribute to the development of rural communities with water access, sanitation, and hygiene solutions, in particular, rainwater harvesting and outdoor toilets with biodigester. Thus, we collaborate on reducing inequality gaps.

We offer availability to drinking water through purification and filtering products, as well as integral services, such as *bebbia*. These solutions are important alternatives to the transportation and marketing of bottled water, and the ensuing use of polyethylene terephthalate (PET) or other plastic substances in linear use schemes, gas emissions, and waste generation, which have a significant impact on the environment.

In the industry, we enable the treatment and

reutilization of wastewater, causing a double positive effect for the environment as, by reusing the liquid, it is necessary to harvest a lower amount of the resource, and the conditions of effluents improve. This treatment and reutilization scheme can even lead to closed circuits that eliminate dependence on water from the public supply, fostering the climatic resilience of the facilities where these plants operate.

We drive innovation and development of knowledge, both in internal processes and through alliances with the academia and specialized organizations.

Through all this, we contribute to the **Sustainable Development Goals (SDG)**, firmly committed to this international roadmap that tackles the main challenges of society. Our Sustainability Strategy has been designed to maximize this contribution.

Grupo Rotoplas' main impacts and their relation to SDGs



Population's resilience to Climate Change.	1	10	
Communities' hygiene and health.	1	3	10
Reduction of inequalities, with special impact on children and women.	4	5	10
Access safe drinking water.	1	10	11
Reduction of PET or other plastic substances, an alternative to linear use-and-dispose schemes.			12
Reutilization of water in industry.			12
Release of treated water into the environment, safeguarding water bodies.	14	15	
Knowledge about water quality.			11

SUSTAINABLE DEVELOPMENT GOALS

It is particularly worth noting our contribution to **SDGs 6 and 9**, due to the type of products and services that we offer the population, the relationship with various agents specializing in water and sanitation, and with the innovation ecosystems, the promotion of responsible water use, and the projects for community assistance in which the company participates.

We support projects from various social organizations focused on access to water and sanitation, product donations, including a 1+1 contribution plan where we double the number of solutions purchased by those agencies. In the year, we destined \$2 million pesos to this in Mexico, added to the contribution in other countries.

Below, we present some of the main **indicators of our contribution to SDG 6³**:



RAINWATER HARVESTING

IMPACT

Greater water availability; economic savings and reduced illnesses.

PROGRAMS / INITIATIVES

INDICATORS

Supply and installation of solutions in Mexico, Central America, and Brazil (since 2012).

12 programs in 2019

58,392 benefited in 2019

1,390,000+ benefited since 2012

35,000 m³ of rainwater storage capacity (in 2019)

Participation in the Mexico City program, cooperating in the systems installed by Isla Urbana.

10,000 systems installed

25 million liters stored

40,000 people benefited

Rotoplas tanks and pipes were provided

Rainwater harvesting systems in industries, under leasing plans.

259 million liters of rainwater to be harvested per year (retail) (259,000 m³)

19 harvesting projects on industrial rooftops

³ With regard to SDG 9, we present our contribution in the subchapter on Innovation management (chapter on Innovation, quality, and customer experience).

SANITATION

IMPACT

Improvement of environmental quality through the treatment of domestic wastewater by biodigesters, benefiting people's health.

Dignity, greater safety, and health through the use of toilets (outdoor toilet with biodigester systems).

PROGRAMS / INITIATIVES

INDICATORS

Supply and installation of sanitation solutions in Mexico and Central America (since 2012).

51 programs in 2019

25,000 benefited in 2019

817,000+ benefited since 2012

DRINKING WATER—SCHOOLS

IMPACT

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

PROGRAMS / INITIATIVES

INDICATORS

Supply, installation, and maintenance of drinking fountains at public schools in Mexico (since 2016).

4 main programs

5,171 drinking fountains installed (since 2016)

92 million liters of water purified (since 2016)

1,147,962 children benefited (since 2016)

DRINKING WATER—HOUSEHOLDS, OFFICES, AND INDUSTRIES (*bebbia*)

IMPACT

Improvement in health, due to favoring the availability of safe-drinking quality water.

Alternative to schemes for transporting and marketing water in plastic containers, contribution to a lower environmental impact.

PROGRAMS / INITIATIVES

Development of *bebbia*, offering a drinking water system subscription plan for leasing and maintenance of purifiers.

INDICATORS

18,800 units installed

123 thousand people benefited

Presence in **107 municipalities of Mexico**

500+ people trained

WASTEWATER TREATMENT AND REUSE

IMPACT

Reduction in water intake from the environment thanks to post-process reutilization systems.

Discharge of water in improved conditions into the environment, safeguarding the latter's condition.

PROGRAMS / INITIATIVES

Wastewater treatment plant design, construction and installation, and operation services for commerce and industry (since 2016, when we acquired Sytesa). We are diversifying the activity sectors served.

INDICATORS

22 million m³ treated

35% water reused

11 sectors of activity served⁴

WATER STORAGE IN VULNERABLE COMMUNITIES

IMPACT

Greater availability of water and economic savings.

Resilience to supply intermittency, unavailability and Climate Change-related effects.

PROGRAMS / INITIATIVES

Serving the population in vulnerable communities through programs to supply storage and waterflow solutions.

INDICATORS

169 thousand people benefited

39 programs in communities

⁴ Retail, mining, food & beverages, petrochemicals, automotive, manufacturing, hotels, desalination, large construction works, paper, government.



We transform
investment into results

In Rotoplas we **seek to create and share value** with all our stakeholders throughout company's operations, generating economic value and contributing to the development of societies. Always faithful to our mission: for people to have more and better water.



Relevant Financial Data

(GRI 103-2, 103-3)

FIGURES IN MILLIONS OF
MEXICAN PESOS

This year has been highly relevant for Grupo Rotoplas, as we have overhauled the way we operate, placing special emphasis on the **diversification and profitability of the current products and services portfolio**. Likewise, during this period, we continue to consolidate as the main benchmark in water solutions in the continent.

Despite various macroeconomic and political issues in the countries where we operate, our **revenues grew 4.0%**, totaling \$8.09 billion. Moreover, it is worth noting the 8.4% increase in **Adjusted EBITDA**¹, the expansion of the EBITDA margin to 17.5%, and an improvement in the return on invested capital (**ROIC**) as well as in working capital.

With a 250 bp improvement in ROIC, going from 7.3% in 2018 to 9.8% by yearend, an inflection point has been reached, marking a change in the trend.

With **Flow, the organizational transformation program** that began at the end of the year, we are preparing for the future, strengthening the sound bases we already had, and providing the business with a new focus on growth and profitability for the coming years.

¹ Adjusted EBITDA excludes non-recurring expenses (donations and expenses related to M&A).



As for the strategy by country, in **Mexico**, the product category proved to be resilient to the lack of economic growth and to the impacts on the construction industry. This because these solutions help the population to fill their basic needs, regardless of the economic cycle, such as access to water and sanitation. In services, we managed to expand the scope of treatment plants to various industries, and *bebbia* doubled its sales and number of users.

On the other hand, in **Argentina** it was extremely important to maintain a dynamic strategy that would anticipate possible events such as inflation, currency depreciation, or regulatory changes, and thus increase the brand positioning and gain market share, including both, the domestic market and foreign trade through export sales.

In the remaining countries, the **United States** stands out for its strategic refocusing towards e-commerce and its future potential. In the year, we updated the technological platform, we strengthened the commercial team, and consolidated a multichannel sales strategy, which includes physical retail stores.

Peru and Central America continue to provide stability to the Group, as these operations have steady growth and profitability. In **Central America**, we implemented a new commercial policy segmented by country, which has made it possible to manage a more suitable price allocation. Special emphasis was placed on the North Cone (Guatemala, El Salvador, and Honduras), which boosted sales volumes in the region.



On the other hand, in **Peru**, storage sales increased in a context of water supply restrictions due to maintenance of the hydric infrastructure in Lima and other peripheral areas. Likewise, we continue to develop the improvement and waterflow segments to have a full product portfolio in the country.

In **Brazil**, the growth of storage sales was mainly related to the launch of the low-range open water tank line, which complements the premium portfolio.

As part of the general analysis of operations, we assessed the profitability of our assets to detect potential improvements, which led us to propose various action plans. In the case of manufacturing assets in the United States, we managed to obtain a sales contract with a strategic ally, maintaining an appealing supply agreement for both parties. This divestment helped us to strengthen our balance sheet and reduce our net debt position.

Leverage measured as Net Debt/EBITDA settled at 0.8x—a ratio below the internal target of 2.0x.

Throughout the year, a strict discipline on spending, efficiencies in manufacturing processes, benefits in raw material prices, and the divestment of unprofitable operations led to an 8.4% increase in **Adjusted EBITDA**, which settled at \$1.41 billion. The margin expanded by 70 bps to 17.5%.



Infrastructure investment (CAPEX) stood for 4% of revenues, with a special emphasis on water treatment and recycling plants in Mexico, as well as resources for updating the e-commerce platform in the US.

Finally, **net profit** before discontinued operations reached \$260 million, with a 34% decrease compared to 2018, given higher financial expenses as a result of interest payments on debt, the impact of the currency devaluation in Argentina, and impacts from the FX hedging instruments.

During the year, \$260 million were recognized as losses from discontinued operations, as a result of the sale of manufacturing assets in the USA, and the recognition of deferred taxes on losses from previous years.

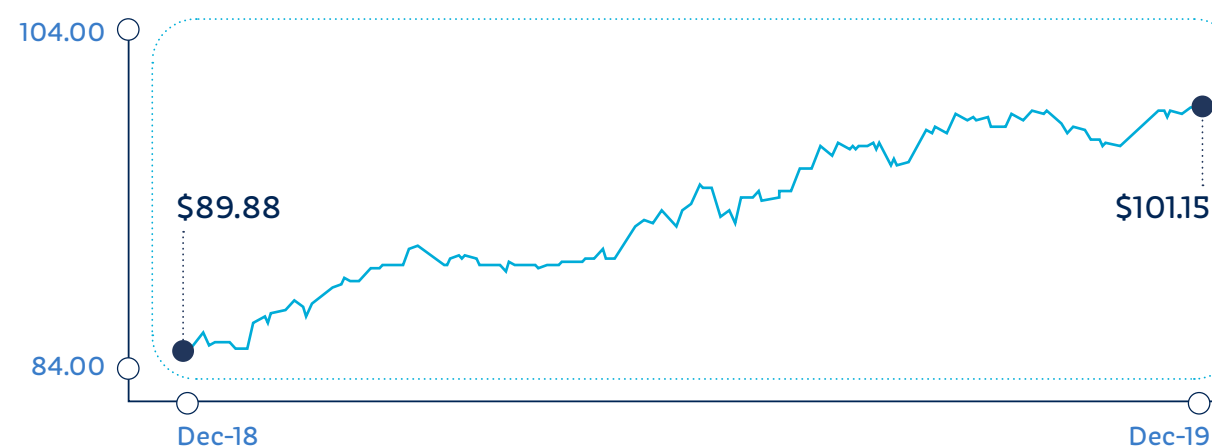
ECONOMIC FIGURES (in million Mexican pesos)

	2017	2018 ¹	2019	Δ 19-18
Net revenues	6,660	7,777	8,086	4.0%
COGS	4,032	4,674	4,692	0.4%
Gross Profit	2,628	3,103	3,395	9.4%
Gross Profit margin (%)	39.5%	39.9%	42.0%	210 bps
Operating Expenses	1,899	2,178	2,327	6.9%
Operating Profit	730	926	1,067	15.3%
Operating Profit margin (%)	11.0%	11.9%	13.2%	130 bps
Adjusted EBITDA²	1,004	1,303	1,413	8.4%
EBITDA Margin (%)	15.1%	16.8%	17.5%	70 bps
Net profit before discontinued operations	533	397	260	(34.2%)
Net Profit margin (%)	8.0%	5.1%	3.2%	(190) bps
Number of shares outstanding (in millions)	486	486	486	-

CAPITALIZATION (in million Mexican pesos)

	2017	2018 ¹	2019	Δ 19-18
Total Assets	10,786	11,850	11,430	(3.5%)
Total Debt	1,976	2,923	2,935	0.4%
Total Shareholders' Equity	7,295	6,764	6,411	(5.2%)
Market capitalization	14,689	10,741	7,809	(27.3%)

SUSTAINABLE BOND AGUA 17-2X



¹ For comparison purposes, the figures vary from those reported in 2018, as they exclude the operations of the manufacturing business in the US, given that they are considered discontinued due to their sale in 2019.

² Adjusted EBITDA excludes non-recurring expenses (donations and expenses related to M&A).



Distribution of economic value

(GRI 103-2, 103-3, 201-1, 204-1)

At Grupo Rotoplas, we know that value must be created integrally for each of our stakeholders, including compensation for our employees, purchases from our suppliers, tax payments to the authorities, and profit-sharing to investors.

Following, we present the economic value generated and how it is distributed.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (EVG AND EVD) (million Mexican pesos)

	2017	2018 ³	2019	Δ
Revenues (Economic Value Generated, EVG)	6,660	7,859	8,086	3%
Costs and Expenses (Economic Value Distributed, EVD)	7,280	9,030	8,197	-10%
Operating Costs and Expenses⁴	4,769	5,757	5,804	1%
Salaries and benefits (for employees, labor + G&A)	960	1,116	1,215	9%
Payment to capital providers⁵	365	465	519	12%
Payments to government (taxes and contributions)	196	218	250	15%
Investment in Research and Development (R&D) ⁶	49	53	73	38%
Acquisitions	581	983 ⁷	-	-100%
Infrastructure investments (CAPEX)	328	434	329	-24%
Donations (community)	33	4	6	39%
Retained (EVG-EVD)	-620	-1,171	-110	

³ 2018 was not adjusted for discontinued operations.

⁴ For 2017 and 2018, it does not include operating costs and expenses of IPS.

⁵ Not considering the purchase or sale of stocks through the buyback program.

⁶ Not considering salaries nor depreciation and amortization.

⁷ Corresponding to the price after the guarantee on IPS results.



We transform decisions into value

We create and share value with our stakeholders, in line with our values and the Rotoplas Way. Therefore, we strengthen the diligence in our processes and in business management.



Structure

(GRI 102-5, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-27, 102-28, 102-33, 102-35, 102-36, 102-37, 405-1)

Our **Corporate Governance** is established following the best international practices and regulations applicable to a variable stock corporation. Grupo Rotoplas' shares are traded on the Mexican Stock Exchange (BMV for its Spanish acronym) and the float totals 29% of its shares; by yearend, the company's market cap was \$7.8 billion Mexican pesos.

The corporate governance structure and the assigned responsibilities seek to guarantee the exercise of the fiduciary duty of those who comprise it and the due diligence in the decision-making process.

The **General Shareholders' Meeting** appoints the members of the Board of Directors, proposed by the Corporate Practices and Strategy Committee. It is also in charge of approving the report of operations and results presented by the Board, including the consolidated and audited financial statements.





53% of our Board of Directors is comprised by independent members.

The **Board of Directors** is responsible for establishing the company's strategy and monitoring its implementation by the management team. Moreover, it sets the guidelines for internal control and auditing, it appoints the CEO, and it establishes the compensation policies for senior management.

The Board is chaired by Mr. Carlos Rojas Mota Velasco, cofounder of the company, and is comprised of 15 members, 8 of whom are independent.

In 2019, the Board was renovated, appointing 3 new members. The goal is to achieve greater representation of the countries where we operate. Our Board has now 5 international members coming from Argentina, U.S. or Brazil, and has the characteristic of being gender and age diverse.

With the new profiles, we seek to integrate members who are experts in emerging trends that will be essential to the business, such as e-commerce and customer experience. This is added to the experience of our more veteran board members, who have deep knowledge of the company, as well as of the risks and opportunities of the industry. The Board has an annual mandate, and the average seniority of the current board, after the aforementioned changes, is 9 years.

You may view the composition of the Board of Directors and the details on the board members at: <https://rotoplas.com/investors/corporate-governance/> > Board of Directors

As a noteworthy decision by the Board, we should mention the appointment of Carlos Rojas Aboumrad as new **CEO**, in order to give continuity to the business' development, and as part of the succession plan that had been underway for some time. Carlos has broad knowledge of the company, given his 15 years of experience with Rotoplas, his performance as Vice-President of Solutions with Services since 2014, and his participation on the Board.

We should note that the Board meetings are ordinarily held on a quarterly basis. In 2019, there were 4 meetings, with an average attendance of 82%. Board members receive the fundamental information on the state of the company prior to the meeting for a proper decision-making. On the other hand, they take an annual self-assessment, as well as an assessment of the organization and the Board's operation; in 2019, participation totaled 93%.

Board members receive compensation for their duties; the sum is established by the Compensations Committee and approved by the Shareholders' Meeting.



Together with the **Compensations Committee**, the Board's activity is backed by the **Audit Committee** and the **Corporate Practices and Strategy Committee**, all chaired by independent Board members and holding quarterly meetings. These committees have different functions and report their performance to the Board and to the Shareholders' Meeting.

You may view the main functions of the Committees and their members at:

<https://rotoplas.com/investors/corporate-governance/>

We have an experienced and high-performance management team comprised by 5 vice-presidents and 14 directors. During 2019, the Vice-Presidency of Individual Solutions and Solutions with Service for Argentina and Brazil was created, to continue with the consolidation of the strategy, caring for the operations in the Southern Cone, whose relevance and complexity have increased.

As with board members, vice-presidents' and directors' remuneration is established by the **Compensations Committee**. For some vice-presidents, there is a Stock Option Plan, and an Allocation Plan of Reference Value Units (UVR for its Spanish acronym), both linked to their performance, and in some cases, to metrics linked to environmental, social, and governance topics.

We have different bodies to coordinate the various directors, evaluate the company's operation, and monitor indicators. The main gatherings include strategic alignment meetings, project management teams' presentations and Sustainability Strategy follow-up sessions. In 2019, we added various committees and meetings under the framework of Flow—an organizational transformation program¹.

¹ More information in the Organizational Transformation section (chapter on Strategy).





Ethics

(GRI 102-16, 102-17, 102-25, 102-26, 103-2, 103-3, 205-1, 205-2, 205-3, 412-2, 415-1)



Integrity is part of the corporate values that sustain our organizational culture. Those values are materialized in the guidelines of the **Code of Ethics and Conduct** and pervade various policies. The Code was approved by the Board of Directors and applies to all employees, as well as board members².

New employees participate in an induction course to the Code of Ethics and Conduct when they join the company, and commit to comply with it. Moreover, all employees annually sign a proof of acquaintance with it; we also reinforce the promotion of its content through trainings. Regarding the updating of our Code of Ethics, we provide 2,077 hours of training during the year to both administrative and operational personnel. Through a classroom and digital scheme, we trained 2,503 employees of our staff. As a result, we reached 76% of Grupo Rotoplas' employees, 75% of the administrative staff and 87% of the operational staff.

We also seek to extend the Code to our value chain, having started with suppliers, whom we request to sign in agreement before beginning to operate with them.

As a key part of our integrity as a Group, we monitor to ensure the absence of corruption practices and conflicts of interest; in line with this, contributions to political parties are prohibited. The Code's

framework is further strengthened with the **Anticorruption Policy**.

We make available to our employees and all other stakeholders the **"Confía Rotoplas" reporting system**, a whistleblowing platform managed by an independent third party, that makes possible to make anonymous reports. The cases are submitted to a committee comprised by senior management to be analyzed and then channeled to the corresponding departments, mainly: Human Capital, Corporate safety and control. After said departments propose the steps to be taken, the committee is ultimately in charge of authorizing them.

Given its nature as a collegiate body, the Committee is essential for the process to guarantee the rights of all parties. This is in addition to the evaluation and response to the observations raised in the internal audits carried out at all our work centers.

Our efforts support a **culture of ethics and compliance**, and employees' adherence to the guidelines. However, and thanks to the reporting and monitoring mechanisms, we identified 2 cases of corruption in the year within the employee base, which triggered the dismissal of the employees involved. There were no other significant breaches of the Code of Ethics and Conduct in the year.

² [Click here to know more](#)



Risk Management

(GRI 102-11, 102-15, 102-29, 102-30, 102-31, 103-2, 103-3, 201-2, 206-1, 307-1, 416-2, 417-2, 417-3, 419-1)

At Grupo Rotoplas, we are aware of the risks related to our operation, to the achievement of our business goals and targets, and to the relations with the various stakeholders. The risks may result from the context of the sector and of the countries where we operate, but also from aspects inherent to the company, such as the degree of adherence to the internal guidelines and processes, the portfolio diversification, and the development of new businesses.

We have a risk map that we update in a yearly basis, and it includes the outlook of the various areas and of specialized third parties. It serves as the foundation to **establish and prioritize prevention and mitigation measures**. They are monitored through our internal control system, with the participation of third parties for certain assessments.





RISK MANAGEMENT

- Economic
- Social
- Environmental

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. > 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 compose 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. > 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 for the successful entry and expansion of operations in new markets	> We continuously 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.



RISK MANAGEMENT

- Economic
- Social
- Environmental

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	Availability and quality of water for our operations	> Some of the technologies we use consume water for certain processes. Depending on the region where our operations are based, the availability, supply and quality of water may vary as a result of climatic phenomena, pollution and other external environmental, social and political-legal factors.
	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.

Our understanding of the risks, as well as of the business model and the Sustainability Strategy, considers the environmental and social implications and the relation with corporate governance (ESG).

The company is no stranger to the ever more relevant emerging risks that mark the international agenda, such as the effects of Climate Change and the cybersecurity hazards.





In 2019, we launched the **Climate Change Strategy**, after developing various initiatives under the Sustainability Strategy framework. We decided to carry out a more in-depth analysis of the risks and opportunities that climate change presents to Grupo Rotoplas and to bolster our response. We present the main work axes, organized based on our stakeholders:

CLIMATE CHANGE STRATEGY

Stakeholders	Strategic work lines
 <p>Clients</p> <p><i>Distributors capable of generating a climate value offer for their clients.</i></p> <p><i>Governments and NGOs capable of achieving their climate change objectives.</i></p> <p><i>End users with more climate resilience</i></p>	<p>Distributors</p> <ul style="list-style-type: none"> Developing commercial strategies attending the regional impacts of climate change (developing water solutions for adaptation and mitigation) Training distributors and marketers in the impacts of our solutions, that increase the climate resilience of the population. <p>Governments and NGOs</p> <ul style="list-style-type: none"> Enhancing the development of projects that enable the population to endure the effects of climate change. <p>End users</p> <ul style="list-style-type: none"> Bolster awareness on the effects of climate change in water scarcity and availability.
 <p>Employees</p> <p><i>Strengthen the operative efficiency and resilience</i></p> <p><i>Resilient, and climate active – based on knowledge employees</i></p>	<p>Processes and operations</p> <ul style="list-style-type: none"> Develop measures to reduce GHG emissions, additional to the energy efficiency initiatives. Adjoin the relationship with the climate change as a variable for our innovation process. Accelerate the implementation of circular economy initiatives. <p>Employees</p> <ul style="list-style-type: none"> Create awareness on the staff about the impact that water solutions deliver towards the climate resilience of our end users. Link the work activities with the climate-impact generated by our products and services portfolio. Address the labor disease-related issues that may be associated with the climate change phenomenon (e.g. due to variations on average temperatures).
 <p>Suppliers</p> <p><i>Climate-aware and proactive suppliers</i></p>	<ul style="list-style-type: none"> Assess and monitor suppliers in accordance with their environmental performance, as part of Grupo Rotoplas's cycle of product and service delivery. Support the development of lesser impact and risk raw materials. Promote the efficiency and reduction of GHG emissions among our logistics network.
 <p>Board of Directors and its internal bodies</p> <p><i>Climate change strategic governance</i></p>	<ul style="list-style-type: none"> Consider the climate-related performance in the KPIs, remunerations and corporate strategy. Promote the public engagement and leadership in issues concerning environmental topics, specially water.
 <p>Financial community</p> <p><i>Generate climate value to our investors and insurers</i></p>	<ul style="list-style-type: none"> Deliver relevant information regarding climate issues to the financial community interested on environmental performance. Reinforce our metrics and monitoring practices to address the information requirements received and promote its accounting. Prioritize green financial schemes and contribute to its development and adoption in the markets.
 <p>Authorities and regulatory bodies</p> <p><i>Deliver certainty on our regulatory compliance</i></p>	<ul style="list-style-type: none"> Reinforce the audit processes and bolster third-party assessments. Promote an environmental compliance culture in the company.
 <p>Community</p> <p><i>Enhance a portfolio that collaborates towards the climate resilience of communities</i></p>	<ul style="list-style-type: none"> Take place in collective initiatives that address climate change (including water availability and hygiene) Promote and participate in research and assessments through alliances and collaborative efforts. Generate KPIs linked to climate change.



Moreover, we are developing the **Cybersecurity Strategy**. We started with risk identification and assessment, continuing with their prioritization. Based on the results obtained in this first stage, we have established the main initiatives to be carried out by various areas in the short and medium term, including prevention measures. Likewise, a review was done of the insurance policies in terms of cybersecurity.

In 2019, it is worth noting the Access Control Policy, which will be followed by another internal self-regulation rule, and efforts to encourage a culture of security.

In the year we received 4 monetary penalties. 1 corresponds to labor violations, for \$937 pesos; 3 are due to environmental violations and amounted a total of \$47,860 pesos. We did not have significant non-monetary sanctions due to another subject. Also is noteworthy the absence of sanctions related to regulations on impacts of products and services on the health and safety of users, labeling and marketing of solutions, or anti-competitive practices.

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)

We are presenting our fifth **annual integrated report**, which includes the company's economic, social, environmental, and corporate governance performance during 2019¹. Lending continuity to the previous years, this report has been prepared in line with GRI Standards: Exhaustive² option. In addition, we subjected the report to external verification by an independent third party; the scope is described in the verification letter.

Linked to the maturity in the management of information, this report contains some restatements of information presented in previous reports, which we explain in the corresponding chapters in order to provide a suitable comparison of the data.

The contents of the report reflect our performance regarding **material topics**. These were defined through a process that included the point of view of our stakeholders regarding the topics that most affected them, which were prioritized through various survey mechanisms. Their assessment was combined with the company's outlook on the most strategic topics to achieve the goals and targets of the business. Thus, the material topics were established from a dual viewpoint and served as the basis to build our Sustainability Strategy.

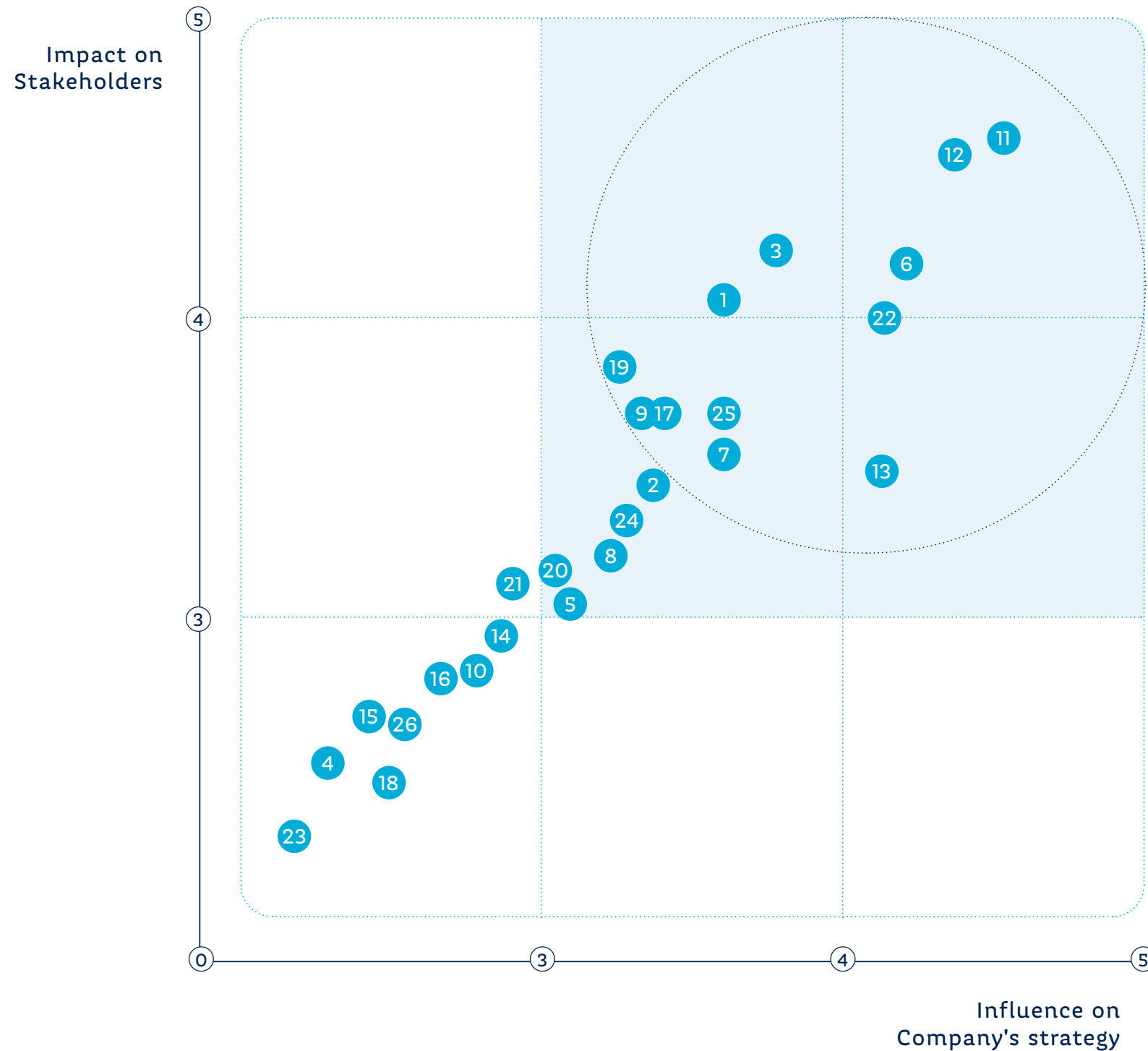
Moreover, the topics were validated by the Sustainability Committee and communicated to the Corporate Practices and Strategy Committee. Likewise, these bodies reviewed the information contained in this report.

¹ The collection of Grupo Rotoplas' subsidiaries may be viewed in the Financial Statements presented at the end of the report.

² We also applied the most recent versions of the Water and effluents (GRI 303) and Occupational health and safety (GRI 403) standards, both launched in 2018.

³ The detail of the process followed to determine the material topics and limits (coverage) by topic may be viewed in the Sustainability model chapter of our Annual Integrated Report 2016, page 26.

Below, we present the **materiality matrix**.

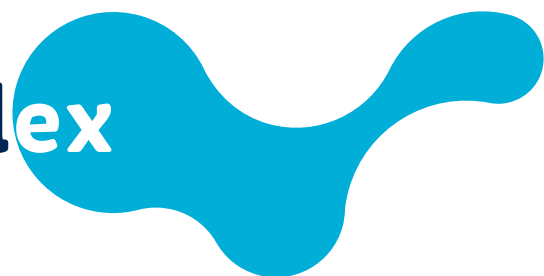


List of names associated with each **number label presented in the matrix**

- 1 Employees' attraction and development
- 2 Organizational Culture
- 3 Employee development
- 4 Diversity and inclusion
- 5 Health and safety of employees
- 6 Access to water and sanitation
- 7 Quality
- 8 Water consumption
- 9 Water culture
- 10 Legal compliance
- 11 Economic development
- 12 Operational efficiency
- 13 Strategy, business model and trademark
- 14 Ethics and anti-corruption
- 15 Environmental Management
- 16 Supplier Management
- 17 Risk Management
- 18 Corporate governance
- 19 Contribution of products and services to the environment
- 20 Socio-economic impact
- 21 Incidence of climate change
- 22 Innovation
- 23 Lobbying and advocacy
- 24 Materials
- 25 Customer Relationship
- 26 Customer and user health and safety

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	102				
	102-2	13, 14, 18, 19			6.1, 6.2, 6.3, 6.4,	
	102-3	102				
	102-4	19				
	102-5	84, 102				
	102-6	14, 18, 19				6.1, 6.2, 6.3, 6.4,
	102-7	4				
	102-8	61			Principle 6	8.5, 9.2, 10.3
	102-9	53				9.2
	102-10	61, 93				
	102-11	88				
	102-12	44, 72				6.1, 6.2, 6.3, 6.4, 6.7, 6.8, 17.7
	102-13	35				
Strategy	102-14	7, 9				
	102-15	7, 9, 88			6.1, 6.2, 6.3, 6.4,	
Ethics and Integrity	102-16	13, 35, 87		Principle 10	16.3	
	102-17	87		Principle 11	16.3	
Governance	102-18	35, 84				
	102-19	84				
	102-20	35, 84				
	102-21	35			16.6	
	102-22	35, 84			5.5, 16.6	
	102-23	84			16.6	
	102-24	84			5.5, 16.6	
	102-25	87			16.6	
	102-26	35, 87				
	102-27	84				
	102-28	84				

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.

GRI STANDARD 102: GENERAL DISCLOSURES

Material Issue	GRI Contents	Page/Link	Omission	UN Global Compact Principle	SDGs and targets
Governance	102-29	88			16.6
	102-30	88			
	102-31	88			
	102-32	93			
	102-33	84			
	102-34		Classified due to internal policies.		
	102-35	84			
	102-36	84			
	102-37	84			16.6
	102-38		Classified due to internal policies.		
	102-39		Classified due to internal policies.		
	Stakeholder engagement	102-40	35		
102-41		61		Principle 3	8.8
102-42		35			
102-43		35			
102-44		35			
Reporting practice	102-45	93			
	102-46	93			
	102-47	93			
	102-48	54, 66, 93			
	102-49	61, 93			
	102-50	93			
	102-51	93			
	102-52	93			
	102-53	102			
	102-54	93			
	102-55	95			
	102-56	93			

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	93			
		103-2	74			
		103-3	74			
	GRI 203: Indirect Economic Impacts 2016	203-1	44			5.4, 6.1, 6.2, 6.3, 6.4, 9.1, 9.4, 9.5, 9.7, 11.2
		203-2	48, 74			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
Employee attraction and retention	GRI 103: Management Approach 2016	103-1	93			
		103-2	61, 66			
		103-3	61, 66			
	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	93			
		103-2	47			
		103-3	47			
	GRI 103: Customer health and safety 2017	416-1	48			
		416-2	88			16.3
Water awareness	GRI 103: Management Approach 2016	103-1	93			
		103-2	72			6.4, 6.8
		103-3	72			

DISCLOSURES BY MATERIAL ISSUE

Material Issue	GRI Standard Contents Title	GRI Contents	Page/Link	Omission	UN Global Compact Principle	SDGs and targets	
Employee development	GRI 103: Management Approach 2016	103-1	93				
		103-2	64, 66				
		103-3	64, 66				
	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	64			Principle 6	4.1, 4.4, 4.5, 5.1, 8.2, 8.5, 10.3
		404-2	64				8.2, 8.5
404-3		64			Principle 6	8.5, 10.3	
GRI 405: Diversity and Equal Opportunity 2016	405-1	61, 84			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	93				
		103-2	79, 82				
		103-3	79, 82				
	GRI 201: Economic performance 2017	201-1	82				8.1, 8.2, 9.1, 9.4, 9.5
		201-2	74 88			Principle 7	1.5, 2.4, 11.5, 13.1
	201-3	61, 66					
	201-4	44, 66					

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 103: Management Approach 2016	103-1	93				
		103-2	53, 54, 58				
		103-3	53, 54, 58				
	GRI 204: Procurement Practices 2016	204-1	53			8.3	
	GRI 301: Materials 2016	301-1	54			Principles 7 y 8	8.4, 12.2
		301-2	54			Principle 8	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	8.4, 12.2, 12.5
	GRI 302: Energy 2016	302-1	54			Principles 7 y 8	7.2, 7.3, 8.4, 12.2, 13.1
		302-2	54, 58			Principle 8	7.2, 7.3, 8.4, 12.2, 13.1
		302-3	54			Principle 8	7.3, 8.4, 12.2, 13.1
		302-4	54			Principles 8 y 9	7.3, 8.4, 12.2, 13.1
		302-5	58			Principles 8 y 9	7.3, 8.4, 12.2, 13.1
	GRI 303: Water and Effluents 2018	303-1	54			Principles 7 y 8	
		303-2			Not available; we will work to have this information in the next report.		
		303-3	54			Principples 7 y 8	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.	Principles 7 y 8	6.3, 6.4, 8.4, 12.2
	GRI 305: Emissions 2016	305-1	54			Principles 7 y 8	3.9, 12.4, 13.1, 14.3, 15.1
		305-2	54				3.9, 12.4, 13.1, 14.3, 15.1
		305-3	54				3.9, 12.4, 13.1, 14.3, 15.1
		305-4	54			Principle 7	13.1, 14.3, 15.1
305-5		54			Principles 8 y 9	13.1, 14.3, 15.1	
305-6				Not available; we will work to have this information in the next report.	Principle 8	3.9, 12.4	
305-7		54			Principles 7 y 8	3.9, 12.4, 14.3, 15.1	

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 2018	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	54		Principle 8	3.9, 6.3, 12.4, 12.5
		306-3	54		Principle 8	3.9, 6.3, 6.6, 12.4, 14.1, 15.1
		306-4	54		Principle 8	3.9, 12.4
		306-5			Principle 8	6.6, 14.2, 15.1, 15.5
Strategy, business model and brand	GRI 103: Management Approach 2016	103-1	93			
		103-2	30, 88			
		103-3	30, 88			
	GRI 206: Anti-competitive Behavior 2016	206-1	88			16.3
	GRI 415: Public Policy 2016	415-1	87		Principle 10	
Risk management	GRI 103: Management Approach 2016	103-1	93		Principle 4	
		103-2	66, 87, 88		Principle 5	
		103-3	66, 87, 88			
	GRI 205: Anti-corruption 2016	205-1	87		Principle 10	16.5
		205-2	87		Principle 10	16.5
		205-3	87		Principle 10	16.5
	GRI 307: Environmental Compliance 2016	307-1	88		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	88			16.3
Innovation	GRI 103: Management Approach 2016	103-1	93			
		103-2	44			
		103-3	44			
Customer Relations	GRI 103: Management Approach 2016	103-1	93			
		103-2	48, 88			
		103-3	48, 88			12.8
	GRI 417: Marketing and Labeling 2016	417-1	48			
		417-2	88			16.3
		417-3	88			16.3



**Verification Letter of the 2019 Integrated Annual Report
"Transformation Rotoplas"**

To Grupo Rotoplas S.A.B. de C.V. y Subsidiarias Board of Directors:

Redes Sociales en Línea Timberlan, carried out a limited verification of certain information presented in the Integrated Annual Report "Transformation Rotoplas" corresponding to Grupo Rotoplas S.A.B. de C.V. y Subsidiarias 2019 financial year based on Global Reporting Initiative (GRI) Standards in accordance with the Comprehensive option.

Our commitment is to issue impartial opinions about the presentation and quality of the information contained in the Integrated Annual Report prepared by Grupo Rotoplas, S.A.B. de C.V. y Subsidiarias, who is responsible for the selection of material topics and reported GRI contents. Our work took as reference International Norms and Standards, such as: ISAE 3000 Ethical Principles of Independence and the GRI publication The External Assurance of Sustainability Reporting.

An independent and objective verification of a sample of GRI contents related to the list of material topics of Grupo Rotoplas, S.A.B. de C.V. y Subsidiarias, which are indicated in the following table:

102-1	102-11	102-21	102-31	102-41	102-51	303-1	404-1
102-2	102-12	102-22	102-32	102-42	102-52	305-1	405-1
102-3	102-13	102-23	102-33	102-43	102-53	305-2	415-1
102-4	102-14	102-24	102-34	102-44	102-54	306-2	416-2
102-5	102-15	102-25	102-35	102-45	102-55	307-1	417-2
102-6	102-16	102-26	102-36	102-46	201-1	401-1	419-1
102-7	102-17	102-27	102-37	102-47	203-1	403-2	
102-8	102-18	102-28	102-38	102-48	204-1	403-3	
102-9	102-19	102-29	102-39	102-49	205-3	403-9	
102-10	102-20	102-30	102-40	102-50	302-1	403-10	

Our verification process covered the following activities:

- Understanding of the information gathering processes, as well as the visualization of the information management systems.
- Analysis and verification of qualitative and quantitative information through visual, documentary and public evidence of the GRI contents sample.
- Validation of the methodological compliance of selected content (listed above) based on the GRI Standards.
- Comparison of information presented in previous reports.



Conclusions

The report verification process did not present any inconsistency that leads us to consider that:

- The principles of accuracy, balance, clarity, comparability, reliability and timeliness were not applied correctly.
- The Integrated Annual Report does not meet the requirements requested by the GRI Standards in accordance with the Comprehensive option.
- The published data contains errors.

An internal report of recommendations is delivered separately exclusively for the client, which contains the areas of opportunity detected for a future report.

Alma Paulina Garduño Arellano
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April 3rd, 2020

Declaration of independence and competence of Redes Sociales LT

Redes Sociales en Línea Timberlan employees have the level of competence 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 declaration of verification 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 Letter of Verification is issued on April, 3rd, two thousand twenty and is valid as long as there are no subsequent and substantial modifications to the 2019 Integrated Annual Report of Grupo Rotoplas S.A.B. de C.V. y Subsidiarias.

Contact Information

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

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