

2020
ANNUAL INTEGRATED REPORT

VALUE
3600

TRANSFORMATION WITH
SUSTAINABLE IMPACT



2020 WAS A YEAR OF GREAT CHALLENGES BUT IT WAS ALSO AN IMPORTANT CATALYST IN THE ROTOPLAS TRANSFORMATION PROCESS, CONSOLIDATING THE STRATEGY AND KEEPING PEOPLE AT THE CORE OF OUR DECISIONS.

PROVIDING MORE AND BETTER WATER IS NOT ONLY OUR PURPOSE, IT IS ALSO A SOLID BUSINESS VISION THAT ALLOWS US TO CONTINUE GENERATING VALUE IN EACH AND EVERY WAY AND FOR ALL OF OUR STAKEHOLDERS.

AT ROTOPLAS WE CREATE 360° VALUE.



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The information presented in this report¹ reflects the main financial results of Grupo Rotoplas², **and our environmental, social, and corporate governance (ESG) performance.**



We focus on communicating the performance of issues defined as material. The materiality analysis was updated this year to incorporate the changes that the company has undergone in its business model and management structure since 2016. It also gathered the relevant changes, related to the occurrence of COVID-19, to the strategy and expectations of the stakeholders.

The material topics were validated by the Sustainability Committee and communicated to the Corporate Practices and Strategy Committee. These bodies reviewed the information contained in this report.

In addition, we subjected the report to external verification by an independent third party; the scope is presented in the verification letter.

1 For the period January 1 to December 31, 2020. The last report published in 2020 and corresponded to the 2019 calendar year.

2 Information on all the entities comprising Grupo Rotoplas.

For the drafting of the document, we have adhered to the main international frameworks, thus strengthening transparency. To that effect, the report:



→ It has been elaborated in accordance with the Comprehensive **Global Reporting Initiative (GRI)** Standards: a benchmark methodology for the communication of extra-financial performance, with a focus on the various stakeholders.



→ Considers the standards of the **Sustainability Accounting Standards Board (SASB)** for the following sectors: Building Products, Chemicals, and Water Utilities Services. The methodology meets the investor requirements for information regarding the ESG topics that affect the company's financial stability.



→ Is aligned to the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, which proposes a framework of guidelines to report to investors in general regarding the management of risks and opportunities linked to climate change.



→ Follows up on the contribution to the **Sustainable Development Goals (SDG)**, a global roadmap proposed by the UN to address the great challenges of society.



→ Serves as **Communication of Progress (COP)** for the **Global Compact** and reports the progress achieved in the implementation of its 10 principles.

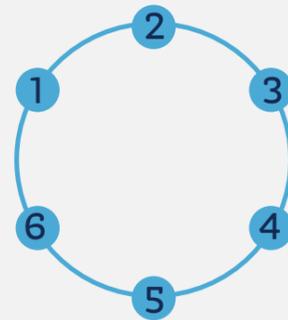


→ Contains financial information reported in accordance with **IFRS (International Financial Reporting Standards)**.

How to identify the contents:

- The **front page of each chapter** includes: a reference to the **SDGs**, lines of action of the **Sustainability Strategy**, and core elements of the **TCFD** recommendations.
- The **start of each section** includes: a reference to the contents of the **GRI Standards**, the SASB metrics, and detailed TCFD recommendations.
- At **the end of the report** there is a specific index for: **GRI, SASB, TCFD**, and their relation to the **Commitments of the CEO Water Mandate** (Global Compact).

SUSTAINABILITY STRATEGY – PRIORITIES AND LINES OF ACTION



1. Corporate governance and ethics

- 1.1 Strength of the structure and operation
- 1.2 Culture of ethics and compliance
- 1.3 Integrity of the value chain

2. Access to solutions

- 2.1 Digitalization and omnichannel retailing
- 2.2 Development of distributors and plumbers

3. Circularity and climate change

- 3.1 Lifecycle-focused management
- 3.2 Sustainable provisioning
- 3.3 Operating efficiency
- 3.4 Climate commitment

4. Availability of water

- 4.1 Customer environmental footprint
- 4.2 Water awareness
- 4.3 Participation of the public agenda

5. User’s quality of life

- 5.1 User experience
- 5.2. Partnerships for access
- 5.3. Social progress

6. Talent promotion

- 6.1. Diversity, equality and inclusion
- 6.2. Growth
- 6.3 Health, safety, and well-being

TCFD RECOMMENDATIONS – CORE ELEMENTS



Governance

The organization’s governance regarding risks and opportunities related to the climate.



Strategy

The real and potential impacts of the climate-related risks and the opportunities related to the organization’s business, strategy, and financial planning.



Risk management

The processes used by the organization to identify, evaluate, and manage climate-related risks.



Metrics and objectives

The metrics and objectives used to assess and manage the relevant risks and opportunities related to the climate.

SDG

-  No poverty
-  Zero hunger
-  Good health and well-being
-  Quality education
-  Gender equality
-  Clean water and sanitation
-  Affordable and clean energy
-  Decent work and economic growth
-  Industry, innovation, and infrastructure
-  Reduced inequalities
-  Sustainable cities and communities
-  Responsible consumption and production
-  Climate action
-  Life below water
-  Life on land
-  Peace, justice, and strong institutions
-  Partnerships for the goals

TRANSFORMATION
THAT REINFORCES

OUR PURPOSE



01

DRIVERS OF THE YEAR

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

S.S.P



TCFD



SDG



 OPERATION GOALS

FLOW

What is it?

It is an organizational transformation program

What is it for?

To seek sustainable growth and the creation of economic, social, and environmental value

When did it start?

It was proposed in June 2019 and the work plan was launched in August 2019

Who participates?

All employees can participate by proposing initiatives
In 2020, more than 45% of the workforce participated directly.

How does Flow work?

- Through three pillars:
- Profitability of the current portfolio
 - Growth, executing opportunities, and finetuning capital allocation
 - Culture and organizational health

How is it executed in the day to day?

Through the design and execution of initiatives which, to be approved, must demonstrate their alignment to the purpose, to the overall strategy, and to sustainability. They must also be supported by a business case, milestone scheduling, and the assignment of initiative managers.

Who oversees their fulfillment?

- The Steering Committee
- The Transformation Office (Vice -Presidency level)
- The Capital Allocation Committee

How to ensure the follow-up of the initiatives?

Initiatives and their follow-up are managed through a digital platform.

FIRST STAGE (Aug 19 - Dec 20)
"To achieve a ROIC higher than the cost of capital in under 18 months"
Result: ROIC above the cost of capital by 240 bps.

SECOND STAGE
The 2021-2025 business plan aims to:

- Double company sales (vs. 2020)
- EBITDA Margin \geq 20%
- Net Debt / EBITDA \leq 2.0x
- Double-digit ROIC (about 20%)

How are interests aligned internally and externally?

Employees' variable compensation at the Group level is linked to the achievement of the ROIC target.

Employees who are directly involved in the execution of initiatives also receive additional compensation when the initiatives reach the objectives established.

Consultants have variable compensation linked to the achievement of the objectives.

Priority practices for **the evolution of culture and organizational health:**



Supportive Leadership

Create an environment focused on team objectives with openness towards employees.



Customer focus

Place customers at the heart of the decision-making process and give employees the tools to provide a satisfactory experience.



Operating discipline

Driving drive clear performance and collaboration standards through agile methodologies.



Talent development

Align roles to the business' needs, facilitating learning and attention to emerging skills and knowledge.



Consequence management

Evaluate performance and operate with clear and transparent rules, for employees' performance.

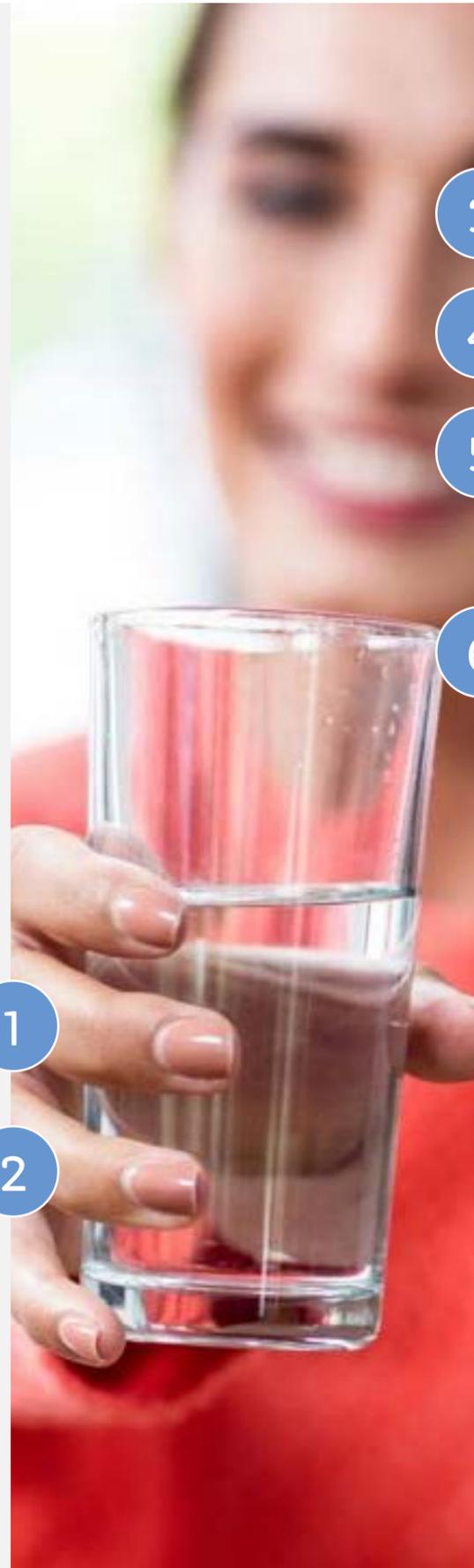


MAIN **ACHIEVEMENTS** OF *FLOW*

At the end of 2020, more than **320 initiatives had been completed within *Flow*** and more than **1,500 employees** were involved, succeeding in materializing:

1 The divestment of the product business unit in the United States and Brazil.

2 The launching of more than 20 solutions at the Group level.



3

The strengthening of the Balance Sheet by improving the leverage.

4

The optimization of the cash conversion cycle by 17 days.

5

The development and integration of the Rotoplas culture and the new ways of working that accelerate the achievement of 360° value creation objectives.

6

The increase in ROIC (return on invested capital) above the level of cost of capital, which implies the creation of economic value and sustainability over time.



● ROIC ● WACC



ROTOPLAS LONG-TERM COMMITMENTS

1

We are committed to being guided by the company's purpose: to better serve our customers and communities.

2

We are committed to ESG best practices, in line with the priorities of our stakeholders.

3

We are committed to creating value for our shareholders through sustainable growth.

4

We are committed to promoting the well-being of society and safeguarding the planet we all share.

—
GRI 102-15

EXTERNAL: COVID-19

This year has been marked by the challenges that the COVID-19 pandemic generated to our operations and stakeholders, and how we responded as a company, while accelerating aspects of our transformation.



EMPLOYEES

—> In Mexico, manufacturing plant operations were not suspended, as **water solutions are classified as an essential industry**. However, in Peru, Argentina, and Central America, manufacturing plants and distribution centers had to suspend operations in some periods by official mandate, with the greatest impact seen in the second quarter of the year.

—> In Peru, where we saw the strictest case of suspension of activities, we sought to safeguard employment by adopting measures of temporary wage reduction schemes, which were compensated before the end of the year. **We appreciate the effort and commitment of our employees.**

—> We adapted work protocols in our facilities, with **strict hygiene measures**, including cleaning and sanitization of installations, monitoring of body temperature, reduction of personnel per shift, physical distancing, private transportation of workers, among other measures. Hygiene and safety protocols were also adopted for field service personnel.

—> We offered remote **medicine services and follow-up of COVID-19 positive cases by medical specialists**, PCR tests and additional COVID-19 insurance for employees and their families. We developed integral wellness sessions, covering the physical as well as the emotional area always in a virtual modality.

—> We opted for **remote work for all of our administrative staff**.



We implemented the necessary efforts **to care for the well-being of our employees and their families** while operating in accordance with the regulations of each country.

VALUE CHAIN

- **We redefined our distribution routes in Central America** due to the closing of Distribution Centers.
- **In Mexico, we reorganized the delivery routes** by proximity to the plant and not by municipality. In addition, we adjusted the settings of the Rotoplas Transportation Management System (RTMS), our order and delivery allocation system, to address exceptional loading and delivery situations.
- With the experience gained in our e-commerce business in the United States, **we started online marketing pilot programs in Peru.** In addition, we diversified our marketing channels in Argentina and Central America.

We seek **to ensure the continuity of supply, distribution logistics,** and facilitating access to solutions through the diversification of sales channels.



COMMUNITY

- We committed to provide free drinking water service for one year and donated purifiers to hospitals in Mexico, in order to provide more than **3 million liters of drinking water per year.**

- We delivered over **5,000 products** throughout Mexico, enabling vulnerable communities to store more than 1 million liters of water.

- In Mexico, Guatemala, Peru and Argentina, we installed **more than 1,000 hand-washing stations in strategic public spaces** due to their influx of people. In Mexico City, in collaboration with the Mexican Red Cross and Harpic®, we placed them in the central market, benefiting approximately 12,000 people, including shopkeepers and visitors; this was complemented with the implementation of a field hospital for diagnostic tests, talks and periodic sanitization of the bathrooms.

- **The manual for the construction of the handwashing stations**, which we developed as a collaborative innovation initiative with our ally, Cántaro Azul, was made public to further contribute to addressing the health crisis.
- In Argentina, as part of Habitat for Humanity's **"Más que un baño"** ("More than a Toilet") initiative, we donated water flow products and delivered sets of materials to fifty families to improve the conditions of their bathrooms.
- In Peru, in collaboration with the Economic Commission for Latin America and the Caribbean (ECLAC), we donated **100 water tanks** to vulnerable people in Lima, **150 purifiers** for the dormitories of the COVID-19 hospital in Villa Olímpica in collaboration with the Vice-Ministry of Health, as well as **pipes and pumps for the sanitation system** of a shelter created for 120 homeless people.



We addressed the population's need for **access to water for hygiene purposes.**

GRI 102-7, 102-10
SASB IF-WU-000.A



Double-digit growth in e-commerce sales vs 2019.



KEY FIGURES HIGHLIGHTS



7% Services
93% Products



-1% Services
101% Products

1 The difference to the amount reported in 2019 corresponds to the sale of the products business unit in Brazil, which has been recognized as a discontinued operation.
2 Our plants also function as distribution centers. In order to save on logistics, during the year we closed the Distribution Center in El Salvador, serving that market directly from the Guatemala plant.
3 Consolidated net profit after discontinued operations.

KEY EVENTS

FEB

Fitch assigns "AA(mex)" rating to the second reopening of AGUA 17-2X senior notes.

S&P Global Ratings confirms 'mxAA-' rating for AGUA 17-2X senior notes.

Second reopening of the **sustainable bond AGUA 17-2X worth for \$1.6 billion Mexican pesos**, in order to finance initiatives that improve access to water and sanitation.

MAR

Creation of the AprendeR education platform with online courses available to the entire workforce.

MAY

Divestment of the "Acqualimp" product unit in Brazil to focus on the development of the services platform through water treatment and recycling plants.

Capital reimbursement to shareholders of \$0.80 Mexican pesos per share, consisting of \$0.40 pesos in cash and \$0.40 pesos in shares. A payout ratio of 1 share per 35 shares held was applied.

JUN

Launch of Agua x nosotros, the first invitation of INNWAI-Water Innovation Hub, a proprietary platform that drives open and collaborative innovation to address the challenges of water availability, management, access and sanitation in LatAm.

Inclusion in the composition of the **Mexican Stock Exchange's new sustainability index, S&P/BMV Total Mexico ESG Index.**

JUL

S&P Global Ratings confirmed Grupo Rotoplas' 'mxAA-' rating with a stable outlook.

SEP

Inclusion of Rotoplas within **the FTSE BIVA sample.**

Creation of the Organizational Transformation Vice-Presidency to support the effective implementation of our transformation program *Flow*.

OCT

Launch of riego in partnership with Renewable Resources Group, a solution within the services platform for intelligent, efficient, and sustainable water management in agriculture in Mexico, as well as the improvement of crop yields.

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

NOV

Capital reimbursement to shareholders in kind with a payout of 1 share for every 18 shares held.

Inclusion for the fourth consecutive year in the **DJSI MILA Pacific Alliance Index**, which recognizes the most sustainable companies in the region, for the fourth consecutive year.

DEC

AGUA DAY 2020 was held to present the results at the end of the first stage of *Flow* and the business plan for the next five years.

Relevant events of the year

—
GRI 102-14, 102-15

MESSAGE FROM THE CHAIRMAN

OF THE BOARD OF DIRECTORS

We have come through a particularly challenging year for everyone.

The impact of COVID-19 highlighted the relevance of having a clear purpose, deep-rooted values, and a 360° value creation strategy, through which we seek to positively impact all our stakeholders.

We would particularly like to thank our employees, distributors, plumbers, suppliers and investors for their support, which allowed us to continue working to meet the needs of our consumers and users. We operate under strict safety measures at all times, abiding by the regulations established by the corresponding authorities in the countries in which we operate, always focusing on people's health and well-being.



CARLOS ROJAS MOTA VELASCO
Executive Chairman of the
Board of Directors



We responded to the health emergency by donating storage solutions that provided access to more than 1 million liters of water and donating *bebbia* services to purify over 3 million liters of water in hospitals. We also helped to combat the spread of the pandemic through the installation of hand washing stations at critical locations with high population density in Mexico, Argentina, Peru and Guatemala.

In addition, we published the prototype and user manuals for the handwashing stations to make them a collaborative innovation project that can be accessed by anyone, thus promoting hygiene in public spaces.

The implementation of *Flow*, our organizational transformation program, was of vital importance during the year and helped us to achieve all the growth and profitability goals set for 2020. We managed to increase the ROIC to above the WACC, thereby creating economic value that will allow us to generate a positive social and environmental impact in the long term.

The transformation also strengthened our culture as a market shaper, based on client-focused innovation, and contributed to a more diverse

workforce where we are always looking for the best talent in a culture of respect and continuous progress.

The demand for water solutions has increased hand in hand with climate change and the growing awareness of hygiene. At Grupo Rotoplas we are prepared to meet this demand and to continue evolving to remain the ally for more efficient water management for families, corporations and farmers, thus preserving water for future generations.

Rotoplas not only aspires to be a Company that remains at the forefront with the adoption of sustainable best practices, but also seeks to expand this vision and go further by helping third parties to reduce the impact of their operations.

We continue to evolve towards a circular operation with the incorporation of recycled resins in our products and the development of solutions for internal as well as third party use, through our range of solutions for water treatment, recirculation and recycling.

We pursue a conscious company approach, in which we place people, profitability, and the planet

at the same level of importance. Additionally, through our core focus and our products and services, we seek to address the major global challenges such as inequality and climate change.

Our Climate Change Strategy reflects our understanding of the risks, the unique opportunities we have to support people as experts in water solutions and our determination to reduce our GHG emissions. In addition, this year we integrated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to our strategy.

We invite you to learn more about our performance and results through our Annual Report, which, as part of our commitment to transparency and to our investors, now also adopts the standards of the Sustainability Accounting Standards Board (SASB).

CARLOS ROJAS MOTA VELASCO

Executive Chairman of the Board of Directors



—
GRI 102-14, 102-15

CEO

LETTER TO SHAREHOLDERS

2020 was a **challenging year where our ability to adapt and reinvent ourselves** were put to the test.

However, we had the advantage of having designed in 2019 a detailed organizational transformation program called *Flow*, with well-defined initiatives and objectives to be executed during 2020.

The pandemic impacted the development of some initiatives, but also accelerated trends that worked in Rotoplas' favor. We were able to capitalize on those trends through internal team alignment and disciplined execution. The pandemic also gave us an opportunity to fulfil our purpose and support the population at a very vulnerable time.



CARLOS ROJAS ABOUMRAD
Chief Executive Officer

During the year we maintained our focus on **the health and well-being of our employees and stakeholders**, with the responsibility of delivering decentralized water solutions which became even more relevant to combat the spread of the disease.



In 2020, we achieved record figures for sales, adjusted EBITDA and net income. Additionally, as a result of the efforts of every member of the Rotoplas' team, we achieved our annual growth and profitability goals with a double-digit increase in sales, a 240 bp increase in ROIC and the creation of economic, social and environmental **value (360° value)**.

In addition, we launched more than **20 new solutions to the market** as a part of *Flow*, including the dual tank and ultra-flexible pipes in Mexico, septic solutions in the United States and solutions from different ranges in several countries to give the largest possible number of people access to our products and services.

To adapt to new consumer habits, we ventured into new sales channels such as e-commerce platforms, supermarkets, appliance stores and increased our presence in hardware stores and convenience stores as they are close to the consumer.

Within services, **we launched *rieggo***, a company focused on the agricultural sector in Mexico, seeking to use water more efficiently and improve crop yields. In addition, we began operations in Brazil with water treatment and recycling plants.

During the year we prioritized the balance sheet and cash flow strength, improving our financial position with the successful reopening of the AGUA 17-2X Sustainable bond in February and an improvement in the cash conversion cycle through negotiations with our business partners.

Flow, rather than a transformation program, has become a new way of operating. For this reason, we have embedded the evolution of our philosophy in the New Rotoplas Way. We will seek to operate as market shapers, moving forward agilely through a portfolio of innovative solutions and business models that respond to the future of consumption and the growing environmental awareness of our societies and businesses.

We will continue to pursue sustainable growth through our 2021-2025 business plan, in which we plan to double sales, improve profitability with an expansion of at least 200 bps in EBITDA margin, and increase the ROIC to reach levels close to 20%.

In line with this business plan, at the end of the year we updated our materiality analysis under the standards of both GRI¹ and SASB² frameworks. This will enable us to gain a more complete understanding and **design the evolution of the Sustainability Strategy**, which also has a new target date of 2025. Further details will be released in the first half of 2021.

We continue to make progress on energy efficiency and resource use. We started using a new manufacturing process in some plants that requires

80% less water and replaces gas with electricity, to reduce GHG³ emissions.

In addition, for continuous improvement in the assessment of risks and opportunities, and as part of our Climate Change Strategy, we responded to the CDP⁴ questionnaire for the first time and included the TCFD⁵ recommendations in this Annual Report.

We are committed to the CEO Water Mandate and are an active participant in the UN Global Compact community, contributing to the implementation of its 10 Principles.

We also participate in the achievement of the Sustainable Development Goals (SDGs), with particular focus on this decade as it marks the countdown to 2030 to solve global challenges together.

The year 2020 confirmed that we are in the right industry, **have the right talent and a clear roadmap**. If we continue to execute with discipline and stay focused on our purpose, we can continue **to create 360° shared value** and leave a better planet for future generations.

CARLOS ROJAS ABOUMRAD
Chief Executive Officer

- 1 GRI, Global Reporting Initiative
- 2 SASB, Sustainability Accounting Standards Board
- 3 GHG, Greenhouse Gases
- 4 CDP, Carbon Disclosure Project
- 5 TCFD, Task Force on Climate-related Financial Disclosures

PURPOSE SUPPORTED BY

OUR STRATEGY



02

ROTOPLAS' SNAPSHOT

Water is essential for life and at **Rotoplas we are committed to its care**, making people's day-to-day better.

S.S.P



TCFD



SDG



GRI 102-16, 102-26

FOCUS

This year, more than ever, it became clear how crucial it is to **have decentralized and innovative water solutions.**

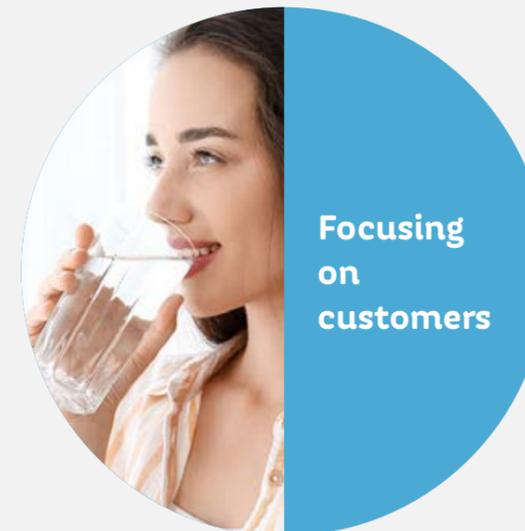
At Rotoplas, we are committed to enable society to have access to quality water and sanitation, as well as to simplify its treatment after use, and foster its reuse.

At **Rotoplas**, we are known for:



Being Market Shapers

We are disruptors, we constantly reinvent ourselves and innovate to further transform the industry, responding to the challenges around water.



Focusing on customers

We want to offer an agile and simple experience, with solutions that meet all water-related needs.



Developing solutions with positive environmental and social impact.

Water is a fundamental resource for life, and its care is essential for current and future generations. With our products and services, we seek to promote its availability, reducing inequalities in access and promoting its efficient use, as well as the health of its users.

MISSION

For people to have **more and better water.**

VISION

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

VALUES

Service Attitude

Social and Environmental Responsibility

Passion for Business

Collaboration

Humility and Integrity



GRI 102-2, 102-6

SOLUTIONS

We offer a broad portfolio of products and services that facilitate water management and reach end users through various channels.

In this way, we facilitate the availability of the solutions they need for their home, office, industry, or crop.

It is worth noting that this year we launched new **water solutions for the agricultural sector** in Mexico under the brand name *riego*, enabling a more efficient use of the resource and improvements in crop productivity. We offer a comprehensive service that can include the design, installation, financing,

and maintenance of pressurized irrigation systems.

Moreover, in 2020, the business in Brazil was transformed by switching from a product offering to a service platform with the construction and operation of water treatment and recycling plants. In addition, in the United States, we began the first stage of the **residential water treatment** project with prefabricated septic tanks.



PRODUCTS

Our goal is **to be present throughout the water cycle** and, therefore, we seek to be the main support for water management in rural and urban areas, meeting the needs of the population within the categories of storage, water flow, and water improvement.

Our solutions reach the end user through home improvement stores, hardware stores, builders, and non-governmental organizations.

During the year, more than 20 new solutions were launched, including the dual tank and flexible pipe (Ultraflex) in Mexico, water tanks of different capacities in Argentina, Peru, and Central America, as well as septic tanks for wastewater treatment in the United States.

Marketing channels

Organized trade, Retail, Distributors, and e-commerce



STORAGE

Water tanks

- Dual tank
- Low- and mid-range tank

Cisterns

Industrial and agricultural

- Storage tanks for Water and Chemicals
- Inductor tanks
- Horizontal tanks
- Feeders



WATER FLOW

Piping

- Ultraflex
- Hydraulic
- Fortech-CT pipes

Plastic bolts and Connectors

Valves

- Check Control valve

Pumps

- Hydropneumatic systems
- Centrifugal, peripheral, submersible, circulating pumps

Sanitary Catch Pits



IMPROVEMENT

Heaters

- 4-stage electric showerhead
- Water heaters, boilers

Biodigesters

Filters

- Filters: standard, jumbo, refrigerator, tap, jug with integrated filter

Water purifiers

- Countertop, over sink, under sink, reverse osmosis
- Water purifier and alkalizer

Family-orchard-type agricultural irrigation system

Domestic wastewater treatment

- Residential septic tanks

Distributors and NGOs



SELF-SUSTAINABLE

Rural rainwater harvesting system

Urban rainwater harvesting

Outdoor toilet with biodigester

NEW AND FEATURED PRODUCTS

Trade names:



SERVICES

Within the service platform, we have three businesses, one of them specialized in wastewater recycling and treatment, another in the purification of drinking water, and the third and most recent, in pressurized irrigation.

As part of the service scheme, we offer comprehensive assistance for the tailor-made design and installation of the solution, we also maintain a long-term relationship with the customers through operation and maintenance.

Main solutions:



FOR INDUSTRIES

Pre-consumption water treatment through purification and desalination and post-consumption or wastewater through recycling. In addition, we can complement the circularity of the solution with rainwater harvesting.

Water treatment and recycling



- Wastewater Treatment Plants (WWTP), Post-industrial and Pre-consumption water
- Water Purification Plants
- Water Desalination Plants
- Rainwater harvesting systems for industries (complementary to treatment plants).



FOR HOMES, OFFICES AND SCHOOLS

Pre-consumption water treatment through filtering and purification, and sale or lease of drinking water dispensers and drinking fountains.

Drinking water purification



- Residential and commercial purifiers



- School drinking water fountains



FOR CROPS

Pre-consumption water treatment through desalination, pressurized irrigation, and crop monitoring.

Management of agricultural water

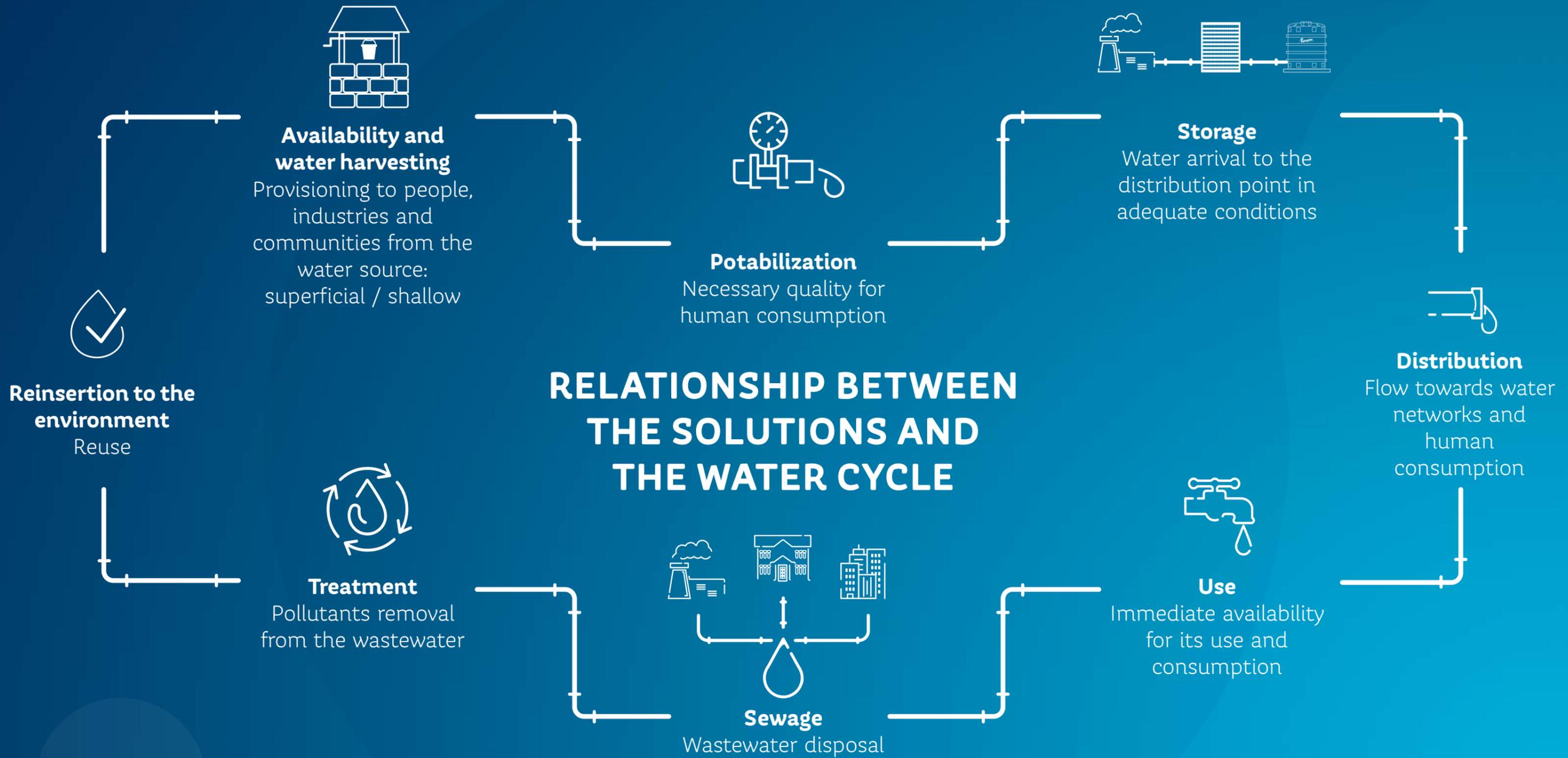


- Launch of *rieggo*, dedicated to providing disruptive hydraulic solutions for agriculture, seeking to reduce water consumption intelligently and improve crop yield.

● NEW AND FEATURED PRODUCTS

Marketing channels:

Direct sales



Our **products and services** are present throughout the water cycle.

—
GRI 102-2, 102-4, 102-6

OUR PRESENCE

This year, we continue with the consolidation of the product portfolio in the countries where we are present. As part of the *Flow* program, we have implemented initiatives to drive growth through the launch of new solutions and cross-selling between countries and categories.

Regarding the service platform, we initiated the expansion of our offer outside Mexico with the business of wastewater treatment plants in Brazil. In addition, in Mexico, we launched the irrigation and crop-monitoring service.



We are present in **14 countries** across the continent through plants, distribution centers, and/or business partners¹

¹ Regarding 2019, there was a divestment of the plants and the rotomolding business in Brazil and of the Distribution Center in El Salvador; however, we continue to operate in both countries.



USA

Mexico

Central America

Peru

Brazil

Argentina

SOLUTIONS

PRODUCTS

- Storage
- Treatment and Improvement
- Water flow
- E-commerce

SERVICES

- Purification
- Treatment and Recycling
- Irrigation

Milestones by country

In **Mexico**, we focused on maintaining product leadership and continuing the development of the service platform. In products, it is worth noting that we launched products such as the flexible pipes (Ultraflex) and the dual tank that functions as a rooftop tank and cistern. In services, *rieggo* was born, a joint venture with a US-based ally to bring our expertise in efficient water management to crops.

In **Argentina**, we continued to diversify our offering of storage and improvement solutions (heaters) with product categories that are more accessible to the population.

In terms of operations, we reinforced our water flow export platform and migrated the production of heaters to a plant with more space in order to maintain productivity and at the same time maintain the highest health standards in light of the pandemic.

We also began online sales of water heaters through the leading appliance retailer. In addition, during the year we

were able to integrate the storage, water flow and improvement businesses under a single country strategy.

In the **United States**, we continue to develop the e-commerce platform that offers storage products. Regarding the 8 physical stores network, we are working on their evolution to a service center model so that they can work in greater integration with the websites and the call center. In addition, we are venturing into the primary treatment of domestic wastewater, offering the installation and maintenance of septic tanks.

In **Brazil**, we divested from the storage business, including the rotomolding plant. During the year, we focused on the development of the wastewater treatment services business for the industry, taking advantage of the regulatory framework and sanitation control in this country.

In **Peru**, we moved forward with the development of the water flow segment and maintained leadership in storage and improvement (heaters). Over the

year, new heater sales channels, such as supermarkets, were developed, and the portfolio of solutions was complemented with new storage and water flow products.

In **Central America**, we maintained our leadership in the storage category. Furthermore, we ventured into water flow with the inclusion of valves in the portfolio of solutions.

As a result of the implementation of a strategy to increase logistics efficiency, the distribution center in El Salvador was closed. On the other hand, we also started the loyalty program for plumbers and salespeople "Earn More with Rotoplas" ("*Gana Más con Rotoplas*"), expanding the scope of the program that was launched the previous year in Mexico.

STRATEGY THAT SHAPES INNOVATION



03

STRATEGY

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

S.S.P



TCFD



SDG



—
GRI 103-2, 103-3

SUSTAINABILITY BUSINESS MODEL

We are the ally of third parties **to meet the needs that arise throughout the water cycle** and to facilitate the availability of the resource.

Improving peoples' quality of life and helping to reduce the environmental impact of families, companies and farmers.

Within our organizational transformation program *Flow*, we decided to follow a Market Shaper recipe, where we constantly redefine innovation management at all levels and put the needs of our customers and end users

at the core. During the year, we continued to develop the **decentralized solutions** needed to address changing needs.

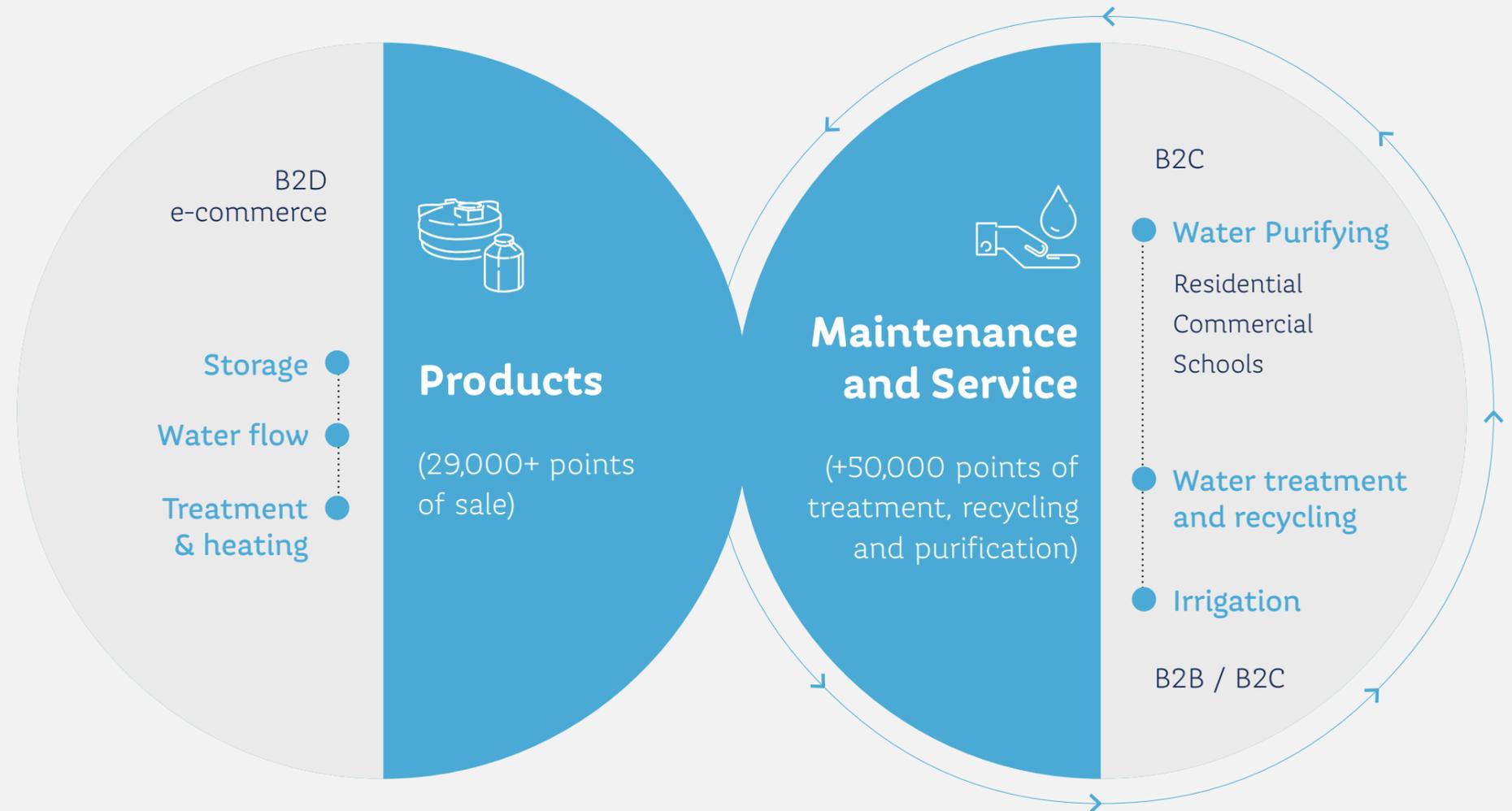
During the year we ventured into the design, installation, operation and maintenance of residential septic services in the US.

 [More about Flow](#)



In terms of **services**, we seek to offer added value during the stage of use (maintenance, operation, renovation, etc.) and to diversify our offering. In addition to the service platform that includes *bebbia* (water purification for homes and businesses) and Sytesa (water treatment and recycling plants), we have added *rieggio*. This new service company launched together with Renewable Resources Group (RRG) focuses on the design, installation and maintenance of pressurized crop irrigation solutions also offering financing schemes.

In the case of Sytesa, the supply of services has been strengthened with rainwater harvesting, as well as with pre-consumption treatment solutions, such as desalination.



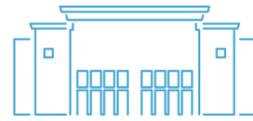
With *rieggio*, **we reduce water consumption by up to 30% and increase crop yields by up to 15%**, thanks to the use of state-of-the-art technology and data analysis.

B2B business to business
B2C business to consumer
B2D business to distributor



Key processes within the Innovation to Market (IaM, for its Spanish acronym) macroprocess

- > **Detection of user's' need**; performance of the User Experience Center and internal teams.
- > **Design proposal**, focused on added value for the user, whether at home or in the industry.
- > **Agile iteration in the design process**, generating viable prototypes that become validated by the user.
- > **Selecting and interacting with suppliers** seeking to develop top-quality products, including the innovation of raw materials.
- > **Product manufacturing**, with strict adherence to quality standards.
- > **Distribution to market through third parties**, which offer different sales channels.
- > **Direct marketing** in the case of services and operation of e-commerce platform for products (USA).
- > **Direct management** of the installation, operation, and maintenance of services and development of third parties like such as plumbers in the case of products.

Sales and distribution channels:**Organized Sales**

Including self-service and department stores, price clubs, convenience stores and, as of this year, hypermarkets.

**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, whether including our own, or our distributors' or third-party marketplaces.

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GRI 102-16, 102-18, 102-20, 102-21, 102-22, 102-26, 102-40, 102-42
SASB RT-CH-210a.1 102-12

SUSTAINABILITY STRATEGY AND PROGRESS

In 2020, we began to design the evolution of the current strategy in order to launch the **2021-2025 Sustainability Strategy**

With which we seek to continue moving forward with our commitment to an efficient operation in the use of resources, which meets the needs of our customers by facilitating their well-being and contributes to the responsible use of water in homes and industries.

Our business model and the company's operations have evolved significantly since the launch of the previous strategy in 2016, including the organizational transformation program *Flow*, which began in 2019 and has revolutionized the way we operate. In addition, the emergence of COVID-19 in 2020 accelerated the implementation of digital tools and

the focus on new trends, such as concerns about maintaining hygiene, health, and well-being.

This is why we updated our **materiality analysis**, where we collected information from the main markets in which we operate and incorporated the outlook of both investors and suppliers. This is in addition to the other groups previously included (employees, clients and users and, civil society organizations).

Based on the synergies between material and emerging issues, we established the pillars and lines of action of the new Strategy.



Detail of materiality analysis and matrixes

Correlation between material and emerging issues and the Sustainability Strategy

1 Corporate governance and ethics

- > Corporate Governance
- > Ethics, integrity and anti-corruption
- > Transparent ESG communication
- > Culture and risk management

3 Circularity and climate change

- > Contribution to climate change (energy and emissions)
- > Sustainable supply chain management
- > Waste management and circularity
- > Climate change risks and opportunities
- > Innovation with socio-environmental criteria
- > Technological transformation of processes and solutions

5 User quality of life

- > User focus
- > Quality and safety of water solutions
- > Access to water and sanitation
- > Innovation with socio-environmental criteria
- > Investment in the community

2 Access to solutions

- > E-commerce and omnichannel strategy
- > Relationship with distributors, plumbers and other partners
- > Technological transformation of processes and solutions

4 Water availability

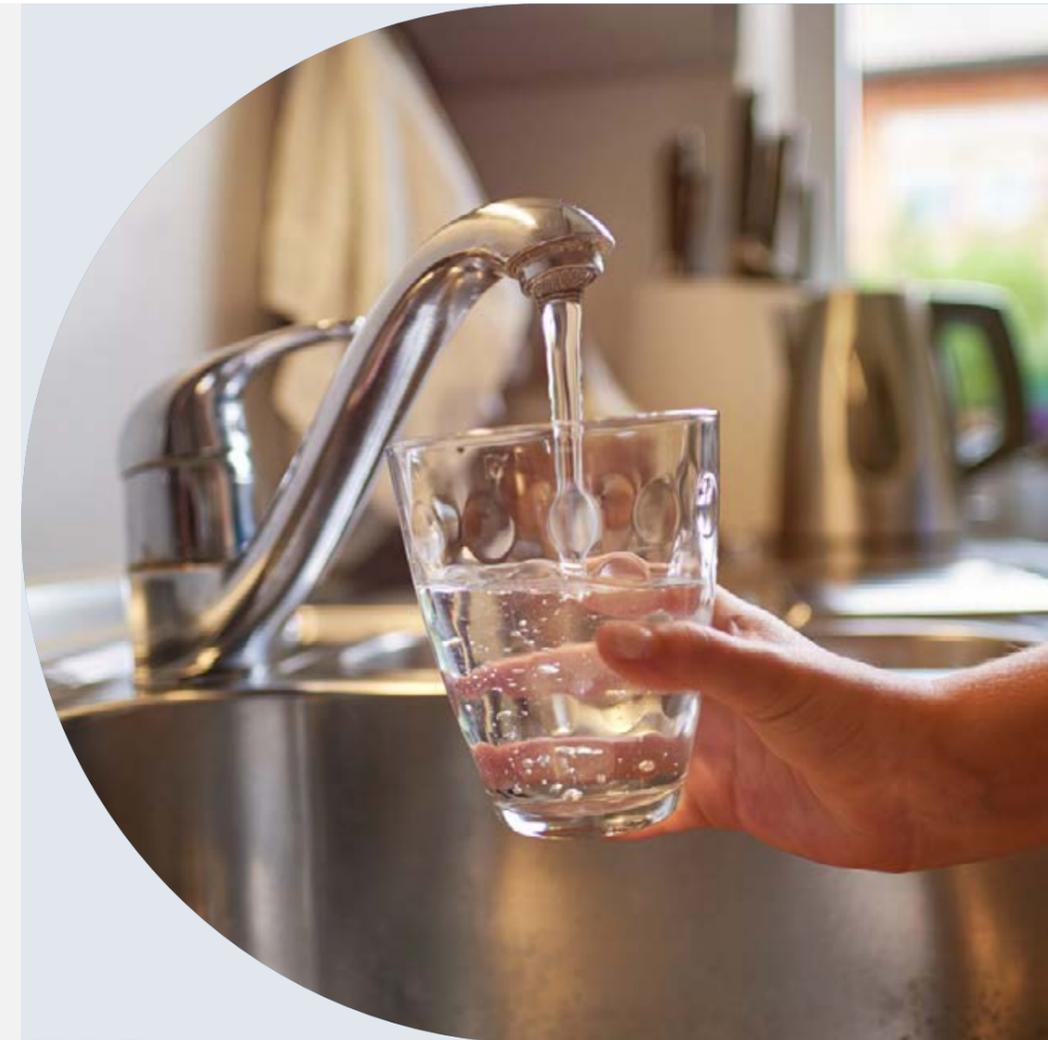
- > Water culture
- > Innovation with socio-environmental criteria

6 Boosting talent

- > Health, safety and well-being of employees
- > Attraction and retention of talent
- > Purpose, environment and organizational culture
- > Workforce diversity, equal opportunities and inclusion

STRATEGY, BUSINESS MODEL AND BRAND

CREATING SUSTAINABLE ECONOMIC VALUE



About the 2021-2025 Sustainability Strategy:

It incorporates the **climate change** emergency, reinforces the human dimension by emphasizing the importance of talent development, and extends our commitments to the value chain.

Innovation is embedded in our DNA as market shapers.

It serves our business understanding of driving **profitability** by providing solutions with positive environmental and social impact.

It puts **profitability, people, and the planet at the same level of priority.**

It materializes through a **series of pillars**, with their respective lines of action.

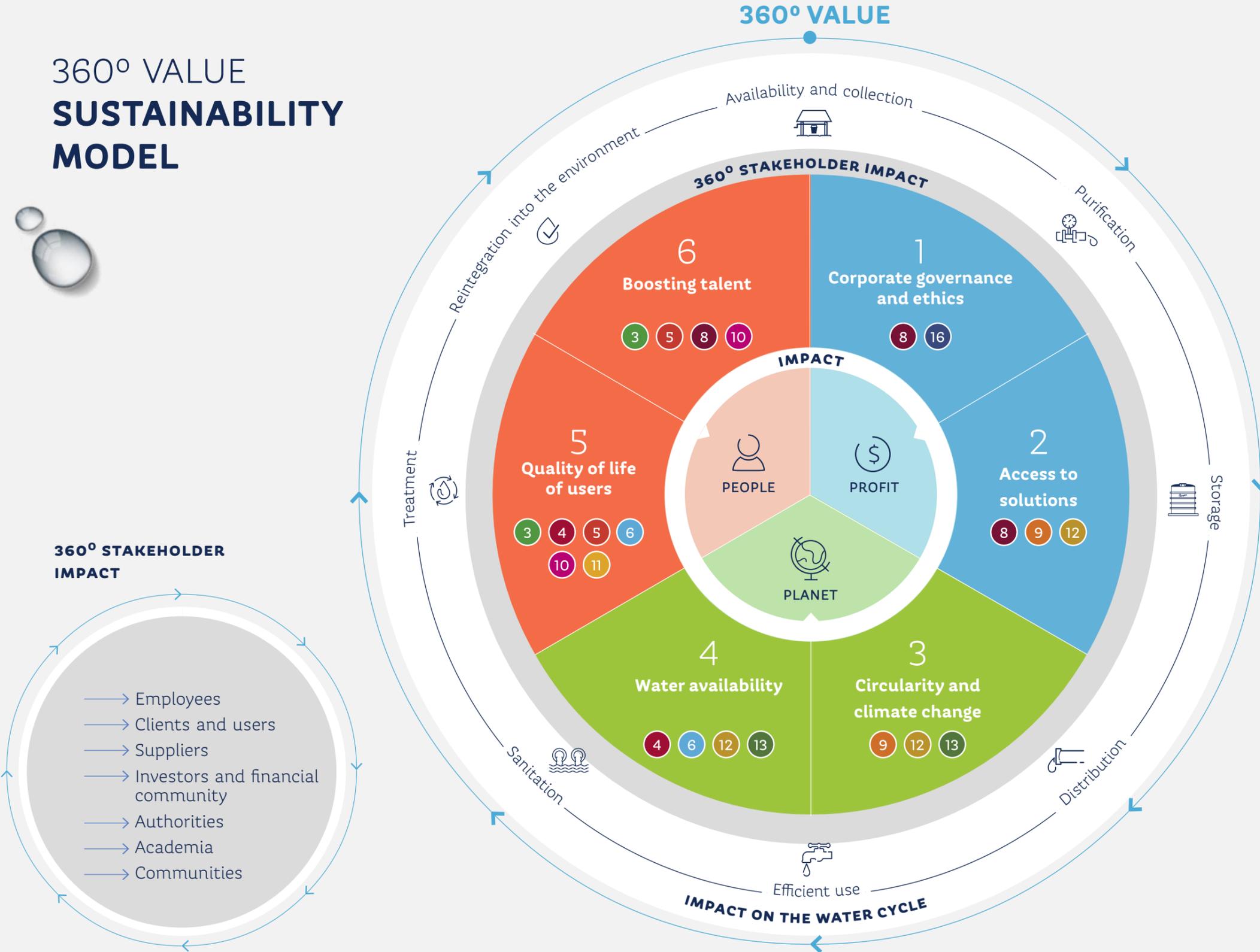
It is present throughout our **interaction in the water cycle.**

It maximizes our contribution to the **Sustainable Development Goals.**

It requires the **engagement of our stakeholders.**

It creates 360° value

360° VALUE SUSTAINABILITY MODEL



LINES OF ACTION

- | | |
|--|---|
| <p>1</p> <ul style="list-style-type: none"> → Structural and operational strength → Culture of ethics and compliance → Integrity in the value chain <p>3</p> <ul style="list-style-type: none"> → Lifecycle-focused management → Sustainable sourcing → Operational efficiency → Climate commitment <p>5</p> <ul style="list-style-type: none"> → User experience → Alliances for access → Social advancement | <p>2</p> <ul style="list-style-type: none"> → Digitalization and omnichannel → Development of distributors and plumbers <p>4</p> <ul style="list-style-type: none"> → Customer environmental footprint → Water culture → Participation of the public agenda <p>6</p> <ul style="list-style-type: none"> → Diversity, equality and inclusion → Growth → Health, safety and well-being |
|--|---|

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

- | | |
|--|--|
| <p>3 Good health and well-being</p> <p>4 Quality education</p> <p>5 Gender equality</p> <p>6 Clean water and sanitation</p> <p>8 Decent work and economic growth</p> <p>9 Industry, innovation, and infrastructure</p> | <p>10 Reduced inequalities</p> <p>12 Responsible consumption and production</p> <p>13 Climate action</p> <p>16 Peace, justice, and strong institutions</p> |
|--|--|



We have a set of **policies and procedures** with which we establish guidelines for ESG aspects in our processes and in the relationship with the different stakeholders.



Hygiene, Workplace Security and Environment Policy



Sustainability Policy



Human Rights Policy



Sustainable Purchases Policy



Institutional Relations Policy



Anticorruption Policy



Climate Change Policy



Diversity Policy



Click on the policies to learn more about them.

Following the guidelines of our Institutional Relationship Policy, we define and prioritize our **stakeholders** using two main variables, the impact we generate through our activity on the one hand, and their influence on the fulfillment of our business strategy on the other. Always seeking to generate mutual value, we establish the key stakeholders and the areas of the company that must be involved, as well as the channels to be used to ensure dialogue and collaboration.

For the communities neighboring our operation, we also have a community relations management process, which includes: conducting ethnographic studies to understand their cultural practices, behaviors and interests, defining a matrix of negative impacts to mitigate and positive impacts to enhance, creating a community relations plan and a committee to provide follow-up, and conducting collaborative actions for the creation of shared value.



Stakeholders:





We have a **scorecard** for the monitoring of our activity, which includes indicators that we track regularly throughout the year, via an online platform. Information is publicly available as part of our commitment to transparency. We are working on updating it in accordance to the 2021-2025 Sustainability Strategy.

The **Sustainability Committee** is responsible for monitoring the progress of the sustainability strategy with the collaboration of the areas related to ESG projects and the leadership of the Vice President of Sustainability and Human Capital. It reports to the Corporate Practices and Strategy Committee, which then shares the main findings with the Board of Directors.



Scorecard

INNOVATION TO ACHIEVE EFFICIENCY



04

INNOVATION, QUALITY, AND
CUSTOMER EXPERIENCE

At Rotoplas **we innovate in every solution** we create, following the highest quality standards so that our users can count on every drop.

S.S.P



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

INNOVATION AND DESIGN

In Grupo Rotoplas **we are market shapers** and innovation lives in each one of our team members

Enabling constant improvement in processes, products and services, and benefiting our customers, as well as the environment.

We seek collaboration among the different areas of the company and we are open to building alliances with third parties. Likewise, we integrate our own developments with technologies already available in the market in order to provide tailor-made solutions and respond to the particular needs of each client.

Our **Innovation Policy** reflects our understanding of the issue, as well as our commitment to it.



Innovation Policy





The process is iterative and includes:

- 1 **Identification** of business opportunities
- 2 **Ideation** of a solution
- 3 **End-user validation**
- 4 **Industrial development**
- 5 **Release to the market**

→ It should be noted that at the **validation stage**, we assess the risk in three dimensions: difficulty in adapting to the user, marketing challenges in terms of price or channel, and risk from technical performance.

The sustainability criteria also guide the process to reduce or eliminate negative externalities that we may be generating directly or in the value chain; for instance, fostering the incorporation of recycled resins, or developing products with lower energy consumption at the user stage.



This year, in order to permeate the culture, promote innovative processes and generate organizational capacity, we created the Innovation Board. It meets on a quarterly basis, defines the strategy and approves the innovation initiatives and budget. It is led by the Chief Executive Officer and operates at the management level with representatives from the areas of Finance, Individual Solutions (products), Services, R&D and Marketing on a permanent basis. It also has the support of the Sustainability, Digital and Supply Chain teams.

The Innovation Board bases its decisions on a dashboard of indicators that includes the percentage of revenue and EBITDA generated by new products

and services, the potential value in revenue and profitability of projects under revision, the proportion of innovations with inter-area collaboration, and the percentage of conversion from opportunity to launch.

On the other hand, our **User Experience Center of Excellence (COE)** has focused on understanding the evolution of consumer habits through COVID-19, diagnosing the maturity of the customer focus in the different areas of Grupo Rotoplas and generating capabilities within them. To this end, the insight center was launched to disseminate information to the entire organization on the needs and expectations of customers and users, enabling them to make informed decisions.



RESEARCH AND DEVELOPMENT:

Thanks to the focus on efficiency and as part of the organizational transformation program *Flow*, the development of solutions accelerated. During the year, more than 20 solutions were launched as well as technological optimizations.

In 2020, we invested **\$73.3 million** Mexican pesos in research and development projects.

Main innovations:

—→ **Products:** flexible pipes and dual tank in Mexico, low-end tank in Argentina, residential septic tank business in the United States.



—→ **Services:** storage tank installation service in Peru, installation, maintenance, and repair services with *Plomerísimo* in Mexico, and agricultural irrigation solutions for the field in Mexico with *riego*.



—→ **Optimizations:** the use of more third party and own recycled resins, and remote monitoring in wastewater treatment plants through smart sensors.

To ensure the success of our research projects, **we collaborated with specialized centers**, including:

- CICY (Yucatan Center for Scientific Research¹) and CONACYT (Research Center of the National Council of Science and Technology).
- Coahuila University for material innovation.
- Research and Advanced Studies Center of the National Polytechnic Institute (CINVESTAV in Spanish) for the development of a reactor that will accelerate chemical processes for the treatment of polluted water.
- Mexican Institute of Water Technology (IMTA in Spanish) for the development of a desalination system. We continue to take advantage of the \$2.48 million pesos that we received in 2018 from the Institutional Fund for the Regional Promotion of Scientific, Technological and Innovation Development (FORDECyT in Spanish).
- Research Center for Applied Chemistry (CIQA, for its in Spanish acronym) with a project to improve the formulas for recycled resins using post-consumption materials.
- Society of Plastics Engineers for the creation of plastics and resins, as well as the development of tests for injection, extrusion, and blowing processes.



¹ Attached to the National Council of Science and Technology (CONACYT).



This year, we created **INNWAI - Water Innovation Hub**, an international platform owned by Grupo Rotoplas, that seeks to drive open and collaborative innovation to meet the challenges of water availability, management, access, and sanitation in Latin America. Our first call to arms, *Water 4 People*, brought together entrepreneurs to propose innovative solutions and fight water shortages in communities. The four finalist projects entered an incubation process within the company.

In the coming years, we will continue to incorporate the **IoT (Internet of Things)** into our solutions, allowing users to interact with the products and monitor the main data associated with their use. In addition, we will be creating integrated experiences thanks to the incorporation of service elements that complement the commercialization of products.



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GRI 416-1, 417-1, 417-2

QUALITY AND **TRANSPARENCY**

At Rotoplas, we guarantee the delivery of excellent products and services, which we achieve thanks to the knowledge of the customer and user needs, the close collaboration with suppliers, the production standards, and after-sales support.

All of our plants adhere to the **Quality Policy** and the requirements of ISO 9001:2015, with 88% of them being certified. External auditors complement the audits by the Quality department to ensure compliance with these guidelines.

CERTIFIED PLANTS

MEXICO

1. Anáhuac
2. Golfo
3. Guadalajara
4. Guatemala
5. Leon, injection
6. Leon, rotomolding
7. Lerma
8. Monterrey
9. Monterrey, compounds
10. Pacific
11. Sureste
12. Tuxtla

ARGENTINA

1. Loma Hermosa
2. San Martín

PERU

1. Lima

STANDARD

ISO 9001:2015

For products, we consider each country's technical standards and support compliance through independent certifications. In Mexico and Argentina, standard ISO 15874 guarantees the quality of pipeline production processes. Likewise, in Argentina, heaters are certified by the Argentinian Gas Institute (IGA in Spanish).

We should note the lack of sanctions resulting from a breach of regulations regarding the effects of products and services on users' health and safety, or of breaches in the labeling and marketing of solutions.

DISTRIBUTION AND MARKETING

In 2020, we replicated an IPS multi-disciplinary sales cell model throughout Argentina and started pilot testing in Mexico and Peru. In this scheme, incentives are based on collective targets for the whole cell and encourage innovation, collaboration, and capture of growth opportunities through cross-selling.

As part of our efforts to improve service to our distributors and dealers, we continue to make improvements to our comprehensive ordering system, the **Rotoplas Transportation Management System (RTMS)**, in which they can place and monitor their orders. This year, we optimized the distribution areas, which were previously organized by municipality but are now organized by proximity, allowing for faster deliveries. As a result of the change, 119 thousand fewer kilometers have been traveled in just four months.

This year was further marked by the accelerated diversification of our **marketing channels**:

- In **Peru**, we entered hypermarkets with heaters and decided to go for digital sales.
- In **Argentina** we offer our heaters in the main home appliance marketplace in the country.
- In **Central America**, we initiated sales in self-service stores.
- In **Mexico**, we reinforced the retail sales channel, which supplies local stores given their growth due to their proximity to consumers. To respond to the new convenience needs and to remain close to our customers, we are backing e-commerce, supported by our distributor partners in the traditional channel.



Our platform in the **United States**, consisting of two websites, one call-center, and eight physical stores, had strong growth due to the increased demand for water solutions and the expansion of online business. During the year, we focused on the evolution of stores to become highly specialized advisory centers, which complement the online shopping option.



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GRI 203-2, 306-2

INSTALLATION AND **MAINTENANCE**

With the evolution of the business towards the provision of integrated services, the scope of our interaction with customers has become broader. Sales are carried out directly, and subsequently, **we provide the installation and maintenance service** through our own employees or specialized third parties.

After-sales support include the repair and/or replacement of solutions, although the durability of our products is one of our main strengths. For example, water heaters have a warranty of between 3 and 7 years, depending on the characteristics of each model.

For *bebbia*, as part of the service, **we offer maintenance every six months for cleaning or changing the cartridges** used by the purifiers.

We work closely with plumbers and continually train them to learn about the solutions in our portfolio, their benefits and functions.

This year, we gave courses to more than **9,538 plumbers**, lasting 12 to 24 hours per professional in Mexico and Central America.

In addition, in Mexico, we offered training with curriculum value thanks to the certification provided by the federal authority through the CONOCER program. This way, we developed a network of highly trained plumbers, which allows us to ensure the quality of the service delivered to the customer.

In 2020, we developed **Plomerísimo**, a digital platform that allows residential customers in Mexico to contract any service of installation, repair, and maintenance service for water systems in their home, with the advice of a specialist technician endorsed by Rotoplas and a warranty on the repair.



[See **Plomerísimo**](#)



We also extended our loyalty program, **Gana más con Rotoplas (earn more with Rotoplas)**, which initiated in Mexico, to Central America. It focuses on generating value for plumbers, distributors, and over-the-counter vendors, who deliver our solutions to the end consumer. With 10,606 members in total, the Club grew by 37% compared to 2019. To support program members during the pandemic, we gave away over 6,200 unlimited monthly mobile plans and distributed more than 300 basic food baskets, among other benefits.



Over the year,
\$7.8 million was
 earmarked for the
 implementation of
**Gana Más con
 Rotoplas.**

In Argentina, we redefined the loyalty club for plumbers and sellers. The new **Club A** (replacing the IPS Club) transforms each purchase of Rotoplas products into opportunities to access different benefits. By year end, we had 9,044 active members. We also incorporated training to professionalize their work and expand their knowledge of the Group's products.



SATISFACTION MONITORING

We base our actions on the **four principles of the Rotoplas experience** to bring value to our customers and consumers: we are empathetic, agile, memorable, and create simple experiences.

To do this, we are attentive to their needs, preferences, questions, and satisfaction levels. As for our products and services, we aim for clients to always have the necessary information available to make the best decision based on their needs.

We offer after-sales support through the Customer Service Center (SAC in Spanish) in Mexico, Peru, and Central America. In 2020, 70% of inquiries and complaints were resolved during the a call with the SAC and the service achieved 97% satisfaction. The SAC also conducts surveys on a regular basis to give the customer a voice and identify opportunities for improvement.

Customer satisfaction²

Starting in the second half of 2019, and as part of the best practices aligned to B2B (business-to-business) studies, Rotoplas decided to redesign the Voice of the Customer study, migrating from a product NPS evaluation to supplier and business partner NPS, a more comprehensive evaluation that focuses not only on product quality, but also on the service and experience we offer. The study contemplates a broad base of tier 1 and 2 customers, as well as some tier 3 to 5.

This year, *bebbia*, our drinking water service in Mexico, had exponential growth. With an NPS of 87.5%, the vast majority of our clients, both residential and institutional, would recommend this service.

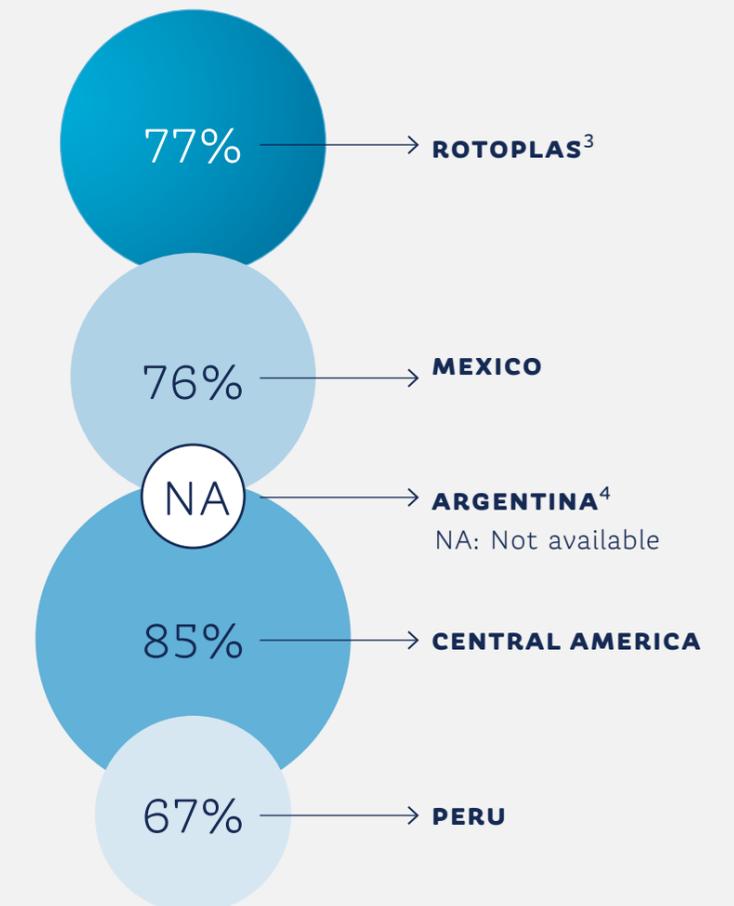
² Customer satisfaction is evaluated on a scale of 1 to 10, with 1 being the minimum score and 10 being the maximum. Percentages of satisfied customers consider ratings from 7 to 10 for the two semesters of each year. Due to the size of operations, the satisfaction survey has not been conducted in

Brazil or the United States.

³ Data reported according to the statistical calculation of the countries.

⁴ The survey with the new methodology will be carried out in Argentina in 2021.

NPS Supplier of the second half of 2020





INFORMATION SECURITY

This year we reinforced self-regulation by adding to the **Access Control Policy** an **Information Security Policy** for our employees and suppliers to ensure the protection of our customers' data. Likewise, we have a Cybersecurity Protocol that includes a possible response and the individuals responsible for each threat.

We continue with the implementation of the Cyber Security Framework, which classifies cybersecurity competencies and capabilities. After designing the governance model, we developed an awareness program to be implemented in 2021, including campaigns, workshops, and drills.

EFFICIENCY HAND
IN HAND WITH

OUR PEOPLE



05

OPERATING EFFICIENCY
AND RESILIENCE

We are a company that for more than three decades has challenged itself **to bring constant change to the water industry**. Today, through technology, we have built an increasingly efficient business that operates by fostering a culture of innovation, creativity and collaboration.

S.S.P



TCFD



SDG



GRI 102-9, 204-1, 412-3

PROCUREMENT

This year, we consolidated demand, materials, and production planning into a single system, allowing us to optimize manufacturing plans based on data detailing the availability of materials, which in turn is based on demand estimates.

As for the quality of the products and services we offer, the raw materials and product technology that our suppliers provide are key. We work closely with them to offer the best portfolio and have a guarantee of supply.

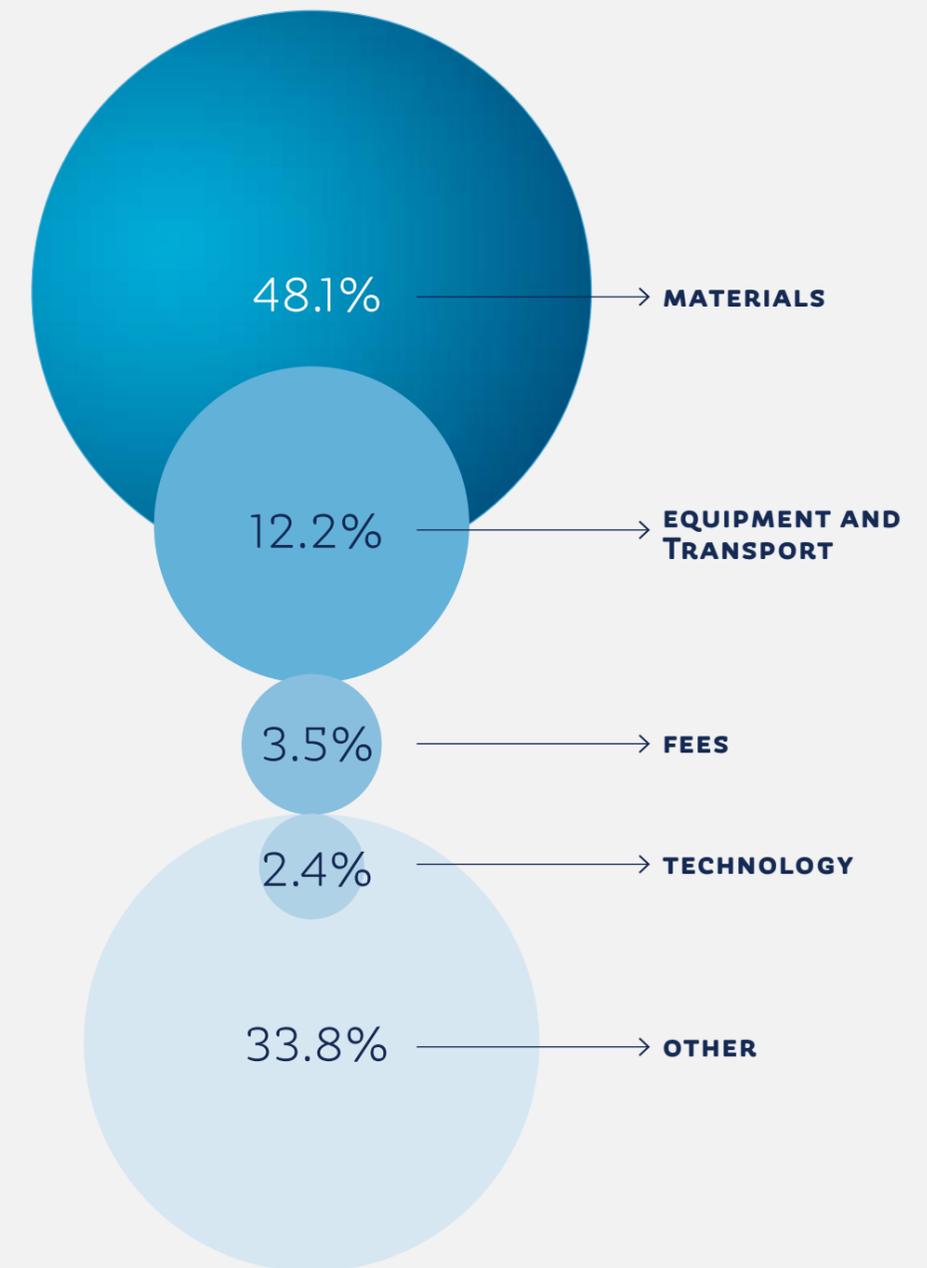
Nearly 3,000 suppliers make up our supply chain. During the year, our procurement expenses amounted to \$5.36 billion pesos, 8% more than in

2019. This increase corresponds to the acquisition of raw materials.

We are also committed to local development in each of the countries where we operate; we allocated 76% of our expenditure to domestic suppliers.

As part of our company-level risk management process, we identify critical suppliers annually through a plant-level analysis involving the quality, production, and procurement teams. We consider a supplier to be critical when they supply high volumes, are unique due to the specific material/service, or due to the production capacity we require.

Supplier expenses by category - 2020





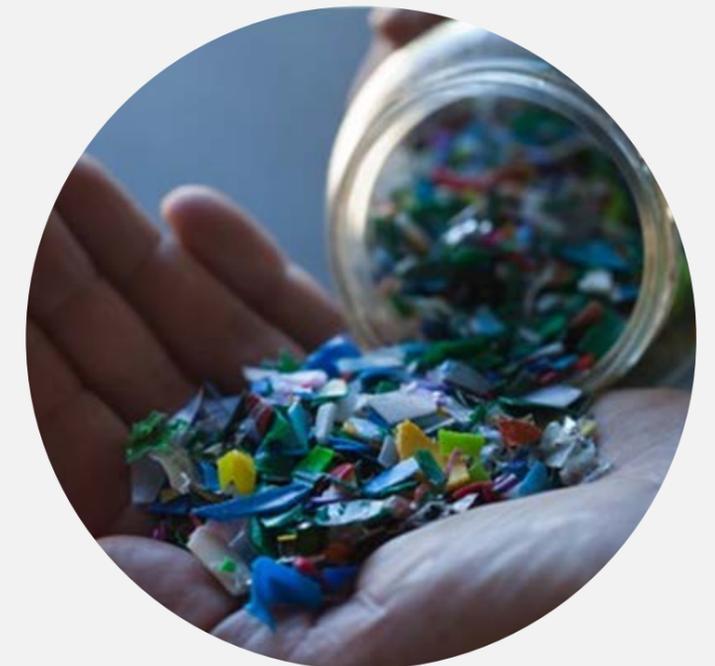
We encourage suppliers to work in accordance with good ESG practices. Our **Sustainable Procurement Policy** details the ESG aspects that we consider relevant to our strategy.

In our system, as part of the supplier registration process, we ask them to sign and commit to our Code of Ethics and Conduct, thus extending our commitment to values such as integrity, respect for human rights, and good working conditions. To date, all of our suppliers meet this requirement.

Always looking for innovation from the supply chain, we generate links and projects with our suppliers for the technological development that we incorporate into our portfolio. An example of this is the project to incorporate recycled resins into our products and the development of suppliers of this material.



Sustainable Purchases Policy



DISTRIBUTION

The **Rotoplas Transportation Management System (RTMS)** is our comprehensive ordering system, which, through a web portal, allows customers to place orders and track them. The available stock is updated in the system and delivery is assigned considering the optimal logistic route. After its implementation in Mexico in 2019, it is now also available in Central America and Peru.

This year, we adjusted the RTMS configuration to facilitate more recurrent deliveries, considering plant and distribution center (CEDIS in Spanish) activity limitations due to the pandemic and irregular inventory behavior. We also improved the organization of distribution zones, which has prevented us from traveling about **119 thousand kilometers in just four months**, equivalent to saving more than over 47 thousand liters of fuel, or avoiding the emission of 133 tCO₂e¹.

¹ Savings of 133 tCO₂e are estimated, considering diesel as fuel, as it is the most used in transport activity.



SASB RT-CH-410a.1, RT-CH-530a.1

RESOURCE CIRCULARITY

We seek **to be efficient in the different processes that make up drive our activity business**, adhering to optimal income and expenditure, and to the improvements introduced by our organizational transformation program *Flow*.

20% of our CAPEX investments meet sustainability criteria, including freight optimization and energy efficiency in production.

We follow the guidelines of our **Hygiene, Safety, and Environment Policy (HSA in Spanish)**, which places particular emphasis on reducing greenhouse gas (GHG) emissions infrom its own operations and along the value chain. We also reinforce our commitment to the **Climate Change Policy**.

All our plants, four of which are certified, operate under an environmental management system based on the guidelines of standard ISO 14001; thus, they share good practices and monitoring of indicators.

 **Hygiene, Workplace Security and Environment** Policy

 **Climate Change** Policy



CERTIFIED PLANTS

MEXICO

1. Lerma
2. Leon, rotomolding
3. Leon, injection

PERU

1. Lima

STANDARD

ISO 14001:2015

We seek to improve **efficiency** in the use phase for solutions that use energy; i.e. drinking fountains, dispensers (institutional use), purifiers (domestic use), and treatment plants. We look to continually reduce energy requirements through equipment upgrades.

With regard to purifiers, including those incorporated as part of drinking fountains and dispensers, we have achieved greater efficiency by using activated carbon and colloidal silver technology as an alternative to reverse osmosis. As for treatment plants, we are developing a new technology with energy consumption 10% lower than previous models. Services as a whole accounted for \$611 million pesos in sales in 2020, which is 7% of the company's total.

Efficiency, gauged throughout the life cycle of our solutions, has been measured by the company by

calculating the carbon and water footprint of a portfolio selection, in accordance with ISO 14067 and ISO 14046, respectively.

At Grupo Rotoplas we are deeply committed to good environmental practices and the impact we generate in our customers, as we support regulatory advances that promote circularity. We also consider that the service of drinking water can be an alternative to bottled water and its transportation, which are activities that may be limited by future regulations due to the plastics used and/or transportation emissions.

Working on efficiency is one of the fundamental pillars of our contribution to the circular economy, **all of our solutions are designed to generate efficiency in terms of material, water and/or energy use**. Here, we present a broader view:



1

Grupo Rotoplas priorities for a circular economy:

Sourcing from **renewable energies**.

2

Use of post-consumption and post-industrial **recycled resins** (own and third-party).

3

Maintenance of storage products and heaters, and services (WWTPs, purifiers, and irrigation systems) for better performance and longer service life.

4

Reuse of water and reduction of water withdrawals through treatment and recycling solutions.

5

Development of **drinking water services** (alternative to bottled water, reduces single-use plastic and emissions in the transport phase of the resource).

—
GRI 301-1, 301-2

SASB CG-BF-000.A, CG-BF-410a.i, RT-CH-000.A

TCFD MYO-A

MATERIALS

Our main inputs are resins composed mainly of polyethylene and polypropylene.

We processed 59,023 tons of resins in 2020, **15% less** than in 2019.

To minimize the impact of our products on the planet, as well as to ensure the availability of raw materials for our operation, we have a strategy for supplying our own and third-party post-consumption resins. We work on the creation of formulations with a higher content of recycled raw material and on the development of suppliers that can supply us with post-industrial resins that meet our specifications.

Thanks to these efforts, this year, we used **10% recycled resin in products**, which also represents savings of over \$15 million pesos. **To date, we have incorporated between 35% and 100% recycled material into some models of our tanks.**



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GRI 302-1, 302-3, 302-4
SASB CG-BF-130a.1, IF-WU-130a.1; RT-CH-130a.1
TCFD MYO-A

ENERGY

Group-level power consumption was 183,700,850 kWh (661,322 GJ) and 93.27% of this is used in the rotomolding, milling, extrusion, injection, and blowing processes, which are the most demanding.

We implemented technological optimization with the Rotoplas Automated Manufacturing System with Technology (SMART in Spanish) in the production process of storage solutions and in the manufacturing of heaters. This is a set of initiatives aimed at making our use of energy more efficient. In addition, the blow production process allows gas consumption to be replaced by electricity, which is less polluting.

Energy consumption in the main processes

PROCESS	SOURCE	2020	2019	2018
● EXTRUSION, INJECTION, MILLING²	ELECTRICITY	45,927,175	39,764,911	41,390,169
● ROTOMOLDING AND BLOW MOLDING	NATURAL GAS LP GAS ELECTRICITY	125,419,157	119,494,729	123,486,844
TOTAL (kWh)	—	171,346,332	159,259,640	164,877,013
TOTAL (GJ)	—	616,846	573,334	593,557



This year, we reported an **energy intensity of 1,797 kWh per metric ton of resin processed** in the main manufacturing activities mentioned above—; a similar figure to that of previous years.

² In 2020, the scope considers the two Argentina Water Flow plants: Loma Hermosa and San Martín. For more details, see the 2020 Emissions Inventory Report.

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GRI 302-2, 302-5, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7
SASB CG-BF-130a.1, CG-BF-410a.1, RT-CH-110a.1, RT-CH-110a.2, RT-CH-120a.1
TCFD MYO-A, MYO-B

GHG EMISSIONS AND MITIGATION

Along with energy efficiency initiatives, we are committed to the use of electricity from cleaner processes than the direct burning of fossil fuels. Of our entire operation, 71% of electricity (20.23% of total energy) comes from more efficient sources and is therefore cleaner, i.e. 37,155,372 kWh are from cogeneration. On the other hand, 2% of electricity (0.54% of total energy) is renewable and corresponds to 985,934 kWh generated by solar panels installed in plants in Mexico, an increase of 66% compared to 2019. The remaining 27% of the electricity consumed (7.80% of total energy) comes from the traditional network.

We emitted **49,584 tons of CO₂eq in Scopes 1 and 2³**, which equates to 0.51 metric tons of CO₂eq per metric ton of resin processed.

GHG emissions (tonCO₂Eq) – Scopes 1 and 2⁴

	2020 ⁵	2019	2018
 SCOPE 1 Direct from fuel combustion and refrigerant leaks	27,594	25,707	26,524
 SCOPE 2 Indirect from the generation of the energy consumed	21,398	18,651	19,628
 SCOPE 1 + SCOPE 2	48,992	44,358	46,152

 [See inventory](#)

³ Of the markets in which Grupo Rotoplas operates, only some U.S. states have emissions trading regulations already in place. In Mexico, testing for the implementation of the emissions trading system has started in 2021. In the U.S. we only operate the ecommerce platform and the store network, which correspond to Scope 2 emissions.

⁴ This year's emissions inventory includes distribution centers (CEDIS in

Spanish) in Costa Rica, El Salvador, Honduras, and Nicaragua, as well as office consumption in Brazil, the United States and Mexico (corporate and Sytesa).

In addition, we consider the fuel and electricity consumption of The Water flow the Argentina Water Flow plants: Loma Hermosa and San Martín

⁵ Not including emissions from rotomolding plants in Brazil due to their sale during the year.



In addition, we calculated emissions from the transportation of products by third parties, which accounted for **20,688 metric tons of CO₂eq.** We also estimated that emissions during the use stage of our drinking fountains, dispensers, purifiers, and treatment plants accounted for 5,285 metric tons of CO₂eq (solutions with electricity consumption and belonging to the service scheme).

The combustion of LP and natural gas in the rotomolding processes generated 25 metric tons of nitrous oxides (NO_x), 0.1 metric tons of sulfur oxides (SO_x), and 1.3 metric tons of particulate matter (PM).

The indicators and targets associated with the evolution of our Sustainability Strategy will be made public in the first half of 2021.

GHG emissions (tonCO₂Eq) – Scope 3

	2020 ⁴	2019	2018
● SCOPE 3 ⁶ Indirect from fuel combustion in freighters' haulage vehicles during the distribution of Grupo Rotoplas' products ⁷	20,688	21,380	17,726
● SCOPE 3 Use of products and services sold: drinking fountains, purifiers, dispensers, and treatment plants	5,285	5,186	NA
● SCOPE 3 Waste disposal	213	NA	NA
● SCOPE 3 From the manufacture and transport/transportation of raw materials ⁸	652	88	NA
SCOPE 3 TOTAL	26,839	26,566	17,726



6 This year, we incorporated the fuel consumption by outsourced transport for the Water flow Argentina Water Flow plants (Loma Hermosa and San Martín) and Peru.
 7 The scope of transport emissions from distribution centers in Mérida (Mexico), Argentina, Brazil, Costa Rica, El Salvador, and Peru are not considered for any of the years.
 8 For the manufacturing and transportation of raw materials, information from a single supplier is considered; it is expected to increase the scope in the next years.

— GRI 303-1, 303-2, 303-3, 303-4, 303-5

SASB RT-CH-140a.1, RT-CH-140a.2, RT-CH-140a.3, IF-WU-140b.1

TCFD MYO-A

WATER

While 55.4% of the water we use in our processes comes from areas with high or very high water stress⁹, our operations are not particularly demanding in terms of water use. Therefore, **we continue to work to optimize the requirements of our various processes.** Among the launches, we highlight a new blow molding process for tanks, which we successfully launched in 2020, reducing water consumption in the production phase by 80%. During the year, blow molding production amounted to 844 tons.

Likewise, we seek to treat the wastewater from our operation to reuse it or return it to the environment with better quality. In addition to the WWTPs located in the

Guadalajara (Mexico) and Pilar (Argentina) plants, this year we launched the Merida WWTP (Mexico) with capacity to treat 18m³ per day and representing an investment of \$2.1 million pesos. With regard to the reuse of water in our plants, in Guatemala and Peru we have systems that treat the water and enable the recirculation of approximately 60% of this resource in our process.

Over the year, we harvested a total of **124 million liters of water from different sources, with 12% of this coming from reused water from our own processes.** The water consumption intensity was 1,297 liters per metric ton of processed resin.



⁹ In accordance with the Aqueduct tool of the World Resources Institute (WRI).



Water consumption harvesting by source (millions of liters)¹⁰

SOURCE	2020	2019	2018
● MUNICIPAL	50.91	40.25	76.71
● SURFACE WATERS	4.42	16.78	4.00
● GROUNDWATER	36.15	32.32	66.10
● OTHER TANK CARSTANKERS	17.85	13.27	12.27
● OTHER SOURCES RAINWATER RAINWATER HARVESTING	0.35	-	-
● REUSED FROM OUR OWN OPERATIONS	14.33	2.05	25.11
TOTAL	124.01	104.65	184.19

In 2020, we had no cases of non-compliance with water permits, standards, or regulations. In addition to these, there are other risks associated with water management, such as resource scarcity or increased cost, as well as a perception of poor water management by one of our stakeholders. All the process improvements in the processes mentioned above and our transparency efforts add to the management of these risks.

Moreover, through the wastewater treatment service, we offered our customers the ability to treat **25,338m³ of water per day**. During the year, there were no incidents related to the quality of water discharges, either at our own facilities or as a result of the treatment plants we operate for our clients.

¹⁰ Corresponds to water harvested, including the consumption of reused water.

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GRI 306-2, 306-3, 306-4, 306-5
SASB CG-BF-410a.2, RT-CH-150a.1
TCFD MYO-A

WASTE

Waste management is an integral part of the circularity approach we foster in our operation. Therefore, in addition to seeking to reduce waste, we work with specialized suppliers that enhance the reutilization/reuse of waste whenever possible.

In total, we recycled 735 metric tons of waste, or 60% of what is generated. Of the hazardous waste, 70% is treated through coprocessing and the rest is confined in accordance with the law.

At Grupo Rotoplas, we do not have end-of-life product recovery mechanisms, as several of our solutions are guaranteed for life and our focus is on providing proper maintenance to our solutions in order to extend their service life with high performance.

Waste generated (metric tons)¹¹

	2020	2019	2018
● HAZARDOUS	54.0	58.7	166.8
● SPECIAL HANDLING	792.7	361.9	446.9
● URBAN SOLID WASTE	421.5	668.5	478.2
TOTAL	1,268.2	1,089.1	1,091.9



Destination of the waste generated (%)

	HAZARDOUS	SPECIAL HANDLING	URBAN SOLID WASTE
● COPROCESSING	69.93%	1.80%	9.26%
● END-OF-LIFE	30.07%	5.03%	90.74%
● RECYCLING	0.00%	93.17%	0.00%

¹¹ This year we are added 8 more facilities to the figures, including corporate and plants.

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GRI 102-11
TCFD GOB-A and GOB-B

CLIMATE CHANGE RISKS AND OPPORTUNITIES

INTRODUCTION

The impact of climate change on citizens and businesses is mainly due to the appearance of extreme meteorological phenomena and changes in precipitation patterns.

At Grupo Rotoplas:

- We work to prevent **operating risks**, including those related to the availability of raw materials.
- We seek to facilitate the population's **access to water**, through decentralized solutions, as well as to safeguard the resource, especially in areas with lower availability.
- We reduce energy requirements, both in production and in the use phase of the solutions, and we seek to increase the supply of renewable sources. In this way, we are moving towards **lower Greenhouse Gas (GHG) emissions**.

These components are integrated into the evolution of our **Sustainability Strategy**, through the pillars of circularity and climate change, water availability and user quality of life.

In addition, they have a specific strategy that we launched in 2019, based on the identification of the main risks and opportunities related to climate change for our stakeholders, involving different teams of the company; it included the increasing investor requests in this regard.



**STAKEHOLDERS****Clients**

Distributors capable of generating a climate value offer for their clients.

Governments and NGOs capable of achieving their climate change objectives.

End users with more climate resilience

Employees

Strengthen the operative efficiency and resilience

Resilient, and climate active – based on knowledge employees

Suppliers

Climate-aware and proactive suppliers

Board of Directors and its internal bodies

Climate change strategic governance

Financial community

Generate climate value to our investors and insurers

Authorities and regulatory bodies

Deliver certainty on our regulatory compliance

Community

Enhance a portfolio that collaborates towards the climate resilience of communities

STRATEGIC WORK LINES**Distributors**

- 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.

Governments and NGOs

- Enhancing the development of projects that enable the population to endure the effects of climate change.

End users

- Bolster awareness on the effects of climate change in water scarcity and availability.

Processes and operations

- 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.

Employees

- 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).

- 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.

- 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

- 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.

- Reinforce the audit processes and bolster third-party assessments.
- Promote an environmental compliance culture in the company.

- 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.

In our **Climate Change Policy**, we state our commitment to a low GHG emissions operation, to the adoption of measures to respond to risks and to the opportunities to facilitate access to water.

We have indicators to evaluate the progress and results of the different initiatives, integrated in the sustainability scorecard. The areas in charge of their direct management establish annual objectives together with the corporate strategy team, and during quarterly meetings of the Sustainability Committee, the progress of the initiatives is analyzed and the necessary measures are taken.

The Chairman of the Sustainability Committee, who is the Vice President of Sustainability and Human Capital, reports to the Corporate and Strategy Practices Committee at its quarterly meetings.

The Corporate and Strategy Practices Committee reports to the Board of Directors on the company's progress. Consequently, the impact that these decisions may have on the achievement of climate change goals is taken into account in strategic decision-making.



Climate Change Policy





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GRI 102-15, 201-2**SASB** IF-WU-000.D, IF-WU-450a.1, IF-WU-450a.4**TCFD** EST-A, EST-B, GDR-A, GDR-B, GDR-C

RISKS AND OPPORTUNITIES

In 2019 we deepened our understanding of the risks and opportunities associated with climate change, with the participation of the different areas of the company and the incorporation of the perspective of our stakeholders; we analyzed the exposure of the main processes.

The recurring update of the risk map is the result of a comprehensive exercise in which the risk, commercial, operational and sustainability teams participate.

It includes an analysis at company and plant level, which serves as a basis for prioritizing prevention and mitigation measures. These are monitored through our internal control system, with the support of third parties for certain evaluations.

The **main risks identified**⁹ are presented below, referring to the classification established in the TCFD recommendations.

TYPE OF RISK	DESCRIPTION	TIMEFRAME*	FINANCIAL IMPACT	CLIMATE CHANGE STRATEGY INITIATIVES
Physical, acute	Exposure of facilities to affectations by more frequent and severe hydrometeorological events (hurricanes, floods, etc.)	Medium	Partial or total loss of the facility, inventory, and/or business interruption.	<ul style="list-style-type: none"> —> Structural reinforcement and preventive maintenance of plants and distribution centers. —> Analysis of the risk of flooding, water stress, and fires of the facilities and property and proposal of response measures. —> Monitoring of hydrometeorological phenomena with potential for impact on work centers. <p>Activation of committees in the plant for responding to hydrometeorological events.</p>
Transition, regulation	Publication of new environmental regulations (waste management, emissions, rainwater harvesting, sanitation law, plastics, etc.)	Medium	Fines for breaches of the law.	<ul style="list-style-type: none"> —> Incorporation of environmental practices of excellence, above the required legal minimums. —> Promotion of environmental practices in the supply chain by incorporating criteria into supplier selection processes. —> Disposal of expendable packaging without affecting product integrity. —> Study of alternative materials for the packaging used. —> Monitoring of emerging legislation, as well as membership in agencies focused on issues with likely short-term regulation.
Transition, market	Increased cost of raw materials due to shortages of materials, resources to obtain them, or vendor difficulties to comply with regulations	Medium	Orders not covered. Additional cost of materials above the first option.	<ul style="list-style-type: none"> —> Development of local suppliers of recycled resin, our main input, and resin reuse from our own processes. —> Availability of alternatives for critical raw materials. —> Active evaluation of suppliers based on innovation proposals for current product refinement, as well as to choose suppliers for new products or services.
Transition, reputation	Impossibility to meet the socio-environmental expectations of consumers. Products that become obsolete in the market.	Medium	Loss of sales due to product obsolescence. Loss of market value due to ecotechnologies developed by the competition.	<ul style="list-style-type: none"> —> Incorporation of recycled resins into storage, rainwater harvesting, and sanitation products. —> Development of drinking water service as an alternative to plastic bottles for consumers. —> Development of rainwater harvesting and post-use water treatment systems for industries, homes, and communities. —> Development of more eco-efficient versions in the updating of drinking fountains, purifiers, and dispensers (also of treatment plants). —> Communication of analysis results on the life cycle of our solutions (water and carbon footprints). —> Other investments in product improvement and development with less environmental impact.

* **Short term: < 2 years;**
Medium term: 2-10 years;
Long term: > 10 years

⁹ Transition risks are those associated with changes in the path to a low-carbon economy, such as legislation or consumer preference.

Physical risks are those associated with natural events of greater intensity such as a hurricane (acute) and/or long-term changes in weather patterns (chronic), for example, in temperature. They can cause damage to infrastructure and affect operational continuity, among other consequences.



Additionally, this year we conducted an analysis to determine which treatment plants (WWTP) that we operate are located in areas at risk of flooding (100-year), in order to consider them in the valuation of the asset. Of the total installed and operating plants, those that meet this characteristic represent a capacity of 7,064 m³ of water treated per day.

On the other hand, efforts to reduce the impact of climate change in our activity and that generated by our customers, as well as to develop solutions that contribute to the resilience of communities, offer business opportunities. This is a win-win approach.

Below, we detail **the main opportunities identified**, referencing the recommendations established in the guidelines of TCFD.

TYPE OF OPPORTUNITY	DESCRIPTION	TIMEFRAME*	FINANCIAL IMPACT	CLIMATE CHANGE STRATEGY INITIATIVES
Products and Services	Development of new products and services with an eco-component, through R&D and innovation (e.g. recycled resins macro-project).	Medium	Savings in materials. Projected sales of product lines with lower environmental impact (e.g. with recycled resins).	<ul style="list-style-type: none"> —> Investment in product development (research, testing, etc.). —> Development of suppliers of recycled resins as an alternative to searching in a limited market. —> Collaboration with universities and research centers. —> Development of drinking water service as an alternative.
Markets	Access to emerging markets, growing demand for water storage, purification, treatment and sanitation solutions due to the increase in extreme weather events that exacerbate water stress (quality and quantity).	Medium	Projected earnings of solutions	<ul style="list-style-type: none"> —> Commercial action in schemes that allow communities to gain access (alliances with CSOs, government programs, social responsibility of other companies, etc.). —> Diversification of the marketing network to improve access to end consumers (e.g. e-commerce). —> Development of the <i>rieggio</i> business unit to meet the water needs of crops.
Markets	Access to new markets created by emerging regulations that seek to reduce the population's vulnerability to droughts and floods caused by climate change, such as the Programa Nacional Hídrico (National Water Program), through decentralized storage, treatment, purification and reuse solutions.	Medium	Projected earnings of solutions	<ul style="list-style-type: none"> —> Commercial action in schemes that allow communities to access (alliances with CSOs, government programs, social responsibility of other companies, etc.). —> Development of solutions for lower-middle segments that complement the premium portfolio and facilitate access, either through direct purchase by the individual or in third party (CSO, government) programs (e.g. storage, portable and low-cost water treatment plants, etc.).
Resource efficiency	Efficient use of energy in production processes, purchase of clean energy at lower cost and self-generation of renewables.	Short	Savings from self-generation of renewable energy. Also from efficiencies in energy use.	<ul style="list-style-type: none"> —> Efficiency projects through technology change (e.g. substitution of rotomolding for blow molding). —> Installation of solar panels in plants.

* **Short term: < 2 years;**
Medium term: 2-10 years;
Long term: > 10 years

Our next step will be to conduct an analysis of the impact of different temperature increase scenarios on our operations, in order to establish related resilience measures, either by reinforcing initiatives already included in our Climate Change Strategy or new ones that may be necessary.



Indicators linked to climate change risks and opportunities

RISKS

- > Insurance costs
- > Investment in plant maintenance
- > CapEx with sustainability criteria
- > % of plants and Distribution Centers with climate risks
- > Value of penalties for environmental non-compliance

OPPORTUNITIES

- > *bebbia* Sales
- > Number of *bebbia* users
- > Number of people benefited by rainwater harvesting solutions *rieggo* sales projection (2021)
- > Investment in recycled resins (from third parties)
- > % of recycled resin used as raw material
- > Reduction in energy consumption
- > % of supply with renewable energy

OUR PEOPLE, THE KEY TO
GOOD RESULTS



06

HUMAN CAPITAL

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

S.S.P



TCFD



SDG



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GRI 102-8, 102-10, 102-41, 102-48, 401-1, 405-1

WORKFORCE DESCRIPTION

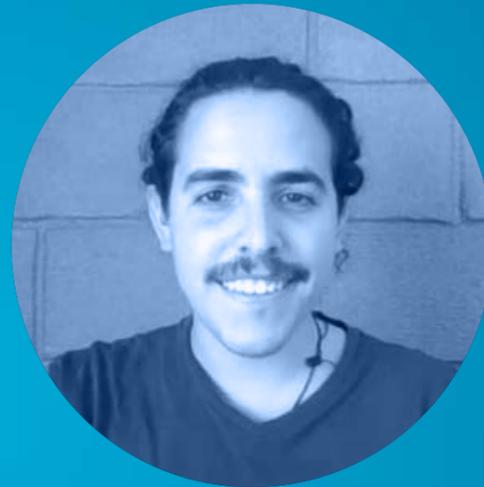
During the year, **our employees' dedication was key** to the operation and to achieving our growth and profitability objectives.

In an atypical environment caused by COVID-19, **Rotoplas made the health and safety of the workforce and their families**, as well as the well-being of its stakeholders, its priority.

Despite global uncertainty, the business strategy and organizational transformation program *Flow* have required more talent with a mix of skills, leading to an increase in the workforce by **3%** to total **3,322** employees. This increase in personnel is notwithstanding the discontinuation of Brazilian operations, following the sale of that business in May 2020.



3,322
employees



We continue to promote employment stability, with 93.2% of our employees having permanent contracts and 99.8% of the workforce is employed full-time.

We believe that the diversity of both gender and skills allows us to make better business decisions; we foster the incorporation of different perspectives into the team. 22% of our total workforce is made up of women; this figure rises to 27% for middle and senior management, in an industry that is usually significantly male dominated. We continue to work to promote gender equality at all levels of the company.

We respect the right of free association, 45% of our employees are unionized through 13 trade union organizations throughout our locations.

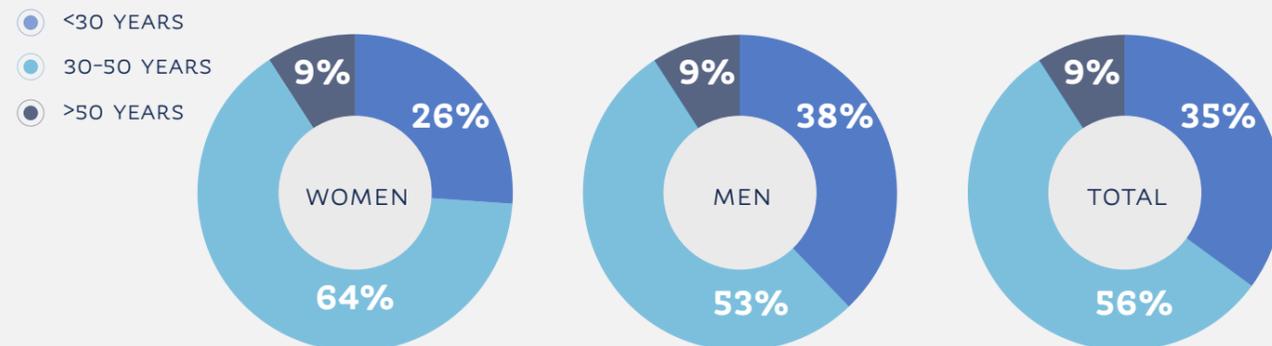
Workforce demographics



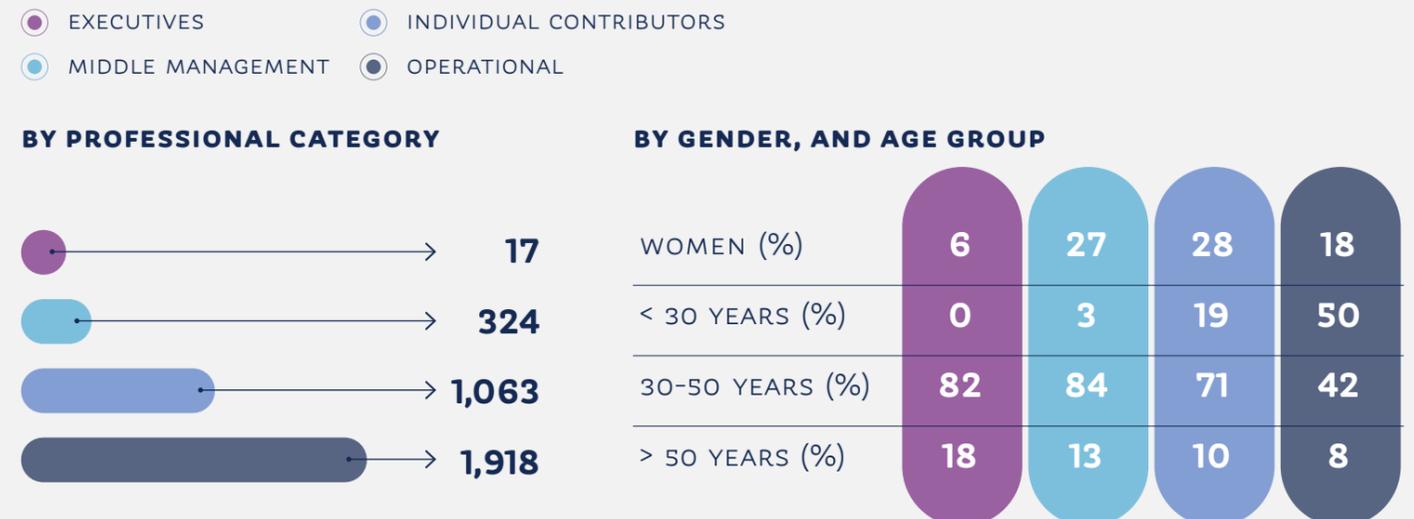
Employees per country



Employees by age group and gender



Employees by professional category, gender, and age group



1 It does not include the employees from the rotomolding plant in Brazil after its sale in May 2020; however, it does include employees from the water treatment plant services.
 2 Argentina: As of 2019 it considers the incorporation of the IPS team, a company acquired in 2018.
 3 Central America considers: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.
 4 As of 2019, it does not include the employees from the rotomolding plants after the sale of these plants during that year; the figures correspond to the employees of the e-commerce platform.



This year we registered the separation of the employees of the rotomolding plant in Brazil due to the sale of Acqualimp's assets; we adopted a guarantee process for the people who worked in this plant.

Involuntary turnover increased slightly compared to the previous year, due to the restructuring of talent aligned with the *Flow* transformation program, which will allow us to have the necessary profiles for the evolution of the company.

New hires by gender and age range

	WOMEN	MEN	TOTAL
● UNDER 30 YEARS OLD	75	429	504
● BETWEEN 30 AND 50 YEARS	84	167	251
● OVER 50 YEARS	3	5	8
TOTAL	162	601	763

Turnover⁵

	2019	2020	Δ 20-19
● INVOLUNTARY	12%	13%	4%
● VOLUNTARY	13%	5%	-58%
TOTAL	25%	18%	-27%

Total turnover by gender and position

	2019		2020	
	● ADMINISTRATIVE	● OPERATIVE	● ADMINISTRATIVE	● OPERATIVE
● WOMEN	22%	27%	22%	20%
● MEN	19%	30%	15%	19%
TOTAL	20%	29%	17%	19%

⁵ In 2020, we modified the calculation of turnover, eliminating fixed-term contracts from the denominator. The figures presented here for 2018, 2019 and 2020 consider the departures of employees with indefinite contracts divided by the total number of employees with indefinite contracts at the end of the year. For 2019, the total turnover is modified from 21% to 25%, a figure that does not include Sytesa's departures. Starting in 2020, data for the entire Rotoplas Group will be considered.



GRI 401-2, 404-1, 404-2, 404-3

TRAINING AND DEVELOPMENT

As we do every year, we provided our employees with a customized annual training plan based on their position and needs, which is complemented with cross-divisional content that promotes the development of soft skills and familiarity with our different policies.

This year, we launched the Aprender digital learning platform, accelerating remote training with flexible formats that allow employees to access courses at any time. The platform is specially designed for administrative staff, who worked remotely for most of the year; 98% of them have been trained through the platform.

Over the year, **we provided 28,311 hours of training**, with an average of 8.5 hours per employee. Confident of the benefit to both the individual and the company, we invested \$8.4 million pesos in the continuous development of our people.



Training by professional category

- ADMINISTRATIVE
- OPERATIVE
- TOTAL

	2020			2019			2018		
	●	●	●	●	●	●	●	●	●
TOTAL HOURS	19,187	9,123	28,311	7,978	11,737	19,715	10,913	13,117	24,030
AVERAGE HOURS PER EMPLOYEE (HOURS)	13.7	4.8	8.5	6.1	7.8	7.0	8.8	7.9	8.3

Each **administrative employee has an Individual Development Plan**. This is included in the objectives that the employee sets at the beginning of the year with their manager and against which they are evaluated. 1,204 administrative staff were evaluated in the year.

- > In the case of supervising others, **the employee receives a 360° evaluation**, to also understand their performance as a team leader.
- > For middle and senior management, **we identify outstanding talent** through an evaluation that measures both performance and potential.

Regarding **operations employees, we focused the evaluation on competencies, productivity**, and adherence to the safety guidelines and the company's values.

We assessed all employees who were due to be evaluated as a result of their seniority and type of contract, applying the appropriate process for their position.

As part of our efforts to attract and develop the best talent, we have initiatives **to incorporate students and recent graduates**, including links with ten strategic universities. One highlight is the Professional Development program (PRODES in Spanish), in which high-potential undergraduate students take charge of four successive innovative projects, in different areas of the company, over two years. In 2020, we had five participants.



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GRI 103-2, 103-3, 401-2, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10
SASB RT-CH-320a.1, RT-CH-320a.2, RT-CH-540a.1

HEALTH, SAFETY AND **WELLBEING**

We ensure **the health, safety, and comprehensive well-being** of our employees

Offering healthy and safe working conditions, applying preventive measures, and promoting self-care especially in the manufacturing plants.

In the face of the pandemic, we doubled our efforts to guarantee the health of our employees. We implemented protective measures in all of our workplaces and strict hygiene protocols that included cleaning and sanitizing facilities, and monitoring body temperature.

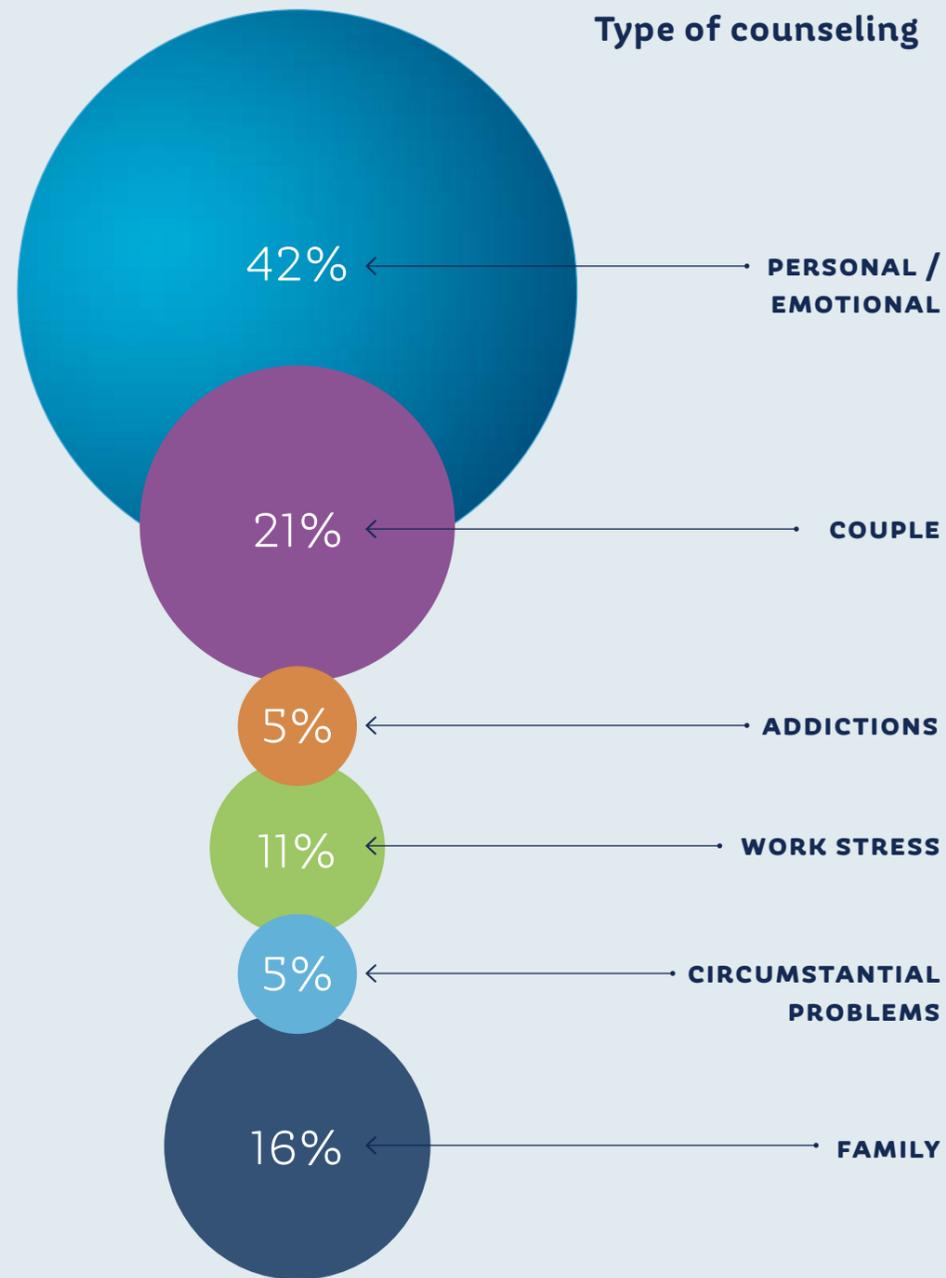
We made private transport available to plant and distribution center employees; we also reduced the number of staff per shift, and respected social distancing, in accordance with the recommendations of the World Health Organization (WHO) and the official regulations of each country. In addition, we offered telemedicine and follow-up services to COVID-19 cases from a specialist doctor, performed PCR tests, and extended COVID-19 insurance for our employees and their families.



We opted for remote working for all of our administrative staff.

Concerned about emotional and physical well-being, in October we launched an **online platform with content on nutrition, physical activity, and meditation**, among others, in Mexico. Our employees dedicated an average of 10 minutes per day from October to December to this.

This year, our **Employee Care Program** (PAE in Spanish) became even more relevant due to the instability caused by the pandemic. Through the app, the website, and by telephone, our external experts gave advice addressing the following problems:



We believed it essential that our employees should know what the health situation generated by COVID-19 was in their countries, at all times, so **we created internal communications that are published on a regular basis**. Likewise, we maintained close contact to understand the evolution of their needs, trained them in new skills such as remote team management, and informed them of the different digital activities at their disposal.

The physical integrity of the employees in our workplaces is the objective of a complete management system in Hygiene, Safety, and

Environment (HSA in Spanish). This includes a policy with guidelines to be followed by our employees and the contractors at our facilities. Its correct implementation is evaluated through internal and external audits, and compliance is part of the agreements established with the trade unions.

Four of our plants are certified under the ISO 45001 occupational health and safety management system (formerly, OHSAS 18001); the centers that are not certified also adhere to these guidelines and benchmark practices.

CERTIFIED PLANTS

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

STANDARD

-  ISO 14001:2015

1. Lerma
2. Anáhuac

STANDARD

-  STPS Program for Self-Management of Workplace Health and Safety (level 2) (specific to Mexico)



Hygiene, Workplace Security and Environment Policy



Each plant has a Safety and Hygiene Committee made up of the HSA team, supply chain, and employee representatives. The Committee meets each month to define the topics and priority actions at each workplace based on the risks identified in the safety tours made by the medical team and through the reporting channels, as well as the results of the Health and Safety indicators. The indicators are also reported to the Management Committee.

The culture of prevention and self-care is reinforced by the annual safety training program, which addresses the

main risks at each plant (for example, damage to limbs and ergonomic complaints in the rotomolding activity), along with the performance of drills. Thus, we also make sure that we have team members prepared for any situation in all shifts. In 2020, **employees received more than 8,000 hours of training in Hygiene, Safety, and Environment.**

In terms of health, our medical team conducts regular examinations, vaccination and prevention campaigns, and care for specific ailments, as well as the promotion of a healthy lifestyle.



Employees

	2020 ⁶	2019	2018
● NUMBER OF MINOR INJURIES	93	25	30
● NUMBER OF INCAPACITATING ACCIDENTS ⁷	98	58	76
● NUMBER OF OCCUPATIONAL ILLNESSES	5	0	4
● NUMBER OF CASUALTIES ⁸	0	0	0
● NUMBER OF DAYS LOST DUE TO INJURY	1,716	894	1,074
● ACCIDENT RATE ⁹	14.5	10.5	13.2
● RATE OF OCCUPATIONAL ILLNESSES	0.7	0	0.7
● ABSENTEEISM RATE	0.2	0.1	0.1

Contractors

	2020	2019	2018
● NUMBER OF MINOR INJURIES	0	5	0
● NUMBER OF INCAPACITATING ACCIDENTS	1	7	1
● NUMBER OF OCCUPATIONAL ILLNESSES	0	5	0
● NUMBER OF CASUALTIES ¹⁰	0	0	0
● NUMBER OF DAYS LOST DUE TO INJURY	67	53	5

⁶ The health and safety figures reported up to 2019 did not include data from IPS and Sytesa. Once integrated, there were 215 lost-time injuries in 2019 (instead of 58), corresponding to an accident rate of 38.8 (instead of 10.5). As a result, the accident rate decreased by 63% between 2019 and 2020.

⁷ There were no chemical-related accidents during the year.

⁸ The casualty rate is zero, as there have been no fatalities in the last 3 years.

⁹ The accident rate is calculated as number of lost-time injuries/hours worked*1,000,000. RT-CH-320a.1: using the SASB formula, number of lost-time injuries/hours worked*200,000, the rate for 2020 would be 2.89.

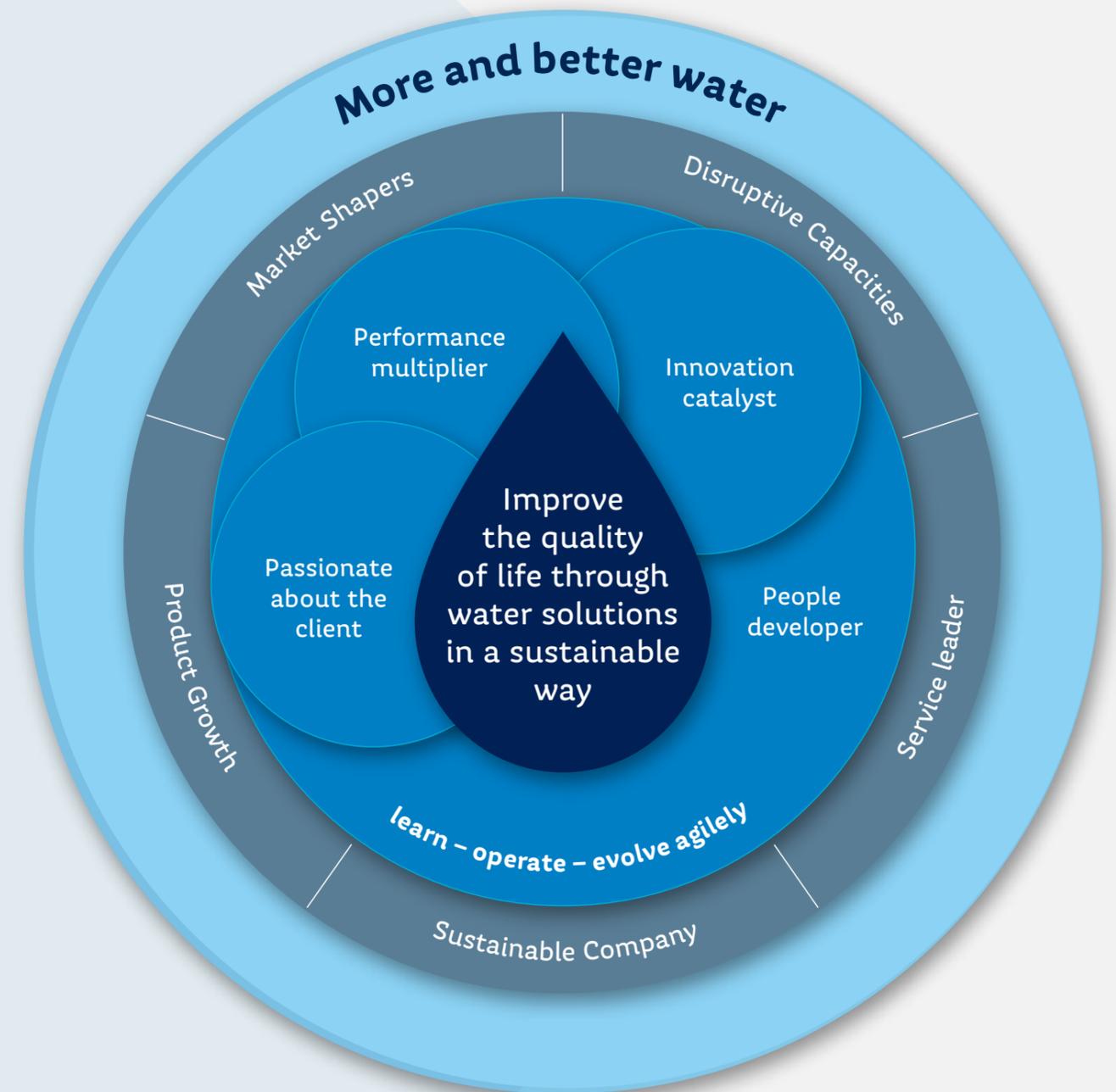
¹⁰ The casualty rate is zero, as there have been no fatalities in the last 3 years.

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GRI 201-3, 401-2, 401-3, 405-2, 406-1

COMMITMENT AND **WORK ENVIRONMENT**

The team effort and how each employee performs and engages with the rest of our stakeholders are part of the company's success.

Flow, the organizational transformation program, has evolved the way we do business, operate, and interact with our stakeholders. We have updated the Rotoplas Way to reflect the evolution of these changes.





Respect and inclusion are pillars of our organizational culture; we value diversity as an enriching factor that, through the variety of outlooks present in our teams, allows us to be more innovative and successful. In this sense, this year, we carried out a diagnosis of gender diversity through which we identified opportunities to move forward. We published our **Diversity Policy** and implemented initiatives to strengthen inclusion in the processes.

In 2020, we identified a case of discrimination through the **"Confía Rotoplas"** (Trust Rotoplas) platform, which was addressed by our Ethics Committee and resulted in the termination of employment for the employee who broke the Code of Ethics and corporate values.

Equity among women and men is also demonstrated in the support provided to employees who decide to make use of their **maternity or paternity leave**, a right exercised by 90 employees in the year. Of them, 23% were women and 100% of them returned at the end of their leave.

Our commitment to equity encompasses employee compensation and we take care to offer equal conditions in equivalent positions and experience levels, regardless of gender. As a result, the ratios by professional category broken down below have minimal differences.

Woman/man salary ratio

	FIXED	FIXED + VARIABLE
● EXECUTIVES ¹¹	0.84	0.7
● MIDDLE MANAGEMENT	1.03	0.96
● INDIVIDUAL CONTRIBUTORS	1.14	1.02
● OPERATORS	0.86	1.0

¹¹ This year, the sample of executive positions is not very representative, as we have only one woman in this category.

Compensation is defined within the framework of our tabulator and is based on a formal process that considers the position profile, experience, and skills of the person. **Over 44.8% of our employees have a variable part linked to performance objectives.** Senior executives earn bonuses based on business indicators in their area and in some cases, metrics related to Grupo Rotoplas' ESG performance.

We have a retirement plan in Mexico. Since 2018, employees have been able to contribute up to 3% of their salary and the company can even match what has been saved. In 2020, 388 employees participated and 5 retired in the year; **Rotoplas contributed \$3.1 million in total to Mexico's pension plan.** In the United States, we also have a program where we give the pensioner their savings multiplied by two.

We provide employees with a number of benefits, which are similar for both part- and full-time staff, including: life insurance, medical insurance, savings fund, Christmas bonus, paid vacation, and extended maternity and paternity leave. We also offer training in different subjects and promote comprehensive well-being.

This year, more than ever, we ensured we had a close relationship and open dialogue with our employees. **84% of our staff believe that our response to COVID-19 was adequate.** As a result of our annual working environment survey, in which 94% of employees participated, we achieved 81% satisfaction, 5 percentage points more than in 2019.

Moreover, under the organizational transformation program *Flow*, we carried out a **supplementary diagnosis of organizational health** for the second time, as this is one of the three pillars of the program.



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GRI 103-2, 103-3, 203-2

IMPACT ON **WATER AND SANITATION**

Through decentralized and sustainable solutions, we seek to promote the **resilience of communities to climate change**, as the latter affects water availability. In addition, and more recently, with the development of irrigation solutions, we are contributing to **mitigating water problems in agriculture** and encouraging the adoption of sustainable water use practices.

On the other hand, we contribute to reducing inequality in communities through **access to sanitation**.

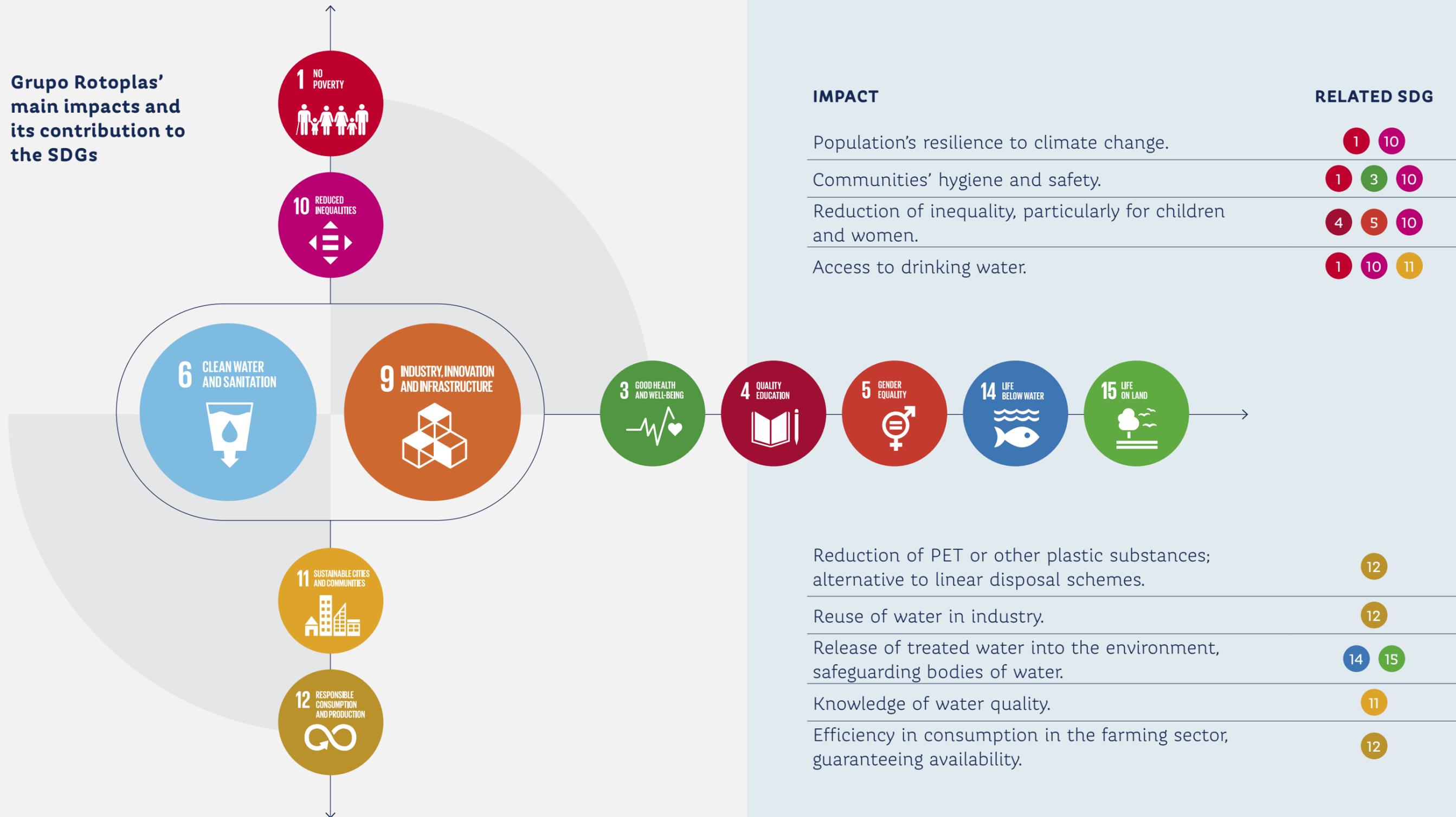
For various **industries**, we offer alternatives to **reduce their environmental impact** through rainwater harvesting and wastewater treatment solutions so that it can be reused in the same operations and/or released to the environment in better conditions.

We drive **innovation and knowledge advancement**, both in internal processes and through alliances with societies and specialized organizations. Through all this, we contribute to the **Sustainable Development Goals (SDGs)**.



**SUSTAINABLE
DEVELOPMENT
GOALS**

Grupo Rotoplas' main impacts and its contribution to the SDGs



We contribute to **SDGs 6 and 9**¹² due to the type of products and services we offer, the relationship we have with agents specializing in water and sanitation, and with innovation ecosystems. Likewise, we promote responsible water use and the company participates in Key indicators.

This year, our contribution to **SDG 3** Good Health and Well-being, has been particularly relevant, in response to COVID-19, facilitating hygiene through solutions for water availability and promoting a culture of self-preservation among citizens.

Key indicators:

We allocated **\$3.2 million pesos to 1+1 in-kind donation schemes for social organizations**, in which we doubled the number of solutions acquired by these entities, facilitating access to water and sanitation



We invested **\$73.3 million pesos in research and development projects and worked together with different innovation centers**. Likewise, we sought to foster innovation in our suppliers (e.g. availability of recycled resins)



We allocated **\$3.5 million pesos to product and service donations**. The *bebbia* service was provided to hospitals in Mexico free of charge for one year and storage products were donated in Mexico, Peru, and Argentina, as well as water flow products in Argentina. In addition, we published a manual for the construction of handwashing stations



¹² With regard to SDG 9, we present our contribution in the Innovation Management subchapter (Chapter on Innovation, quality, and customer experience).



CONTRIBUTION TO SDG 3

IMPACT: Access to water in public spaces, medical centers, and the promotion of hygiene.

- DONATION**
Integrated service of 20 *bebbia* dispensers for purified drinking water in Mexico City.

BENEFICIARIES

350 people per day

PARTNER ORGANIZATION

INER

- DONATION**
2 handwashing stations at the Central Market in Mexico City.

BENEFICIARIES

+20,000 people

PARTNER ORGANIZATION

Cruz Roja

- DONATION**
448 water storage systems and components for the construction of more than 1,000 handwashing stations in hospitals and communities around Mexico.

BENEFICIARIES

Not quantified

PARTNER ORGANIZATION

Conagua/ ANEAS



IMPACT: Access to water in vulnerable communities with emergency donations. We delivered over 5,000 products throughout the region, that make it possible to store more than 1 million liters of water in vulnerable communities.

- DONATION**
6 storage tanks for a temporary plant that manufactures antibacterial gel and soap for vulnerable communities in Chiapas.

BENEFICIARIES

Indirect:

- **595 midwives and health workers**
- **464 COVID-19 response volunteers**
- **10,000 families**
- **6,000 school students**

PARTNER ORGANIZATION

Cántaro Azul

- DONATION**
Components to install 24 handwashing stations in 6 municipalities of the Central Valley of Oaxaca.

BENEFICIARIES

8,800 people per day

PARTNER ORGANIZATION

Somos Agua



— SASB IF-WU-000.A

CONTRIBUTION TO SDG 6



IMPACT: Access to water

SOLUTIONS.	IMPACT.	PROGRAMS / INITIATIVES.	KEY INDICATORS.
Rainwater Harvesting	Greater water availability; reduced expenses and illnesses.	<ul style="list-style-type: none"> —> Supply and installation in communities through government programs, CSOs, or educational construction works. —> Participation in the Mexico City program, through the systems installed by Isla Urbana. —> Rainwater harvesting systems in industries, under leasing plans. 	<ul style="list-style-type: none"> —> 1,876 harvesting systems installed —> 7,212 beneficiaries
Drinking fountains—drinking water in schools	Improvement in health due to an increase in the consumption of quality water among children and teens, instead of high-calorie beverages.	<ul style="list-style-type: none"> —> Supply, installation, and maintenance of drinking fountains at public schools in Mexico (since 2016). 	<ul style="list-style-type: none"> —> 5,198 drinking fountains installed and operating —> 1,153,956 children and young people benefited —> 9.3 million liters of water purified in 2020 —> 102 million liters of water purified (since 2016)
<i>bebbia</i> - Drinking water service for households, offices, and industries	Improved health by providing quality water. Limits environmental impact by providing an alternative to transporting and marketing water in plastic containers.	<ul style="list-style-type: none"> —> Drinking water service with monthly fee for rent and maintenance of purifiers (since 2017). 	<ul style="list-style-type: none"> —> 1,693 dispensers operating in offices and industries —> 84,650 users benefited¹³ —> 44,710 purifiers operating in homes —> 165,710 users benefited¹⁴ —> 73.8 million liters purified —> 182,199 people benefited in 2020 —> 111.9 million liters purified (since 2016)

13 An average of 50 users per dispenser and company is estimated.

14 The average household size in Mexico according to INEGI is 3.7 people in 2020.



In addition, we initiated a project with Water.org, in which microcredits are offered to communities in Oaxaca (Mexico), to facilitate access to quality water solutions at a competitive price. We will be providing material and training credit institution agents so they can advise their clients.





IMPACT: Availability of sanitation

SOLUTIONS.

Biodigesters and outdoor toilet systems

IMPACT.

- Biodigesters: improving the quality of the environment and people's health through the treatment of domestic wastewater.
- Outdoor toilet systems: personal dignity, improved health and safety through the use of toilets.

PROGRAMS / INITIATIVES.

- Supply and installation of sanitation solutions in communities, through government programs and with CSOs (since 2012).

KEY INDICATORS.

- **14,073** outdoor toilets installed
- **68,540** people benefited by composting toilets
- **10,468** biodigesters installed
- **56,660** people benefited by outdoor toilets





IMPACTO: Wastewater treatment and reutilization reuse (Sytesa)

SOLUTIONS.

Wastewater treatment and recycling plants (Sytesa)

IMPACT.

Reduction in harvesting water from the environment thanks to industrial post-process reuse.
Safeguarding environmental conditions thanks to the disposal of water in compliance with Official Standards.

PROGRAMS / INITIATIVES.

→ Design, installation, operation, and maintenance service for wastewater treatment plants for commerce and industry (since 2016).



KEY INDICATORS.

- **+500** WWTPs in operation
- **9.16** billion liters treated
- **4.94** billion liters of water reused in 2020¹⁵ (reutilization reuse rate: 54%)
- **8** sectors served¹⁶ in **2** countries (Mexico and Brazil)
- **31.421** billion liters of water treated since 2016
- **24.75** billion liters of water reused since 2016

¹⁵ The reuse rate in 2020 was 54%, due to the improvement of the models, compared to 35% in previous years.

¹⁶ Retail, mining, food and beverages, petrochemical, automotive, manufacturing, large works, paper.



IMPACT: Efficient irrigation (*rieggio*)

SOLUTIONS.

Irrigation systems and crop monitoring technologies

IMPACT.

Reduction of water harvesting and more efficient usage.
Increased crop yield thanks to real-time monitoring.

PROGRAMS / INITIATIVES.

→ Design, installation, leasing, service, and maintenance of intelligent and sustainable hydraulic solutions for the agriculture sector (since 2020).

KEY INDICATORS.

→ Not available, as it was recently launched in October 2020.



RESULTS THAT BUILD TRUST



07

ECONOMIC RESULTS

In Grupo Rotoplas **we seek to create and share value** with all our stakeholders through the company's operations, generating economic value and contributing to societies' development.

S.S.P



TCFD



SDG



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GRI 102-48, 103-2, 103-3, 203-1

RELEVANT FINANCIAL DATA

Figures in millions of Mexican pesos

This year, **the objectives of the organizational transformation program *Flow*** began to materialize.

Discipline in the execution of initiatives and in the allocation of capital were essential to ensure that **ROIC** could increase and stand at 12.4%, 240 basis points above the cost of capital, thus generating **sustainable value**.





The impact of the pandemic on people's lives reaffirmed the importance of the industry in which we participate and the relevance of water and sanitation solutions to ensure hygiene at homes and in the workplace. It also underlined the importance of our digital channels for the purchase of products and the contracting of services.

As a result of this and of the implementation of *Flow*, we achieved **record revenues** of \$8.64 bln, an 11% increase compared to 2019. The impact of the pandemic on results due to operating restrictions during the first half of the year was offset by a strong performance during the second half.

In particular, sales of **products** increased 12.1% in the year, driven by increased demand for water solutions related to changing consumer habits, as people spent more time at home, thus increasing their need for water storage. The launch of new solutions and complementary products also

influenced this result, as did the improvement in sales force efficiency and the strengthening of our online commerce offering.

Sales of **services** were affected by the delay in the execution and/or signing of drinking fountain and water treatment and recycling plant contracts due to the health crisis, resulting in a decrease of 2.1%. However, our drinking water service, *bebbia*, achieved record sales and doubled its customer base to more than 44,500 users.

***bebbia* reported record sales and doubled its customer base during the year.**

Adjusted EBITDA increased 4.8%, reaching a margin of 18.2%, and meeting the guidance set out at the beginning of 2020. EBITDA is adjusted by the expenses resulting from *Flow* and donations made due to the health emergency. Donations created the Water Program for COVID-19 Affected Zones (PAZA -19 in Spanish), a continuation of the program developed by the company for the crisis caused by the 2017 earthquakes in Mexico.

Leverage, measured as Net Debt/EBITDA, closed at 0.6x, a ratio below the internal target of 2.0x.

Net income after discontinued operations amounted to \$404 million, a record figure in the company's history.

Capital expenditure (CapEx) was \$291 million, representing 3.4% of annual revenues. Investments for the construction of new treatment plants in Mexico and Brazil are particularly noteworthy, due to the development of the service platform, which represented 30% of total CapEx. In Argentina, we invested \$20 million in the production capacity of the new heater plant. Another highlight was the \$18 million investment in technological improvements for the e-commerce platform in the United States.



**Net
Revenues,
Adjusted EBITDA,
and Record Net
Profit for one
year.**



By country, we highlight the main results of the evolution of the business:

MEXICO

Product sales benefited from the population's change in consumption habits and the offer of new storage and water flow solutions. Thus, we remain market leaders and increased our market share.

Sales of services were impacted by the delayed completion of drinking fountain contracts due to the closure of schools, and the postponement of our clients' investments in water treatment and recycling plants, especially those in the commercial and tourism sectors. However, our drinking water service, *bebbia*, managed to double its customer base and achieve record sales.

The launch of *rieggio*, a company specializing in meeting water needs in the agricultural sector, took place in October and will bring results in the years to come.

ARGENTINA

Net revenues grew in local currency; however, the depreciation of the currency caused us to record a decline in Mexican pesos. We closed the last quarter of the year with double-digit increases in all three categories: improvement, storage, and water flow, which helped to offset weak sales caused by operating restrictions in previous quarters due to the pandemic.

We launched complementary products, such as more affordable water tanks for different segments of the population and the premium line of water heaters. In addition, we continued to consolidate our position in the water piping export market, which already accounts for 5% of the country's total sales.

In addition, we achieved operational synergies by integrating the three businesses (storage, water flow, and improvement) under a single strategy and management, leveraging integrated sales teams and achieving cross-selling.

Other markets

Net revenues from other geographies (United States, Peru, Central America, and Brazil) increased at double-digit rates, with some of their growth based on the change in water needs and household consumption habits across all regions:



UNITED STATES OF AMERICA

Double-digit sales growth was reported, thanks to the migration to purchasing through digital platforms. During the year, over 25,000 customers were served through the e-commerce platform.

PERU

Sales also grew double-digit as we incorporated the water flow category into the solution portfolio, and gained market share in storage, through an agile response to the operating restrictions during the first half of the year as a result of the pandemic.

CENTRAL AMERICA

There was also double-digit growth, gaining market share and improving brand positioning in the region. This was a result of the incorporation of new solutions and of portfolio diversification through the adding of new clients.

BRAZIL

We sold the product unit in May, with the aim of focusing on the development of the treatment and recycling plant business, improving the company's growth and profitability outlook in the country. The first plants entered into operation in the third quarter.



Our strong results in such a complex year positioned the company as the **fifth best-performing stock on the Mexican Stock Exchange**, with a return of more than 70%.



MAIN ECONOMIC FIGURES

(in millions of Mexican pesos)

	2018	2019 ¹	2020	Δ 20-19
NET REVENUES	7,777	7,790	8,644	11.0%
COSTS	4,674	4,455	5,045	13.2%
GROSS PROFIT	3,103	3,335	3,600	7.9%
GROSS PROFIT MARGIN (%)	39.9%	42.8%	41.6%	(120 pb)
OPERATING EXPENSES	2,178	2,160	2,553	18.2%
OPERATING PROFIT	926	1,175	1,047	(10.9%)
OPERATING PROFIT MARGIN (%)	11.9%	15.1%	12.1%	(300 pb)
ADJUSTED EBITDA	1,303	1,502	1,575	4.9%
EBITDA MARGIN (%)	16.8%	19.3%	18.2%	(110 pb)
NET PPROFIT BEFORE DISCONTINUED OPERATIONS	397	374	569	52.0%
NET PROFIT MARGIN (%)	5.1%	4.8%	6.6%	179 pb
EARNINGS BEFORE DISCONTINUED OPERATIONS PPER SHARE BEFORE DISCONTINUED OPERATIONS (IN MEXICAN PESOS)	0.81	0.79	1.28	52.0%
NUMBER OF SHARES OUTSTANDING (IN MILLIONS)	462	462	462	0.1%

CAPITALIZATION

(in millions of Mexican pesos)

	2018	2019 ¹	2020	Δ 20-19
TOTAL ASSETS	11,850	11,430	12,613	10.3%
TOTAL LIABILITIES	2,923	5,019	6,318	25.9%
TOTAL SHAREHOLDERS' EQUITY	6,764	6,411	6,294	(1.8%)
MARKET CAPITALIZATION	10,741	7,420	12,647	70.4%

¹ For comparison purposes, the figures vary from what was reported in 2019, as they exclude operations from the manufacturing business in Brazil, as they are considered discontinued due to their sale in 2020.

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GRI 102-48, 201-1

DISTRIBUTION OF ECONOMIC VALUE

At Grupo Rotoplas, we believe in the importance of sustainable and 360° value; i.e. value that is integral for all our stakeholders. This includes concepts such as employee compensation, purchases from suppliers, tax payments to the authorities, or the distribution of profits to shareholders.

Below, we present the distribution of the value generated:

ECONOMIC VALUE GENERATED AND DISTRIBUTED (EVG AND EVD) (millions of Mexican pesos)

	2018 ²	2019 ³	2020	Δ 20-19
REVENUES (ECONOMIC VALUE GENERATED, EVG)	7,859	8,086	8,644	7%
COSTS AND EXPENSES (ECONOMIC VALUE DISTRIBUTED, EVD)	9,030	8,197	8,720	6%
OPERATING COSTS AND EXPENSES ⁴	5,757	5,804	5,714	18.8%
SALARIES AND BENEFITS ⁵	1,116	1,215	1,192	(2%)
PAYMENT TO CAPITAL SUPPLIERS/LENDERS ⁶	465	519	1,196	(2%)
TAX PAYMENTS AND CONTRIBUTIONS TO THE GOVERNMENT	218	250	243	130%
INVESTMENT IN RESEARCH AND DEVELOPMENT ⁷	53	73	73	(3%)
ACQUISITIONS	983 ⁸	-	-	-
INFRASTRUCTURE INVESTMENTS (CAPEX)	434	329	291	(12%)
DONATIONS TO THE COMMUNITY	5	6	10	64%
RETAINED (EVG-EVD)	-1,171	-110	-75	(32%)

2 2018 was not adjusted for discontinued operations as the same figures reported in that year are presented.

3 The 2019 figures in this table vary compared to what was reported throughout this document, as they include the operations of the manufacturing business operations in Brazil and are the same as reported in that year without adjustment for discontinued operations.

4 IPS's operating costs and expenses in Argentina during 2018 and 2019 are not included, as it was being integrated into the Group, nor are they included in 2020 for comparison purposes.

5 Payments to employees, manual labor, and Sales, General and Administrative expenses (SG&A).

6 Not considering the purchase and/or sale of stocks through the buyback fund.

7 Not considering salaries nor depreciation and amortization (D&A).

8 Corresponds to the acquisition of IPS, at the price after the company's performance guarantee.

TRUST THAT ADDS VALUE



08

CORPORATE GOVERNANCE

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

S.S.P



TCFD



SDG



180°

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

STRUCTURE

At Rotoplas, our corporate governance practices comply with the Securities Market Law (Ley del Mercado de Valores) and seek to follow international best practices.

Grupo Rotoplas is listed on the Mexican Stock Exchange (BMV) under the ticker AGUA*; with a float of 23%.

The structure and operation of our governance bodies ensure the practice of fiduciary duty in the interests of our investors and other stakeholders, as well as due diligence in decision-making.



Share Ownership

Key corporate governance results at Grupo Rotoplas:

53% independent directors, **100%** of Committee members are independent

7% of the Board is made up of **women**

3 generations and 4 countries represented on the Board

100% attendance at Board meetings, with a minimum requirement of 50%

1 independent board member with 4 or more mandates in other public companies

87% participation in the Board's self-assessment exercise

Directors have averaged **11 years of service**

19% of the CEO's variable compensation associated with **long-term results**

Approval so that **20%** of senior management's variable compensation is associated with **sustainability targets**



Each year, the Corporate Practices and Strategy Committee delivers the proposal of members of the Board at the **General Shareholders' Meeting** for appointment; Directors have an annual and renewable mandate and are elected by a majority vote. Likewise, the Shareholders' Meeting is responsible for approving the Board's operations and results report, including the consolidated and audited financial statements.

The **Board of Directors** is responsible for defining the company's strategy and tracking its proper execution by the management team. In addition, it sets the guidelines for internal control and auditing, it appoints the CEO, and it approves the compensation policies for senior management. The Board has 15 members, 8 of whom are independent, and it is chaired by Mr. Carlos Rojas Mota Velasco, co-founder of the company.

Our Board of Directors is characterized by its generational and national diversity; one third of the directors are originally from, and residing in countries other than Mexico. In addition, they have a diverse work history that allows them to

contribute their experience in the different fields and key trends, such as e-commerce, exports, or customer experience.

The regular Board meetings are held quarterly; in 2020, 4 sessions were held with 100% attendance¹. Members receive the necessary information for informed decision-making in advance. Once a year, they self-evaluate their performance, that of the organization, and of the Board's operation; this year, 87% of them participated in the exercise.

Directors' compensation is established by the Compensation Committee and approved at the Shareholders' Meeting. For 2020, the payment of three *Centenarios* per meeting was approved.



See detail of the updated composition and profiles

¹ Minimum attendance of 50% is required..

COMMITTEES

We have three support committees that report to the Board of Directors and are chaired by experts on each of the topics: the Compensation Committee, the Audit Committee, and the Corporate and Strategy Practices Committee.

The Committees are composed entirely of independent directors and meet on a quarterly basis. During 2020, attendance at the Committee Meetings was 100% and members were remunerated with the payment of one Centenario per meeting.

During 2020, external auditors were paid a total of \$12.6 million pesos, 92% of which corresponds to the annual audit and the rest to other matters.



Composition and functions of the Committees



MANAGEMENT TEAM

Our management team has extensive experience coupled with high performance; it consists of **a CEO, 6 vice presidencies and 12 directorates**. During the year, the Vice Presidency of Organizational Transformation was created to accompany the transversal process initiated with *Flow*, while in the United States, an expert e-commerce platform director was hired to reinforce the evolution of operations in the country.

The CEO's compensation includes a variable part, 40% is linked to income results, 40% to EBITDA, and 20% to ROIC. Added to this are long-term incentives in the form of Equity-Referenced Units (UVRs in Spanish), linked to the evolution of ROIC, EBITDA, and cost of capital, with a 4-year accrual period and 25% distribution per year.

For 2021, 60% of the CEO's annual variable compensation will be linked to the achievement of key objectives within five equally weighted pillars: **Sustainability, Implementation of the new Rotoplas Way, Product Unit Performance, Service Unit Performance, and Development of Evolutionary Capacities**. The remaining 40% will

depend on the achievement of leadership goals, including: **passion for customers, talent development, and innovation**. This is in addition to the long-term variable compensation, which remains as described for 2020.

Some vice presidents also have an Equity-Referenced Unit (UVR) Allocation Plan, as well as a Stock Purchase Option Plan, both linked to their performance and, in some cases, to metrics linked to environmental, social, and corporate governance issues.

Our CEO's variable compensation is linked to financial metrics of the business: revenue, EBITDA and ROIC levels. In addition, our CEO, the Vice -President of Human Capital and Sustainability, and the Vice -President of Administration and Finance have variable compensation linked to the ESG rating in international rating agency evaluations. Likewise, each vice -president and director has compensation linked to management metrics, in some cases, with particular social and/or environmental impact, such as sales of rainwater harvesting solutions, composting toilets, etc.

For 2021, the variable compensation structure for each vice president will be the same as was mentioned for the CEO. However, depending on the influence on the pillars for key objectives, the weight will be adjusted within the corresponding 60%.

The compensation of the management team, including the CEO, is established by the Compensation Committee in accordance with the policies approved by the Shareholders' Meeting. To ensure the coordination and monitoring of the operation, meetings of strategic alignment, project presentation, monitoring of the Sustainability Strategy, and committees are held within the *Flow* organizational transformation program. **In 2020, we created the Crisis Committee**, which subsequently evolved into the New Normal Committee, to respond to the risks and impacts of the pandemic on the continuity of our operation and on the physical and mental health of the employees in an agile manner.

GRI 102-16, 102-17, 102-25, 102-26, 205-1, 205-2, 205-3, 206-1, 307-1, 406-1, 412-1, 412-2, 415-1, 416-2, 417-3, 418-1, 419-1

ETHICS AND COMPLIANCE

In line with our purpose and corporate values, at Grupo Rotoplas, we seek integrity to govern our operation and urge both our employees and Directors to follow the guidelines established in the Code of Ethics and Conduct, in the Anticorruption Policy, and in the rest of the policies.

 Code of **Ethics and Conduct**

 **Anticorruption** Policy



We seek to extend the Code of Ethics and Conduct to our value chain, having started with suppliers, who we ask to sign in agreement before beginning operations with them.

The "Confía Rotoplas" reporting platform, managed by an independent third party, allows our employees and other stakeholders to anonymously report any breach of the company's action framework, through a reliable process for all parties involved.



[View Confía Rotoplas](#)





The **Ethics Committee**, a collegial body composed of members of senior management, analyzes cases and, according to their nature, redirects them to the corresponding area, essentially Human Capital or Corporate Control and Security; subsequently, the Committee authorizes the resolution proposed by the area receiving the case. In addition, the Committee evaluates and responds to comments resulting from the internal audits carried out at all the group's places of work.

In 2020, we received **60 complaints, 8 of which were confirmed** and addressed by the Committee: 3 for sexual harassment, 1 for discrimination, and 4 other complaints. Of the 8 cases, 7 resulted in termination of the employment contract and 1 in administrative proceedings. **It should be noted that there were no cases of corruption or cases linked to customer data privacy.**

In order for the culture of integrity to permeate all levels of the operation, we include ethics and conduct content in induction training and reinforce such knowledge regularly through virtual training. Since 2020, the course on anticorruption is mandatory for all employees.

This year, we reached **87% of administrative employees and 46% of the operators; providing 1,448 hours of training.** In addition, all staff annually declare in writing that they are familiar with the Code of Ethics and Conduct, committing to abide by it at all times.

During the year, an expense of \$3.4 million pesos was incurred related to litigation, mainly for labor, consumer advocacy, and regulatory compliance issues. We did not face any litigation for anti-competitive behavior. The only legal proceeding for environmental performance was resolved in favor of Grupo Rotoplas, and represented a cost of \$8.9 million Mexican pesos.

In line with the Securities Market Law and our anticorruption principles, any contribution with government officials, political parties, and candidates is prohibited. With regard to contributions to lobbyists, we are part of sectoral organizations to which we contribute, in particular Mexico's Water Advisory Council (Consejo Consultivo del Agua), having earmarked \$0.25 million pesos in 2020.

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GRI 102-11, 102-15, 102-29, 102-30, 102-31, 201-2
TCFD GDR-C

RISK MANAGEMENT

At Grupo Rotoplas we continuously assess the risks related to our operation and the current context, including relationships with different stakeholders. Within our team, we have a risk management department; in addition, several members of our Board of Directors and all members of the Audit Committee have experience in the field.

We update our risk map on an annual basis in addition to prevention and response measures. This is a process that begins at the level of each business, involving corporate teams, and is complemented with support from specialists.



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

Below are the main risks in 2020, including the risks of climate change and cybersecurity that we took into account for the update of our respective strategies, as well as the possible implications of the COVID-19 pandemic.

CATEGORY	RISK	DESCRIPTION	MANAGEMENT DETAILS (SUBCHAPTER)
	 Increase in raw material prices	—> The main raw materials we use are oil derivatives whose prices vary based on market conditions.	Strategic provisioning and distribution
	 Changes in consumers' income and preferences	—> We are exposed to the income available to customers and the economic conditions of each country. —> In a changing environment, consumer confidence can become affected and preferences towards one type of solution or another can change, particularly faced with increasingly global competition.	Customer experience
MARKET	 Macroeconomic conditions that affect the sectors that make up our market	—> Demand for our solutions in sectors such as construction or agriculture is influenced by short- and medium-term macroeconomic conditions.	-
	 Decrease in the return on investment destined to increase and improve production capacity, given the changes in the macroeconomic environment	—> The water solutions business requires a significant capital investment to design and build plants near the points of sale and distribution. —> Increased exposure to local sales, and thus, to the economic conditions of the country where we are operating, making it difficult to sell that product in markets with better trends.	-
	 Difficulties in the successful entry and expansion of operations in new markets	—> We continually analyze and explore the possibility of expanding our operations and entering new markets. Although decision-making is based on business plans, there are factors inherent to each market that are beyond our control.	-

-  ECONOMICAL
-  ENVIRONMENTAL
-  SOCIAL

- ECONOMICAL
- ENVIRONMENTAL
- SOCIAL



CATEGORY	RISK	DESCRIPTION	MANAGEMENT DETAILS (SUBCHAPTER)
	● Effects on the limits of foreign trade operations	—→ We are exposed to disruptive measures for imports and exports in the countries where we operate, those from which we import, and/or those to which we export.	-
REGULATORY	● 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.	Risks and opportunities of climate change
	● 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.	Risks and opportunities of climate change
	● 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.	Risks and opportunities of climate change
OPERATIONAL	● 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.	Innovation, quality, and customer experience
	● 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.	Commitment and work environment
	● Operation restrictions due to pandemic	—→ We are exposed to the consequences of this and future pandemics (operation restrictions to protect employees' health, either voluntarily or upon request from the authorities).	External: COVID-19

- ECONOMICAL
- ENVIRONMENTAL
- SOCIAL

CATEGORY	RISK	DESCRIPTION	MANAGEMENT DETAILS (SUBCHAPTER)
FINANCIAL	● Inability to manage the company's growth efficiently	—> We could be subject to a lack of own resources, sources of financing, processes, controls, and adequate systems to manage the company's growth.	-
	● Availability and quality of water for our operations	—> Certain technologies we use require water for some of our processes. Depending on the region where our operations are located, the availability, supply, and quality of water may vary as a result of climate phenomena, pollution, and other external factors, whether environmental, social, or political/legislative.	Risks and opportunities of climate change
EMERGING	● Cybernetic vulnerability	—> We are exposed to cyberattacks and data leaks in the corporate information security. This risk also applies to the online sales business line and the offer of services contracted by phone.	Information Security
	● Political instability	—> Political and social movements are experienced in the region and could generate unstable situations. This may affect several of our 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 for production costs, sales, etc.	Risks and opportunities of climate change





On this basis, we set and prioritize actions to manage risks. We monitor corrective measures through the internal control system, in certain cases involving independent third parties for specific evaluations. The internal auditor reports directly to the CEO, thus ensuring that they can exercise their function transversally and without conflict with other interests and priorities of the business. Likewise, the internal auditor is accountable and reports to the Audit Committee. We have internal specialists in financial and socio-environmental risk. The comprehensive strategy and progress in risk management is reported to the Audit Committee, which in turn informs the Board of Directors.

Due to their management positions in other companies, 82% of our directors are well-versed in this type of management; knowledge that is updated and reinforced annually through talks on the business and regulatory context by country. For example, this year, we focused on risks related to the pandemic and the Mexican National Asset Forfeiture Law.

Management in the event of a reputational crisis

The company has an **External Communication Policy**, which considers the activation of a Crisis Committee made up of the Vice Presidency of Administration and Finance, the Vice Presidency of Individual Solutions, the legal department, and the Investor Relations, Marketing, Communication and Advertising, and Human Capital departments. The Vice President of Administration and Finance and the Head of Investor Relations will serve as spokespersons.

The committee will be convened at critical times that could damage the company's reputation and may be convened by any of the members. It takes a majority to reach an agreement.

This committee will convene the persons who are required from the different areas of the company, to have a clear understanding of the situation. All members of the Crisis Committee must be properly trained in crisis management.

VALUE THAT KEEPS GROWING



09

APPENDICES

In Grupo Rotoplas **we operate with a focus on transparency**, responding to the trust that our stakeholders have placed in us, which also makes the development of the initiatives described in these pages possible.

S.S.P



TCFD



SDG





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TCFD EST-B
SASB IF-WU-000.C

SUSTAINABLE BOND AGUA 17X AND 17-2X REPORT

This report pertains to the results from the use of the resources obtained through the two issuances of our sustainable bond:

AGUA 17X

Issued in 2017 for \$600 million pesos, with a 3-year term, maturing in June 2020.

AGUA 17-2X

Issued in 2017 for \$1.40 billion pesos, with a 10-year term, maturing in June 2027. Subsequently, two re-openings have been carried out; the first in 2018 for \$1 billion pesos and the second in 2020 for \$1.6 billion pesos.

With the prepayment of the AGUA 17X issuance and the second reopening of the AGUA 17-2X issued in February 2020, the total amount of the current program is \$4 billion pesos maturing in June 2027 and at a fixed rate of 8.65%. The second reopening of AGUA 17-2X was oversubscribed by 3.04 times.

Through the proceeds from the bond, we seek to finance initiatives that improve access to water and sanitation. Specifically, those projects and solutions with which we generate social development, improve health, and protect the environment.

The bond's framework is aligned with the Green and Social Bond Principles, as well as to the guidelines from the International Capital Market Association (ICMA) for Sustainable Bonds. Compliance with the guidelines and key indicators presented below were validated by an independent third party (see annual bond review letter).

The Corporate Practices and Strategy Committee is responsible for selecting the projects to which the resources from the Sustainable Bond will be assigned, and is comprised of 3 independent board members. The resources are intended for the development of solutions in 4 categories, depending on the objective sought: **1) Provision of drinking water, 2) Water storage, 3) Sanitation in homes, 4) Treatment, reuse, and recycling of wastewater.**

Through the resources raised, we have strengthened our contribution to the Sustainable Development Goals (SDGs). For instance, via the treatment plants and drinking water service, we also help to **reduce our customers' environmental footprint.**

By the end of 2020, we had used 67.6% of the net resources obtained through the issuances of the Sustainable Bond. Of that total used, 75.1% was in turn earmarked for wastewater treatment

(category 4), and the rest for drinking water solutions (category 1).

As we do every year, we present the key indicators related to each category:

In annual terms, we were impacted by experienced an impact related to COVID-19 as economic uncertainty limited the closing of new treatment plant contracts, and the shutdown of facilities during much of the year reduced the usage time of use of school drinking fountains and purifiers in workplaces.

For indicators of purified water consumption in households, we applied daily consumption rates obtained from IoT (Internet of Things) devices.

1 The decrease in the percentage of resource use compared to what was reported in 2019 corresponds to the new total resources raised, since it considers the resources obtained in 2020 with the second reopening of the bond.

2 Category 4: 50.8% of the total resources raised and category 1: 16.8% of total resources raised; the remainder corresponds to unused resources.

CATEGORY 1: DRINKING WATER SOLUTIONS

PURPOSE.

To provide access to clean water to people where water is scarce or where tap water is not safe to drink; for instance, through drinking fountains, water filters, and purifiers (integrated in our drinking water service).

1.1	PURIFIED WATER (LITERS OF PURIFIED WATER FOR HUMAN CONSUMPTION) ³	213.9 million liters
	DRINKING FOUNTAINS	102.0 million liters
	DISPENSERS ⁴	40.4 million liters
	PURIFIERS ⁵	71.6 million liters
1.2	BENEFITED (STUDENTS ENROLLED IN SCHOOLS) ⁶	1,153,956
1.3	BENEFITED BY THE DRINKING WATER SERVICE DISPENSERS AND PURIFIERS (PEOPLE) ⁷	182,199
1.4	REDUCTION IN CO ₂ EMISSIONS COMPARED TO PET BOTTLED WATER ⁸ (METRIC TONS)	34,128

CATEGORY 4: WATER AND WASTEWATER TREATMENT

PURPOSE.

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

2.1	TREATED WATER	31.42 billion liters
2.2	REUSED WATER	24.75 billion liters

For the calculation of reused water, we consider a reuse rate of 35% of treated water until the end of 2019, and a rate of 54% for 2020. The increase in the rate has been achieved through technological improvements implemented in the new plants.



View Certification Letter of the Sustainable Bond

3 Includes water treated by drinking fountains installed since 2016 and dispensers and purifiers operating since 2017.

4 Treated water in dispensers: average number of dispensers in the year * average daily consumption per dispenser (obtained from meters sampled from dispenser sample meters) * 365 days in the year (270 days in 2020).

5 Treated water in purifiers: average number of purifiers in the year * average daily consumption per purifier (obtained from purifier sample meters) * 365 days in the year.

6 Considering the total number of drinking fountains installed up to December 2020.

7 Considering the number of dispensers (for workplaces) and purifiers (households), installed up to December 2020.

8 It is obtained from the total purified liters 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 metric tons. Subsequently, emissions in metric tons from Rotoplas purification solutions are subtracted (using Mexico's 2019 electricity emission factor, as the 2020 emission factor had not been published).

Certification Letter of the Sustainable Bond



Grupo Rotoplas SAB

Type of Engagement: Annual Review
Date: March 25, 2021
Engagement Team:
 Jhankrut Shah, jhankrut.shah@sustainalytics.com, (+1) 647 264 6641
 Hrithik Sharma, hrithik.sharma@sustainalytics.com, (+1) 647 951 3309

Introduction

In 2017, Grupo Rotoplas SAB (Rotoplas) issued sustainability bonds aimed at financing and refinancing environmentally and socially beneficial projects. In March 2021, Rotoplas engaged Sustainalytics to review the projects funded through the issued sustainability bonds 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 from 2017 to 2020 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Rotoplas Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Rotoplas Sustainability Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
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 (cubic meter) 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 (cubic meter) 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



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		<ul style="list-style-type: none"> • Volume of water (cubic meter) treated/recycled • Metrics on improvements in water quality e.g. Biochemical Oxygen Demand (BOD)
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Issuing Entity's Responsibility

Rotoplas is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, 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's 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 the conformance with the Rotoplas Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by Rotoplas with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Rotoplas.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

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's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Rotoplas Sustainability Bond Framework. Rotoplas has disclosed to Sustainalytics that 67.6% of the proceeds of the sustainability bonds were allocated as of December 31, 2020.

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.

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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 from 2017 to 2020 and determine if projects aligned with the Use of Proceeds Criteria outlined in the Rotoplas 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 from 2017 to 2020 and determine if impact of projects was reported in line with the KPIs outlined in the Rotoplas 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

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Appendix 1: Impact and Allocation Reporting by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category ²	Environmental Impact Reported by Eligibility Criteria (Cumulative, as of December 31, 2020)	Net Bond Proceeds Allocation (MXN)
1. Drinking water solutions		
Litres of water purified	213,941,352	592,757,860
Children benefitted through the installation of water fountains (school enrolment)	1,153,956	
People benefitted from PoU purification (users)	182,199	
Tons of avoided CO ₂ emissions versus bottled water made from PET	34,128	
4. Water and Wastewater Treatment		
Litres of water treated	31,417,610,400	2,031,004,299
Litres of water reused	24,754,698,576	
Total allocation of bond proceeds (MXN)		2,623,762,159
Total bond proceeds raised (after deducting the expenses and price differential at the re-openings) (MXN)		3,879,494,183
Balance of unallocated net proceeds (MXN)		1,255,732,024

² No allocation was made under categories 2 (Water Storage) and 3 (Sanitation and Sewage Treatment) of the Rotoplas Sustainability Bond Framework.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named 2015: Best SRI or Green Bond Research or Rating Firm 2017, 2018, 2019: Most Impressive Second Opinion Provider



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GRI 102-13

ASSOCIATIONS IN WHICH WE PARTICIPATE

At Grupo Rotoplas, we are an active player in the water ecosystem in all the countries where we are present. We collaborate with different participants to become a catalyst and provide greater access to water and sanitation, as well as to raise the industry's sustainability standards.

In 2020, we held the second year of our triennium in the Presidency of Aquafondo – Water investment fund for Lima and Callao – as part of our commitment to promote Rotoplas' mission in Peru. This year, we emphasized training through webinars with companies in the sector, academia, and government. Likewise, the recovery program for Amunas, a pre-Hispanic artificial recharge system for aquifers through planting and water harvesting, was developed.

We continue to participate in Duke University's Edge Advisory Council, promoting close relations between the private sector and academia to foster innovation in sustainable solutions.

In addition, this year, we joined the movement launched by the Business Coordinating Council (in Spanish *Consejo Coordinador Empresarial*), the Global Compact Network Mexico and the Office of the Presidency to drive the success of the SDGs through workgroups with the participation of academia, civil society, and the federal government.

Our Executive Chairman of the Board of Directors, Carlos Rojas Mota Velasco, represents us in The Nature Conservancy and the Gonzalo Río Arronte Foundation in Mexico, organizations that work towards the preservation of natural resources.

Business and sector

- > Brazilian Association of Sanitation Materials Manufacturers (*Associação Brasileira dos Fabricantes de Materiais para Saneamento*) (ASFAMAS) (Brazil)
- > Guatemalan Chamber of Construction (*Cámara Guatemalteca de la Construcción*) (CGC) (Guatemala)
- > National Chamber of Transformation Industries (*Cámara Nacional de la Industria de la Transformación*) (CANACINTRA) (Mexico)
- > Mexican Employers' Association (*Confederación Patronal de la República Mexicana*) (COPARMEX) (Mexico)

Specialized in water, sanitation, and other environmental aspects

- > Aquafondo – Water fund for Lima and Callao (Peru)
- > Water Advisory Council (*Consejo Consultivo del Agua*) (CCA) (Mexico)
- > Green Finance Advisory Committee (*Consejo Consultivo de Finanzas Verdes*), Mexican Stock Exchange (Mexico)
- > Yucatan Peninsula Basin Committee (*Consejo de Cuenca de la Península del Yucatán*) (CCPY) (Mexico)
- > Argentinian Water Forum (*Foro Argentino del Agua*) (FAAdA) (Argentina)
- > International Water Association (IWA)
- > Trata Brazil Institute (*Instituto Trata Brasil*) (ITB) (Brazil)
- > Water.org

With a holistic approach to sustainability

- > Edge Advisory Board, Duke University (USA)
- > Workgroups for the 2030 Agenda, Business Coordinating Council, Global Compact Mexico, and the Office of the Presidency (Mexico)
- > Global Compact Network Mexico (Mexico)

Others

- > Network of Transfer of Technology Offices (*Oficinas de Transferencia de Tecnología*) in Mexico, which strengthens the innovation ecosystem

GRI 102-43, 102-44, 102-46, 102-47, 102-48, 102-49, 103-1

MATERIALITY ANALYSIS

This year, we updated our **materiality analysis**, an exercise to prioritize the topics that have guided our actions since 2016. In this way, we were able to incorporate into the new analysis the changes in the business model such as the development of our service platform and the shift in geographic presence, as well as the new requirements from stakeholders and the impact of COVID-19.

Based on the update of the materiality analysis, we defined the evolution of our Sustainability Strategy for the next 5 years (2021-2025).

This new analysis is broader in terms of the **stakeholders we consulted**, adding the perspective of investors and suppliers to that of employees, customers and user, and civil society organizations (already part of the previous analysis).

We also developed a specific analysis for each of the two main markets: Mexico and Argentina. Subsequently, we integrated both markets for the Group's results.

In addition, the analysis encompasses the concept of **double materiality** as it integrates two perspectives. On the one hand, the most significant external impacts of the company; that is, on all its stakeholders, as promoted by the GRI Standards in traditional materiality; and on the other hand, ESG factors that affect the company's financial stability, in accordance with SASB Standards and from the investor's viewpoint.

Furthermore, this materiality is **dynamic**, as it presents current and emerging material topics. The latter can become material in the short term or in the face of extraordinary changes, such as people's health due to COVID-19.





For the development of the materiality analysis, we carried out a **4-stage** process: review, identification, prioritization and validation.

1

Review

Analysis of the material topics determined in the previous financial year. Identification of opportunities for improvement in the survey with stakeholders, including the scope and incorporation of changes to the company's strategic priorities.

2

Identification

- Grupo Rotoplas approach:
 - Analysis of institutional documents (e.g. *Flow* organizational transformation strategy or long-term objectives set out in the business plan looking towards 2025)
- Stakeholder outlook:
 - ESG priorities of rating agencies and investors on an international level (S&P Ratings, Bloomberg, BlackRock, Morgan Stanley).
 - Pre-existing surveys conducted by Grupo Rotoplas, for example: climate and organizational health surveys, customer and supplier satisfaction surveys, end-user habits research. Analysis of the company's media appearances were also used.
 - Response of each stakeholder group to COVID-19: changes in the strategy of companies, consumer priorities, etc.

3

Prioritization

As a result of the identification stage, we generated a list of 29 potentially relevant topics, which we subsequently prioritized for the company's two main markets (Mexico and Argentina).

For the **internal perspective** (X axis), we interviewed senior management (CEO, vice presidents, and directors), including those responsible for Mexico and Argentina.

To determine the **relevance that our stakeholders give to each topic** (Y axis), we interviewed a sample of them in each of the two markets indicated and through different mechanisms. We defined the weight of each group on the Y axis depending on the breadth of the sample, the direct or indirect nature of the query, and the influence of the stakeholder group on the operation and on the company's results.

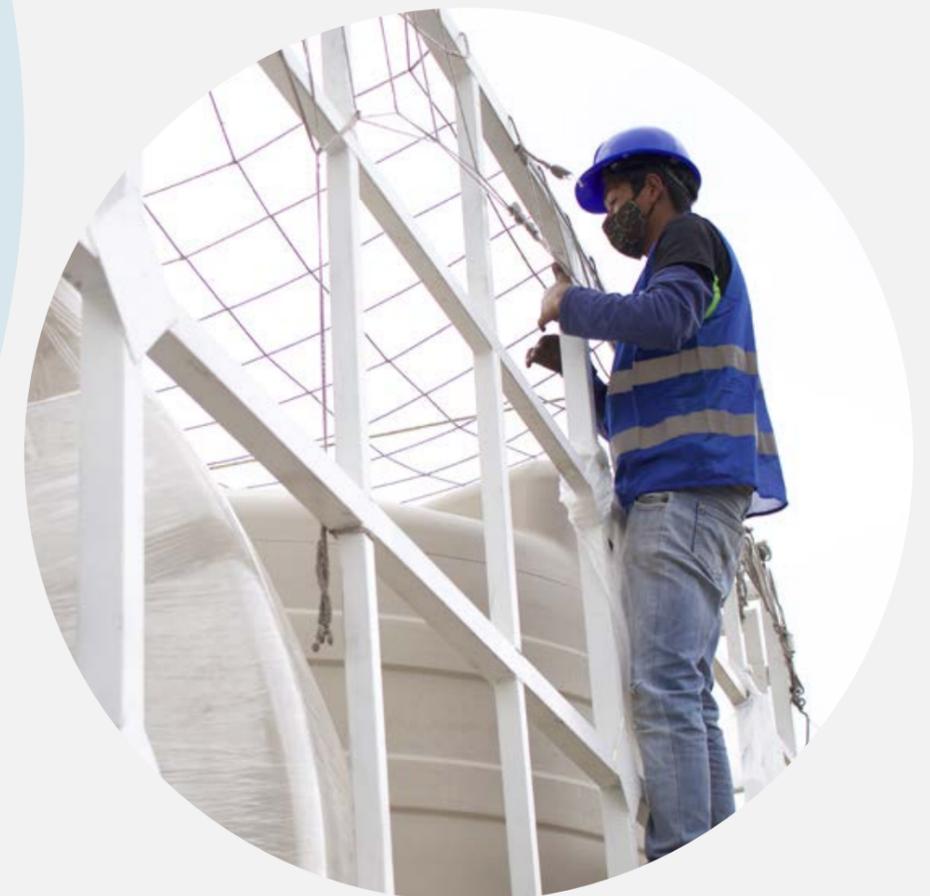
- > Investors: interview with major institutional investors.
- > Employees: focus group by market.
- > Civil Society Organizations: country and regional interviews (due to their dual role as partners in social action and clients of solutions for development programs).
- > Suppliers: interviews with procurement managers in each market. In addition, we incorporated suppliers of raw materials through an interview exercise and the analysis of their public information.
- > Distributors and plumbers: interviews with distributors in Mexico and internal managers of the relationship with plumbers in Mexico and Argentina.
- > End users: interviews with the internal managers of the user experience center of excellence.

4

Validation

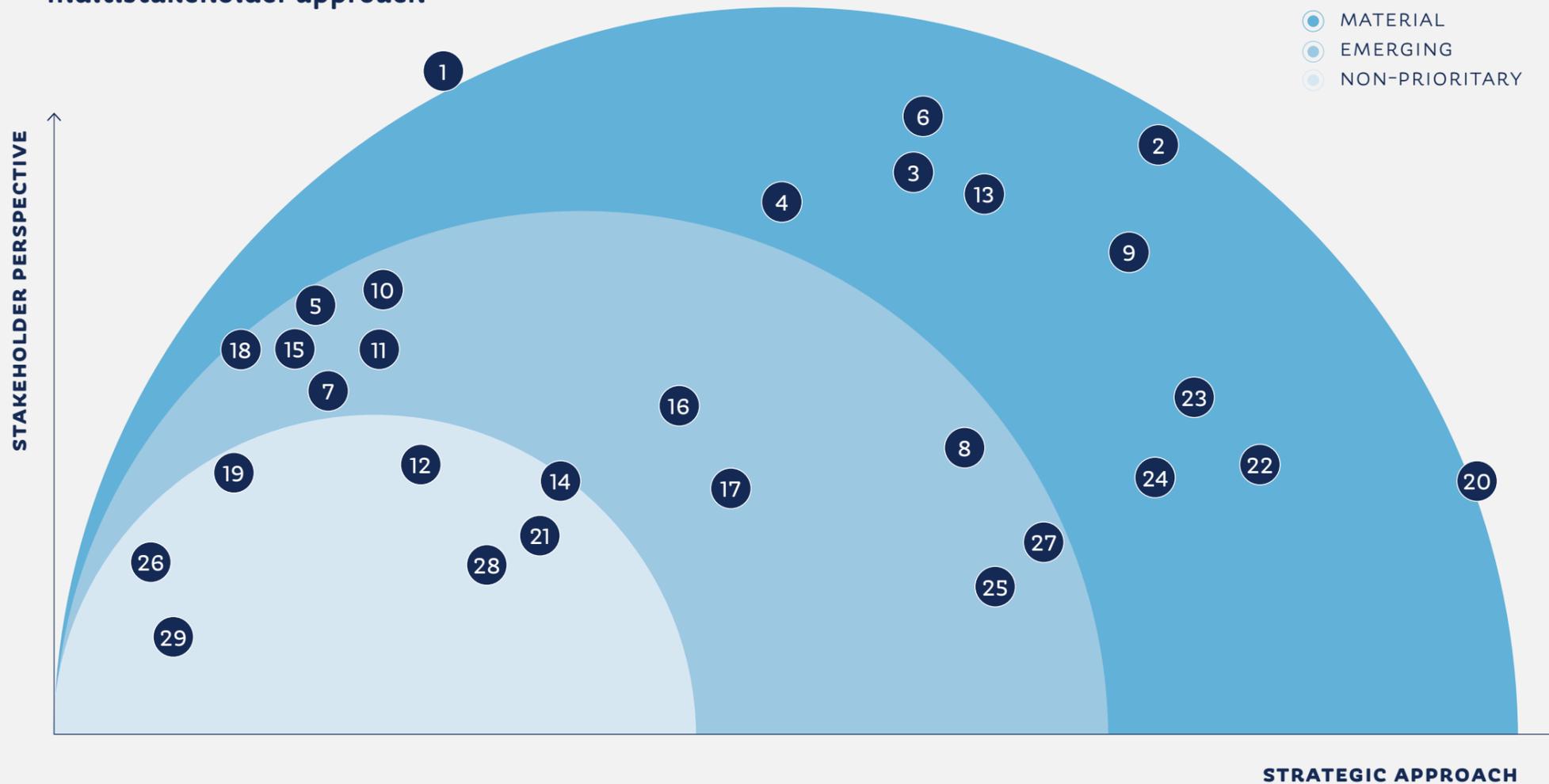
The results of the focus groups were analyzed with the human resources managers.

Moreover, the material topics determined were validated by the Sustainability and Investor Relations teams.



We consolidated the multistakeholder matrixes for Mexico and Argentina in a global matrices, using the weight of each market in the Group's revenue.

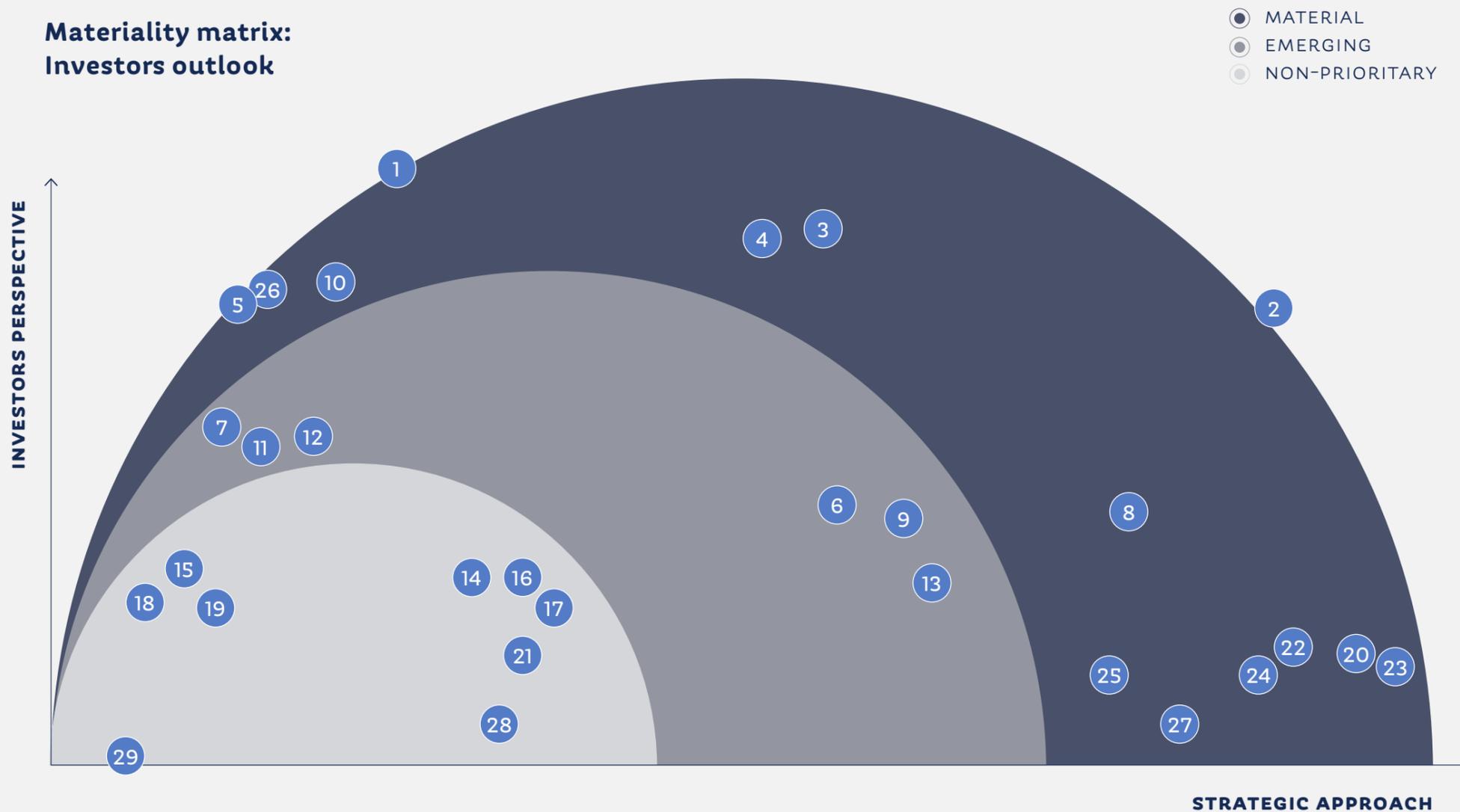
**Materiality matrix:
multistakeholder approach**



- 1 Transparent ESG communication
- 2 Strategy, Business model and Brand
- 3 Corporative governance
- 4 Health, safety and well-being of employees
- 5 Workforce diversity, equal opportunities and inclusion
- 6 Access to water and sanitation
- 7 Contribution to climate change (energy and GHG emissions)
- 8 Climate change risks and opportunities
- 9 Quality and safety of water solutions
- 10 Ethics, integrity and anti-corruption
- 11 Waste management and circularity
- 12 Comprehensive operational water management
- 13 Water culture
- 14 Training and talent development
- 15 Sustainable supply chain management
- 16 Innovation with socio-environmental criteria
- 17 Attraction and retention of talent
- 18 Investment in the community
- 19 Sustainable raw materials
- 20 User focus
- 21 Purpose, work climate and organizational culture
- 22 Relationship with distributors, plumbers and other partners
- 23 Technological transformation of processes and solutions
- 24 Creating sustainable economic value
- 25 Culture and risk management
- 26 Regulatory compliance
- 27 E-commerce and omnichannel strategy
- 28 Influencing the local water and lobbyin agenda
- 29 Cybersecurity and data privacy

As part of the effort mentioned above, to integrate the financial perspective and the importance of our investors into the analysis, we generated a specific matrix considering the result of the survey with Grupo Rotoplas' management on the X axis, and the findings of the dialogue held with the company's most relevant institutional investors on the Y axis.

**Materiality matrix:
Investors outlook**



- 1 Transparent ESG communication
- 2 Strategy, Business model and Brand
- 3 Corporative governance
- 4 Health, safety and well-being of employees
- 5 Workforce diversity, equal opportunities and inclusion
- 6 Access to water and sanitation
- 7 Contribution to climate change (energy and GHG emissions)
- 8 Climate change risks and opportunities
- 9 Quality and safety of water solutions
- 10 Ethics, integrity and anti-corruption
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	GRI 203: Indirect economic impacts 2016	203-1	46, 104		-	5.4, 6.1, 6.2, 6.3, 6.4, 9.1, 9.4, 9.5, 9.7, 11.2
		203-2	54, 94		-	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
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		103-2	4, 34, 46, 87, 94, 104, 111		-	-
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	GRI 416: Customer health & safety 2016	416-1	52		-	6.3, 9.1
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		103-3	4, 34, 46, 87, 94, 104, 111		-	-
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		201-2	75, 118		Principle 7	1.5, 2.4, 11.5, 13.1
		201-3	91		-	8.5
		201-4	46		-	-
WATER AWARENESS	GRI 103: Management approach 2016	103-1	131		-	-
		103-2	4, 34, 46, 87, 94, 104, 111		-	6.4, 6.8, 4.7
		103-3	4, 34, 46, 87, 94, 104, 111		-	-

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		103-3	4, 34, 46, 87, 94, 104, 111		-	-	
	GRI 418: Customer privacy 2016	418-1	116		-	-	
CUSTOMER CENTRICITY	GRI 103: Management approach 2016	103-1	131		-	-	
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		103-3	4, 34, 46, 87, 94, 104, 111		-	-	
	GRI 416: Customer health & safety 2016	416-1	52			Principle 2	9.1
		416-2	116			Principle 2	16.3
	GRI 417: Marketing and labeling 2016	417-1	52			-	-
		417-2	52			-	16.3
		417-3	116			-	16.3
STRATEGY, BUSINESS MODEL AND BRAND	GRI 103: Management approach 2016	103-1	131		-	-	
		103-2	4, 34, 46, 87, 94, 104, 111		-	6.3, 6.4, 8.2, 8.4, 9.1, 9.2, 12.2	
		103-3	4, 34, 46, 87, 94, 104, 111		-	-	
	GRI 206: Anticompetitive behaviour 2016	206-1	116		-	16.3	
	GRI 415: Public policy 2016	415-1	116			Principle 10	-
ETHICS, INTEGRITY AND ANTICORRUPTION	GRI 103: Management approach 2016	103-1	131		-	-	
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		103-3	4, 34, 46, 87, 94, 104, 111		-	-	
	GRI 205: Anti-corruption 2016	205-1	116			Principle 10	16.5
		205-2	116			Principle 10	16.5
		205-3	116			Principle 10	16.5
	GRI 206: Anticompetitive behaviour 2016	206-1	116			-	16.3
	GRI 406: Non-discrimination 2016	406-1	91, 116			Principle 6	5.1, 8.8
	GRI 412: Human rights assessment 2016	412-1	116			Principle 2	10.2
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	GRI 405: Diversity and equal opportunity 2016	405-1	81, 112		Principle 6	5.1, 5.5, 8.5
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	GRI 419: Socioeconomic compliance 2016	419-1	116			
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	GRI 417: Marketing and labeling 2016	417-1	52		-	-
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		417-3	116		-	16.3
SAFETY, HEALTH AND WELLNESS OF EMPLOYEES	GRI 103: Management approach 2016	103-1	131		-	-
		103-2	4, 34, 46, 87, 94, 104, 111		-	-
		103-3	4, 34, 46, 87, 94, 104, 111		-	-
	GRI 403: Occupational health and safety 2018	403-1	87		Principle 2	-
		403-2	87		Principle 2	-
		403-3	87		Principle 2	-
		403-4	87		Principle 2	8.8
		403-5	87		Principle 2	8.8
		403-6	87		Principle 2	8.8
		403-7	87		Principle 2	8.8
		403-8	87		Principle 2	8.8
		403-9	87		Principle 2	3.3, 3.9, 8.8
		403-10	87		Principle 2	3.3, 3.9, 8.8
	GRI 401: Employment 2016	401-1	81		Principle 6	5.1, 8.5, 8.6
		401-2	85, 87, 91		Principle 6	3.2, 5.4, 8.5
		401-3	91		Principle 6	5.1, 5.4, 8.5
GRI 406: Non-discrimination 2016	406-1	91, 116		Principle 6	5.1, 8.8	
TECHNOLOGICAL TRANSFORMATION OF PROCESSES AND SOLUTIONS	GRI 103: Management approach 2016	103-1	131		-	-
		103-2	4, 34, 46, 87, 94, 104, 111		Principle 9	8.2, 9.4, 12.2, 12.a
		103-3	4, 34, 46, 87, 94, 104, 111		-	-

SASB METRICS

BUILDING PRODUCTS & FURNISHINGS STANDARD - 2018 VERSION					
SASB TOPIC	CODE	DESCRIPTION	UNIT OF MEASURE	OMISSIONS	PAGE
ACTIVITY METRIC					
ACTIVITY METRIC	CG-BF-000.A	Annual production	Production shall be disclosed in typical units tracked by the entity such as number of units, weight, and/or square feet	The unit of measurement is tons of processed resin, which is also used to calculate the intensities of energy consumption and GHG emissions generation.	65
ACTIVITY METRIC	CG-BF-000.B	Area of manufacturing facilities	Square meters (m ²)	Not available. The number of plants and distribution centers (other than plants acting as such) is reported.	-
ACCOUNTING METRICS					
ENERGY MANAGEMENT IN MANUFACTURING	CG-BF-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)		66, 67
MANAGEMENT OF CHEMICALS IN PRODUCTS	CG-BF-250a.1	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	N/A	Not applicable in Grupo Rotoplas. We do not incorporate in our products substances that are harmful or risky for human health.	-
	CG-BF-250a.2	Percentage of eligible products meeting volatile organic compound (VOC) emissions and content standards	Percentage (%) by revenue	Not applicable in Grupo Rotoplas. We do not incorporate in our products substances that are harmful or risky for human health.	-
PRODUCT LIFECYCLE ENVIRONMENTAL IMPACTS	CG-BF-410a.1	Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	N/A		65, 67
	CG-BF-410a.2	(1) Weight of end-of-life material recovered, (2) percentage of recovered materials recycled	Metric tons (t), Percentage (%) by weight		71
WOOD SUPPLY CHAIN MANAGEMENT	CG-BF-430a.1	(1) Total weight of wood fiber materials purchased, (2) percentage from third-party certified forestlands, (3) percentage by standard, and (4) percentage certified to other wood fiber standards, (5) percentage by standard	Metric tons (t), Percentage (%) by weight	Not applicable in Grupo Rotoplas. We do not use wood in our products.	-

WATER UTILITIES & SERVICES STANDARD - 2018 VERSION					
SASB TOPIC	CODE	DESCRIPTION	UNIT OF MEASURE	OMISSIONS	PAGE
ACCOUNTING METRICS					
ACTIVITY METRIC	IF-WU-000.A	Number of: (1) residential, (2) commercial, and (3) industrial customers served, by service provided	Number	We point out different metrics for products and services.	16, 98
ACTIVITY METRIC	IF-WU-000.B	Total water sourced, percentage by source type	Cubic meters (m ³), Percentage (%)	It does not apply to Grupo Rotoplas' business model and activity; Rotoplas facilitates water access solutions but not water itself.	-
ACTIVITY METRIC	IF-WU-000.C	Total water delivered to: (1) residential, (2) commercial, (3) industrial, and (4) all other customers	Thousand cubic meters (m ³)	Not applicable to Grupo Rotoplas' business model and activity. Rotoplas facilitates water access solutions but not the water itself. Drinking water generated by Rotoplas Group solutions is reported as part of the sustainable bond KPIs.	124
ACTIVITY METRIC	IF-WU-000.D	Average volume of wastewater treated per day, by (1) sanitary sewer, (2) stormwater, and (3) combined sewer	Cubic meters (m ³) per day	We do not have a breakdown by source for treated water, but we do have a breakdown of the average volume treated.	75
ACTIVITY METRIC	IF-WU-000.E+A13:F20E20B17:A16:B20	Length of (1) water mains and (2) sewer pipe	Kilometers (km)	Not significant. Grupo Rotoplas only provides, installs and operates the treatment plants which are included in the customer's own facilities.	-
ACCOUNTING METRICS					
ENERGY MANAGEMENT	IF-WU-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)		66
DISTRIBUTION NETWORK EFFICIENCY	IF-WU-140a.1	Water main replacement rate ²	Rate	It does not apply to Grupo Rotoplas. Rotoplas does not distribute water. In water flow it only markets the products (pipes and complementary devices).	-
	IF-WU-140a.2	Volume of non-revenue real water losses	Thousand cubic meters (m ³)	Not applicable to Grupo Rotoplas. Rotoplas does not offer water distribution services.	-

SASB TOPIC	CODE	DESCRIPTION	UNIT OF MEASURE	OMISSIONS	PAGE
EFFLUENT QUALITY MANAGEMENT	IF-WU-140b.1	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	Number		69
	IF-WU-140b.2	Análisis de las estrategias de gestión de los efluentes de interés emergente	N/A	Not available.	-
WATER AFFORDABILITY & ACCESS	IF-WU-240a.1 - a.4	Various	Various	The topic does not apply to Grupo Rotoplas as it does not provide the water, it provides the service of purification (<i>bebbia</i>).	-
DRINKING WATER QUALITY	IF-WU-250a.1 - a.2	Various	Various	The topic does not apply to Grupo Rotoplas as it does not provide the water, it provides the service of purification (<i>bebbia</i>).	-
END-USE EFFICIENCY	IF-WU-420a.1 - a.2	Various	Various	The topic does not apply to Grupo Rotoplas as it does not provide the water, it provides the service of purification (<i>bebbia</i>).	-
WATER SUPPLY RESILIENCE	IF-WU-440a.1 -a.3	Various	Various	The topic does not apply to Grupo Rotoplas as it does not provide the water, it provides the service of purification (<i>bebbia</i>).	-
NETWORK RESILIENCY & IMPACTS OF CLIMATE CHANGE	IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	Cubic meters (m ³) per day		75
	IF-WU-450a.2	(1) Number and (2) volume of sanitary sewer overflows (SSO), (3) percentage of volume recovered	Number, Cubic meters (m ³), Percentage (%)	Does not apply to Grupo Rotoplas since it is not responsible for the network.	-
	IF-WU-450a.3	(1) Number of unplanned service disruptions, and (2) customers affected, each by duration category	Number	Does not apply to Grupo Rotoplas since it is not responsible for the network.	-
	IF-WU-450a.4	Description of efforts to identify and manage risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure	N/A		75
CHEMICALS STANDARD - 2018 VERSION					
ACTIVITY METRIC					
ACTIVITY METRIC	RT-CH-000.A	Production by reportable segment	Cubic meters (m ³) and/or metric tons (t)	The amount of resin processed is indicated. Grupo Rotoplas prepares the compositions depending on the resins purchased in the market.	65

SASB TOPIC	CODE	DESCRIPTION	UNIT OF MEASURE	OMISSIONS	PAGE
ACCOUNTING METRICS					
GREENHOUSE GAS EMISSIONS	RT-CH-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Toneladas métricas (t) de CO ₂ , porcentaje (%)		67
	RT-CH-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	N/A		67
AIR QUALITY	RT-CH-120a.1	Air emissions of the following pollutants: (1) NOX (excluding N ₂ O), (2) SOX, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	Metric tons (t)		67
ENERGY MANAGEMENT	RT-CH-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	Gigajoules (GJ), Percentage (%)		66
WATER MANAGEMENT	RT-CH-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m ³), Percentage (%)		69
	RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number		69
	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A		69
HAZARDOUS WASTE MANAGEMENT	RT-CH-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)		71
COMMUNITY RELATIONS	RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	N/A		38

SASB TOPIC	CODE	DESCRIPTION	UNIT OF MEASURE	OMISSIONS	PAGE
WORKFORCE HEALTH & SAFETY	RT-CH-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate		87
	RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	N/A		87
PRODUCT DESIGN FOR USE-PHASE EFFICIENCY	RT-CH-410a.1	Revenue from products designed for use phase resource efficiency	Reporting currency		63
SAFETY & ENVIRONMENTAL STEWARDSHIP OF CHEMICALS	RT-CH-410b.1 -b2	Various	Various	Not applicable. In Grupo Rotoplas we do not work with chemical substances that are especially harmful to the environment.	-
GENETICALLY MODIFIED ORGANISMS	RT-CH-410c.1	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Percentage (%) by revenue	Not applicable in Grupo Rotoplas, as it is not part of the solutions portfolio.	-
MANAGEMENT OF THE LEGAL & REGULATORY ENVIRONMENT	RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	N/A		63
OPERATIONAL SAFETY, EMERGENCY PREPAREDNESS & RESPONSE	RT-CH-540a.1	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	Number, Rate		87
	RT-CH-540a.2	Number of transport incidents	Number	Not significant in Grupo Rotoplas, most of the transportation of products corresponds to third parties.	-

TCFD RECOMMENDATIONS

RECOMMENDATIONS	RECOMMENDED DISCLOSURES	CODE	PAGE	DETAIL
GOVERNANCE	a) Describe the board's oversight of climate related risks and opportunities.	GOB-A	72	<p>The Sustainability Strategy is monitored by the Sustainability Committee. This body meets at least on a quarterly basis and is headed by the Vice President of Sustainability and Human Capital. This committee is part of the Corporate Practices Committee, which also meets every three months; the main progress of the strategy is analyzed by this Committee. Additionally, the Board of Directors receives the analysis performed by the Corporate Practices Committee.</p> <p>At the same time, on a regional basis, relevant topics are reported to the group's Regional Councils, which are held prior to the meetings of the Corporate Practices Committee and the Board of Directors.</p> <p>In relation to the Climate Change Strategy, such strategy is based on the specific policy (Climate Change Policy), approved by the Board of Directors, and based on the climate change risks identified and prioritized by the different managers of the company. Its review process is similar as the Sustainability Strategy, in which it is integrated.</p> <p>In addition, the Board actively monitors Flow's organizational transformation program, which includes the management and monitoring of initiatives with an environmental angle. Finally, the monitoring of environmental criteria-oriented CAPEX has been integrated into the governing control tower that is in charge of authorizing and allocating capital expenditures.</p>
				<p>Climate related issues are considered in the decision making process of the Corporate Practices Committee and the Board of Directors. The topics overseen were determined through the monitoring and reporting process outlined above.</p> <p>In the new Strategic Plan 2025, five Corporate Objectives have been established along with their own indicators through an OKRs, Objectives and Key Results methodology. One of the five objectives is "Sustainable Business", which considers sustainability. This objective integrates climate change key results, such as, renewable energy targets, and carbon footprint reduction. These OKRs and their KPIs are monitored by the Board of Directors, the Corporate and Strategy Practices Committee and the company's internal governance bodies.</p>
				<p>The annual objectives in energy consumption, GHG emissions and risk assessments are set by the departments of sustainability, strategy, risk management and other different areas involved; they are also publicly available. These objectives are monitored at the Sustainability Committee, the monthly Management Team Meetings, and its reporting encompasses the Board of Directors as an ultimate governing body.</p> <p>OKRs, including those related to climate change, are monitored by the Board of Directors.</p>
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	GOB-B	72	<p>The Sustainability Committee; Corporate Practices Committee and Board of Directors take part on this assessment (the process is described above).</p> <p>The Flow initiatives cadent review and follow-up, is carried out in the Workstreams and control towers where the initiative is allocated, including the implementation status of the initiatives that have environmental components (e.g. those that are part of the CAPEX with sustainability criteria): All initiatives are evaluated with sustainability criteria, in which environmental and social risks, energy efficiency and GHG emissions, as well as the establishment of indicators, are aspects that determine the approval and continuity of the initiatives.</p> <p>Follow-up of OKRs (including those related to climate change): OKRs and their indicators is managed in detail by the functional areas, which land specific actions to meet the objectives in risks, energy and GHG emissions.</p>
STRATEGY	a) Describe the climate related risks and opportunities the organization has identified over the short, medium, and long term.	EST-A	75	<p>Climate related risks and opportunities are presented in its respective subchapter. These serve as the basis for the Climate Change Strategy. On a regular basis, the company reviews them to include any new opportunities that may arise, as the company's business context and strategy evolve.</p> <p>The identification of risks was done collaboratively with the support of external specialists and different areas of the company, which were considered to have special involvement based on an initial mapping of critical potential red flags in our processes.</p>
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	EST-B	75, 124	<p>We present a first reference to the financial impacts associated with climate-related risks and opportunities. This information is located in the risks subchapter.</p> <p>On the business side, the climate crisis presents as an opportunity given the increased demand for decentralized water solutions. At the same time, it may involve increased competition.</p> <p>On the strategy, it implies adapting the strategy and its numerical components (forecast) based on climate tendencies and future events.</p> <p>On the organization's financial planning, it implies the need to continue to improve assertiveness in the planning, production and distribution processes.</p>
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	EST-C	-	<p>A projection of the business and operation based on average temperature variation scenarios has not yet been made. It is intended to be done in the future.</p>

RECOMMENDATIONS	RECOMMENDED DISCLOSURES	CODE	PAGE	DETAIL
RISK MANAGEMENT	a) Describe the organization's processes for identifying and assessing climate related risks.	GDR-A	75	The analysis for the identification of risks was coordinated by the sustainability team. Since the company is structured in processes, the starting point was the mapping of macro processes, groups of processes and specific processes of the company. Secondly, the team identified those processes that could have higher risks due to climate-related issues. The possible effects were discussed in depth with those responsible for the process in question through different sessions and using data for these discussions. The economic and social context associated with changes in the climate in the countries where we operate, as well as the integration of climate analysis tools (temperature and water availability) were also taken into account.
	b) Describe the organization's processes for managing climaterelated risks.	GDR-B	75	To ensure an effective management of the main risks, we structured a series of initiatives and processes which can be consulted in our Climate Change and Sustainability strategies.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	GDR -C	75, 118	Climate-related risks have been presented to the corporate risk team. These results have been integrated into the monitoring performed by this area. Finally, the results and key actionable items are presented to the Strategy and Implementation Committee and the Corporate and Strategy Practices Committee.
METRICS AND TARGETS	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	MYO-A	65, 66, 67, 69, 71	https://rotoplas.com/sustentabilidad/metas-de-sustentabilidad/
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	MYO-B	67	Available in the integrated report; the GHG emissions inventory report is also available to the public.
	c) Describe the targets used by the organization to manage climaterelated risks and opportunities and performance against targets.	MYO-C	https://rotoplas.com/sustentabilidad/metas-de-sustentabilidad/	Annual and multi-year targets are set by the Sustainability Committee and senior management in most cases, with the exception of financial profile indicators (e.g. bebbia sales), which correspond to the respective business managers. In the case of sales indicators, products that have a social/environmental impact, have an equivalent target in terms of impact on people or water (e.g. liters treated, liters purified, liters reused). They include: Indicators of number of risk assessments of our operations and Business Continuity Plans performed (these are coordinated by the risk area). Operation indicators (e.g. energy consumption, Scope 1 emissions) are presented publicly on a yearly, biannual and quarterly basis (depending on the KPI). Business indicators (e.g. bebbia sales) are communicated to investors on a regular basis throughout the year, in those cases where confidentiality does not exist for strategic reasons. Impact indicators (e.g. number of liters treated, reused or purified) depending on the product or service in which they are aligned to.

CEO WATER MANDATE INDEX

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Verification Letter of the 2020 Annual Integrated Report "360° Transformation with Sustainable Value"

To the Board of Directors of Rotoplas, S.A.B. de C.V. and Subsidiaries:

We inform you that we performed a limited and independent verification of a sample of: disclosures of Global Reporting Initiative ("GRI") Standards, strategic Environmental, Social and Governance ("ESG") indicators for Rotoplas and topics of Sustainability Accounting Standards Board ("SASB"), detailed on the second and third page of this letter, contained in the 2020 Annual Integrated Report: "360° Transformation with Sustainable Value" ("2020 Annual Integrated Report").

Responsibilities, criteria and scope:

The scope of our verification covered the results of the subsidiaries that make up the Group Rotoplas: Mexico, Argentina, Brazil, Peru, Central America (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and United States corresponding to the period from January 1st to December 31st, 2020.

Our commitment is to express impartial and objective opinions about the certainty, traceability and reliability of the sample contained in the "2020 Annual Integrated Report". Our work considered as criteria: the GRI Standards, in the Comprehensive option, SASB Standards: "Water Utilities & Services", "Chemicals" and "Building Products & Furnishings" and the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information".

The Direction of Rotoplas it is responsible for preparing the information contained in the "2020 Integrated Annual Report" and that included in the scope of our verification, which implies, but is not limited to: the selection process of material topics and the GRI disclosures report, SASB Standards topics and ESG indicators of Group Rotoplas, provide documentary and/or visual, true and enough evidence to verify the agreed contents.

Among the activities carried out during the verification process are listed: interviews to learn about internal information management as well as the tools used, validation of information presented in previous reports, review of methodological compliance of the standards aforementioned and indicators of Rotoplas, checking qualitative data and quantitative through visual, documentary and public and quantitative data analysis.

For what, we can conclude that, during the verification process, we did not identify any factors that lead us to consider that the verified ESG indicators of Rotoplas are erroneous and do not comply with the requirements methodological of SASB and GRI Standards.

An internal report of recommendations is delivered separately, exclusively for Group Rotoplas, It contains the areas of opportunity detected for a future report.

Alma Paulina Garduño Arellano
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April 29th, 2021

Declaration of independence and competence of Redes Sociales en Línea Timberlan

Employees of **Redes Sociales** has the level of competence necessary to verify compliance with the standards used in the preparation of Sustainability Reports, so they can issue a professional opinion on the reports of non-financial information, complying with the principles of independence, integrity, objectivity, competence and professional diligence, confidentiality and professional behavior. In no case can our verification statement be understood as an audit report, so no responsibility is assumed for the management and internal control systems and processes from which the information is obtained. This Verification Letter is issued on 29th April 2021 and is valid as long as no subsequent and substantial modifications are made to the "2020 Annual Integrated Report" 360° Transformation with Sustainable Value" of Group Rotoplas.



General Disclosures GRI		SASB IF-WU: Water Utilities & Services CG-BF: Building Products & Furnishings RT-CH: Chemicals
102-4	Location of operations	
102-7	Scale of the organization	
102-8	Information on employees and other workers	
102-9	Supply chain	
102-12	External initiatives	
102-13	Membership of associations	
102-16	Values, principles, standards, and norms of behavior	
102-17	Mechanisms for advice and concerns about ethics	
102-18	Governance structure	
102-22	Composition of the highest governance body and its committees	
102-28	Evaluating the highest governance body's performance	
102-40	List of stakeholder groups	
102-41	Collective bargaining agreements	
102-45	Entities included in the consolidated financial statements	
102-47	List of material topics	
102-54	Claims of reporting in accordance with the GRI Standards	
Environmental		
203-1	Infrastructure investments and services supported	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	CG-BF-410a.1: Product Lifecycle Environmental Impacts
RO-EN	Energy Consumption - Total consumption and energy sources	IF-WU-130a.1: Energy Management - consumed energy RT-CH-130a.1: Energy Management - consumed energy CG-BF-130a.1: Energy Management in Manufacturing - energy consumed IF-WU-450a.4: Network Resiliency & Impacts of Climate Change - risks and opportunities
RO-AG	Water - total consumption and sources	IF-WU-140b.1: Effluent Quality Management - incidents RT-CH-140a.2: Water Management - incidents RT-CH-140a.3: Water Management - management risks
RO-EMa1	Direct GHG Emissions (Scope 1) - total	RT-CH-110a.1: Greenhouse Gas Emissions - percentage covered under emissions-limiting regulations
RO-EMa2	Indirect GHG emissions at generate energy (scope 2) - total	
RO-EMa3	Air emissions: Oxides of nitrogen (NOX), oxides of sulfur (SOX) y PM - total	RT-CH-120a.1: Air Quality - Air emissions
RO-RE	Generated waste - total by type and disposal /reuse /recycling method	RT-CH-150a.1: Hazardous Waste Management - Amount of hazardous waste generated, percentage recycled.

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General Disclosures GRI		SASB IF-WU: Water Utilities & Services CG-BF: Building Products & Furnishings RT-CH: Chemicals
Social		
403-5	Worker training on occupational health and safety	
403-9	Work-related injuries	RT-CH-320a.1: Workforce Health & Safety- TRIR and fatality rate.
403-10	Work-related ill health	RT-CH-320a.2: Workforce Health & Safety - efforts to reduce to long-term health risks.
401-1	New employee hires and employee turnover	
417-2	Incidents of non-compliance concerning product and service information and labeling	
RO-FO	Employee training - total and average hours - training programs	
RO-PROV	Proportion of spending on local suppliers - total and category	
Governance		
201-1	Direct economic value generated and distributed	
405-1	Diversity of governance bodies and employees	
415-1	Political contributions	
205-3	Confirmed incidents of corruption and actions taken	
419-1	Non-compliance with laws and regulations in the social and economic area	RT-CH-530a.1: Management of the Legal & Regulatory Environment - positions related to government regulations and/or policy proposals.
406-1	Incidents of discrimination and corrective actions taken	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
RO-NA	Environmental breaches	
	GRI Disclosures verified	
	Verified ESG indicators reported from Grupo Rotoplas	



GRI 102-1, 102-3, 102-5, 102-46, 102-47, 102-49, 102-53



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270°

225°

180°

315°

360°

135°

45°

90°