

Grupo Rotoplas SAB

Type of Engagement: Annual Review

Date: March 30, 2023

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Introduction

In June 2017, Grupo Rotoplas SAB (“Rotoplas” or the “Issuer”) issued a sustainability bond intended to finance or refinance projects aimed at improving access to water and sanitation among underserved populations and increasing water use efficiency. The 2017 issuance was subsequently reopened in 2018 and 2020 to raise additional proceeds.¹ In March 2023, Rotoplas engaged Sustainalytics to review the projects financed with proceeds from the 2017 issuance and the 2018 and 2020 re-openings (collectively, the “sustainability issuance”) and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the 2017 Rotoplas Sustainability Bond Framework (the “Framework”). Sustainalytics provided a second-party opinion on the Framework in May 2017.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the sustainability issuance on whether the projects:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
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
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 in various communities • Volume of water (cubic meter) captured/stored
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 in various communities • Number of sustainable bathrooms installed by region • Number of self-clean biodigesters installed by region

¹ The 2017 issuance was made in two tranches, AGUA 17X and AGUA 17-2X. The first tranche AGUA 17X of MXN 600 million matured in June 2020. The second tranche, AGUA 17-2X, of MXN 1,400 million has a 10-year term maturing in June 2027. Subsequently, two re-openings have been made to the AGUA 17-2X bond: the first in 2018 for MXN 1,000 million and another in 2020 for MXN 1,600 million, reaching a total of MXN 4,000 million from the issuance.

² Sustainalytics, “Second-Party Opinion, Rotoplas Sustainability Bond”, (2017), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sustainability-bond-second-opinion_rotoplas_final.pdf?sfvrsn=de42a442_3

		<ul style="list-style-type: none"> • Number of households benefitted
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 in various communities • Volume of water (cubic meter) treated/recycled • Metrics on improvements in water quality e.g. Biochemical Oxygen Demand (BOD)

Issuer’s Responsibility

Rotoplas is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the sustainability issuance. The work undertaken as part of this engagement included collection of documentation from Rotoplas and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Rotoplas. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Rotoplas raised a total of MXN 4,000 million and has disclosed to Sustainalytics that 83.3% of the proceeds were allocated as of 31 December 2022.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the sustainability issuance to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the sustainability issuance to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendix

Appendix 1: Allocation and Impact Reporting

Rotoplas has identified projects financed between 2017 and 2022, that are eligible for funding by the sustainability issuance.

Use of Proceeds and Eligibility Criteria Category⁴	Impact Reported by Eligibility Criteria (Cumulative, as of 31 December 2022)	Net Bond Proceeds Allocation ('000 MXN)⁵
Drinking Water Solutions		
Litres of water purified	722,269,147	806,873
Children benefited through the installation of water fountains (school enrolment)	1,153,956	
People benefitted from point of use purification (users)	572,301	
Tons of avoided CO ₂ emissions versus bottled water made from PET	117,893	
Water and Wastewater Treatment		
Litres of water treated	48,266,905,381	2,425,154
Litres of water reused	20,430,289,982	
Total allocation of bond proceeds		3,232,027
Net bond proceeds raised⁶		3,879,494
Balance of unallocated net proceeds		647,467
Percentage of bond allocation		83.3%

⁴ No allocation was made under categories 2 (Water Storage) and 3 (Sanitation and Sewage Treatment) defined in the Framework.

⁵ The allocation amounts include acquisition, working capital and capital expenditure costs.

⁶ Amount after deducting the expenses and price differential at the re-openings.

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