

ROTOPLAS SUSTAINABILITY BOND

SECOND-PARTY OPINION BY SUSTAINALYTICS

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SUSTAINALYTICS

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1. INTRODUCTION

Grupo Rotoplas SAB, a Mexico-based manufacturer of water solutions, has developed a Sustainability Bond Framework in accordance with which it intends to issue a sustainability bond that will fund environmentally and socially beneficial projects in countries of its operations. The Sustainability Bond Framework has been published in a separate document. The net proceeds of the sustainability bond will be used to refinance or finance, in whole or in part, existing (re-financing) and future projects that improve access to water and sanitation among underserved populations, and increase water use efficiency. The sustainability bond will fund the following types of expenditures according to the eligibility criteria as defined in the Sustainability Bond Framework. The types of expenditures are:

1. Development, acquisition and operation of facilities; AND
2. Manufacturing and installation of products that address one or more targets associated with the following Sustainable Development Goals (SDGs):
 - i) SDG 6 — Ensure availability and sustainable management of water and sanitation for all; OR
 - ii) SDG 9 — Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

The eligibility criteria are:

1. **Category: 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;
2. **Category: Water Storage**
Projects that provide access to water for households or commercial facilities in water-scarce areas or areas lacking reliable water supply;
3. **Category: Sanitation and Sewage Treatment**
Projects that provide access to adequate sanitation facilities in areas with underdeveloped sewage infrastructure;
4. **Category: Water and Wastewater Treatment**
Projects that improve water quality and increase water-use efficiency through water recycling and reuse.

A list of sample eligible projects and initially estimated potential allocations for the bond issuance is provided in Appendix 1.

Rotoplas has engaged Sustainalytics to provide a second-party opinion on the Rotoplas Sustainability Bond Framework. As part of this engagement process, Sustainalytics held conversations with various stakeholders within the company. These conversations clarified the use of proceeds, project evaluation and selection process, management of proceeds and reporting aspects of the Sustainability Bond, as well as the sustainability strategy of Rotoplas. Sustainalytics also reviewed relevant public documents and non-public documents relating to the design, planning, governance and construction of eligible projects under the Rotoplas Sustainability Bond Framework and provided its opinion on the framework, as well as the expected environmental and social impacts created by the eligible projects. This document contains

Sustainalytics' opinion on the Rotoplas Sustainability Framework and should be read in conjunction with that framework.

2. SUSTAINALYTICS' OPINION

Section 1: Sustainability Performance of the Issuer

Contribution of the sustainability bond to Rotoplas' sustainability strategy and targets

Sustainalytics has reviewed Rotoplas' sustainability strategy and is of the opinion that the company's business model is sustainability-focused and that the company is well-positioned to provide new water solutions that help to address various social and environmental challenges. In 2016, Rotoplas carried out a materiality analysis and identified the eleven key sustainability issues most material to its business. These included access to water and sanitation, innovation, and conscious water consumption. Rotoplas' sustainability commitment is informed by these issues. On its website, Rotoplas states that its mission is to provide innovative water solutions "for people to have more and better water" in the countries of its operations¹. The company states in its 2015 annual report that it believes that "satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability"². According to its 2016 annual report, Rotoplas is also engaged in leading various initiatives aiming to increase awareness about the responsible use of water through its products and services, as well as educational campaigns, such as the company's "Cuidado del Agua" (Water Care) project that is offered at primary schools and universities³. Furthermore, the company states in its annual report that it chairs the Committee on Culture and Sustainable Water Use at the Water Advisory Council with the aim to support collective initiatives that contribute to promoting sustainable water use⁴.

In its annual report, Rotoplas reports that the company has developed a corporate sustainability model that is based on the aforementioned materiality assessment and contains four "focal points": corporate sustainability governance, collaborative innovation with purpose, driving economic and social development, and safeguarding water as a resource for the future⁵. The company is currently developing the Model Implementation Plan that will contain a series of targets pertaining to each of the four focal points that it will aim to achieve over the course of the next three years⁶.

Additionally, Rotoplas states in its 2016 annual report that it has aligned its operations and solutions portfolio with 2030 United Nations Agenda for Sustainable Development and specific Sustainable Development Goals (SDGs)⁷. Most of the company's products are specifically designed to provide basic

¹ <http://www.rotoplas.com/about-us.html>

² <http://www.rotoplas.com/inversionistas/reporte-anual/2015/annual-report-2015-bmv.pdf>

³ <http://www.rotoplas.com/inversionistas/reporte-anual/2016/annual-integrated-report-rotoplas-2016.pdf>

⁴ <http://www.rotoplas.com/inversionistas/reporte-anual/2016/annual-integrated-report-rotoplas-2016.pdf>

⁵ <http://www.rotoplas.com/inversionistas/reporte-anual/2016/annual-integrated-report-rotoplas-2016.pdf>

⁶ <http://www.generadordeideas.com.mx/proyectos/rotoplas16/index.php?locale=eng>

⁷ <http://www.rotoplas.com/inversionistas/reporte-anual/2016/annual-integrated-report-rotoplas-2016.pdf>

needs of clean water and sanitation to the underserved communities. The company's strategy to contribute to specific SDGs is outlined in Appendix 2.

Given that Rotoplas (i) has integrated environmental and social considerations into its business operations and product solutions, (ii) has a commitment to set specific targets and report on the progress, and (iii) has aligned its Sustainability Bond Framework with its overall sustainability strategy, Sustainalytics is of the opinion that Rotoplas is well positioned to issue a sustainability bond.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that water infrastructure development projects such as those to be financed by the bond can create environmental and social risks in addition to benefits. Sustainalytics is of the opinion that Rotoplas is well positioned to manage and address such risks.

Environmental risks include the release of certain volatile chemicals into the air in the process of water collection and treatment, as well as generation of large quantities of solid waste that may not always be discharged in an environmentally friendly way.⁸ Furthermore, some rainwater harvesting systems may seep chemicals and other substances that can harm plants and animals depending on the use cases.⁹ Rotoplas reports that it is required by law to conduct Environmental Impact Assessments (EIA) in order to assess and manage environmental impacts resulting from its projects¹⁰.

For example, Rotoplas discloses in a public offering memorandum that, in Mexico, the company's largest market, the Ecology Law establishes the legal framework for the environmental impact assessment procedure and the release of air pollutants emissions. In addition, the country's Waste Law regulates the production and management of hazardous waste and materials, as well as the discharge of polluting materials in the soil. The company must also meet certain administrative regulations in Mexico related to environmental protection: operating licenses, declaration of production of hazardous waste, declaration of delivery, transportation and disposal of hazardous waste, risk assessment for high-risk activities and, in the case of new facilities or expansions, environmental impact assessment and risk analysis, land use license, permits for the discharge of wastewater and concession agreements for the use and exploitation of national waters.¹¹ In the memorandum, Rotoplas also reports that its rainwater harvesting systems include water purification solutions that help improve the quality of rainwater and minimize detrimental environment impacts¹². Furthermore, Rotoplas discloses on its website that all of its plants operate in accordance with ISO 9001: 2008 requirements, while the company's plants in Leon and Lerma have received external certification¹³.

⁸ <https://www.ec.gc.ca/eu-ww/default.asp?lang=En&n=6296BDB0-1>

⁹ http://www.conserve-energy-future.com/advantages_disadvantages_rainwater_harvesting.php

¹⁰ http://www.rotoplas.com/inversionistas/Offering_Memorandum.pdf

¹¹ http://www.rotoplas.com/inversionistas/Offering_Memorandum.pdf

¹² http://www.rotoplas.com/inversionistas/Offering_Memorandum.pdf

¹³ <http://www.rotoplas.com.mx/inversionistas/faq-eng.html>

Social risks include negative impacts on local communities or the company's consumers. For example, communities living in close proximity to wastewater treatment plants can be exposed to various health risks caused by air and land pollution.¹⁴ Furthermore, communities using rainwater harvesting systems may be exposed to hazardous chemicals and bacteria in collected water. In its annual report, Rotoplas states that its products and services adhere to strict health and safety requirements and that the company provides support and training to its consumers in both urban and rural areas on how to use its products in a safe way¹⁵.

Given that the net proceeds will be used by Rotoplas to create positive social impact through improving access to water and sanitation for the underserved communities, social risks are estimated to be minimal. Furthermore, Rotoplas evaluates the impacts generated by its projects to identify an improvement in the hygiene and health conditions of communities, the impact on food intake, the use of water for cooking, and the impact on school attendance. For example, the company reports that several independent studies were conducted to assess the impacts of the installation of water fountains in schools in Mexico. According to the company reports, at selected schools researchers were able to identify a decrease of 34% in the amount of consumption of soft drinks due to the availability of drinking water in water fountains, as well as the reduction in plastic bottles waste and household spending on water.¹⁶

Section 2: Impact of Use of Proceeds

Proceeds of the bond will be directed towards the projects that fall under the following eligible categories:

- 1) drinking water solutions;
- 2) water storage;
- 3) sanitation and sewage treatment; and
- 4) water and wastewater treatment.

Sustainalytics has reviewed Rotoplas' Sustainability Bond Framework and is of the opinion that the proceeds from the bond will have clear positive social and environmental impacts and contribute to achieving Rotoplas' sustainability objectives and the Sustainable Development Goals. Below, Sustainalytics has provided an opinion on the above-mentioned project eligibility criteria, project selection process and expected social and environmental impacts.

Social Impact of Sustainability Bond

Importance of improving access to clean water and sanitation in emerging markets

Rotoplas operates in markets where clean water is scarce due to droughts, water pollution, as well as limited and unreliable water infrastructure and supply that make it difficult for local populations, especially those living in remote or rural areas, meet their water needs. Furthermore, a significant percentage of people in these markets lack access to basic sanitation infrastructure. The company's

¹⁴ <https://www.hindawi.com/journals/jeph/2016/8467023/>

¹⁵ <http://www.rotoplas.com/inversionistas/reporte-anual/2016/annual-integrated-report-rotoplas-2016.pdf>

¹⁶ <http://www.rotoplas.com/inversionistas/reporte-anual/2016/annual-integrated-report-rotoplas-2016.pdf>

largest market is Mexico, and it also operates in other countries of Latin America, including Brazil, Argentina, Costa Rica, Belize, Peru, El Salvador, Guatemala, Honduras, Nicaragua, Ecuador, Chile, as well as in the United States and Canada. In its annual report, Rotoplas recognizes that certain areas in the countries of its operation require a major improvement in water and sanitation infrastructure in order to contribute to poverty reduction and the overall improvement of living conditions¹⁷.

According to a recent study conducted by the World Bank, rainfall variability and prolonged water stress threaten water supply in many parts of Latin America. Areas in northern Mexico, northeast Brazil, and countries in Central America show a consistent drying trend that is expected to persist with climate change. While Latin America has made significant progress on increasing the share of households with access to an improved source of drinking water (94% as of 2015), there is still a large gap between rural (84%) and urban (97%) coverage. About 20 million people residing in rural communities still lack access to improved drinking water. Furthermore, the quality of the “improved water” is often inadequate and may pose significant risks for public health. A pilot water testing study carried out in Nicaragua found that 16% of water points posed high to extremely high sanitary risk. Moreover, the supply of water is unreliable in many areas, with 13% of the population reporting they do not have continuous daily service.¹⁸ The region’s performance in terms of access to basic sanitation is even poorer. As of 2015, 83% of Latin America’s population had access to some form of sanitation infrastructure, with the figure being much lower in rural areas (64%). Wastewater treatment and reuse is also low in the region, as only 30% of wastewater in Latin America undergoes certain treatment, which poses significant environmental and social risks. Notably, only 4% of wastewater is treated in Costa Rica.¹⁹

Mexico, the company’s largest market, has been ranked by the World Resources Institute as one of the most water-stressed countries in the world.²⁰ As water resources are spread unevenly across the country, three quarters of the population are living in water scarce regions. According to the National Water Commission, 9% of the country’s population lacks access to tap water and 13% to sanitation.²¹ For instance, about 70% of Mexico city’s population has fewer than 12 hours of running water per day, while in the hardest-hit areas 18% of the population have to wait several days for just a few hours of supply.²² The situation usually gets worse in periods of drought. The quality of water is another major challenge in Mexico, as surface and groundwater are being polluted by wastewater discharges. According to a study conducted by the Inter-American Development Bank in 2011, Mexico has the world’s highest per capita consumption of bottled water due to the inability of most of its population to use tap water for basic needs, such as drinking water, cooking, bathing, or brushing teeth. Only 18% of the country’s population consume tap water and 54% use it for cooking.²³

¹⁷ <http://www.rotoplas.com/inversionistas/reporte-anual/2015/annual-report-2015-bmv.pdf>

¹⁸ <http://documents.worldbank.org/curated/en/676711491563967405/pdf/114110-REVISED-Rethinking-Infrastructure-Low-Res.pdf>

¹⁹ <http://documents.worldbank.org/curated/en/676711491563967405/pdf/114110-REVISED-Rethinking-Infrastructure-Low-Res.pdf>

²⁰ <http://www.wri.org/sites/default/files/aqueduct-water-stress-country-rankings-technical-note.pdf>

²¹ <https://www.forbes.com/sites/ivancastano/2012/02/22/mexicos-water-war/2/#10df6edb2603>

²² <https://www.theguardian.com/cities/2015/nov/12/mexico-city-water-crisis-source-sewer>

²³ <https://www.ft.com/content/b24b14cc-f4ee-3b8a-b1b9-56f56972d8c5>

Another example of a water stressed country where Rotoplas has operations is Brazil. Although Brazil has nearly a fifth of the world's water reserves, there is a serious North-South imbalance.²⁴ About 73% of the Brazil's water is concentrated in the Amazon River Basin, while the Northeast regions have only 3% of the country's water resources. In the state of Sergipe, Brazil's poor Northeastern region, some 237,000 people lack in-house access to drinking water, and 514,000 do not have proper sanitation.²⁵ In many metropolitan areas, the quality of potable water is poor, since residential and industrial wastewater is frequently discharged into waterways without prior treatment. In 2013, only 43% of households among the country's poorest 40% of the population were connected to the sanitation network.²⁶

To address these challenges, the governments of Mexico and Brazil have launched a number of local and nationwide programs and set specific water and sanitation coverage targets. For instance, in 2013, the government of Brazil launched a National Sanitation Plan that aims to reach universal access to drinking water by 2023, and universal access to sanitation in urban areas by 2033. In 2014, the Mexican government introduced a bill that requires public and private schools as well as other public spaces to install water fountains and water filters.

Given this context, Sustainalytics is of the opinion that Rotoplas has a large role to play in assisting the national governments in the countries of its operation in meeting their water and sanitation coverage targets.

Social impact of improving access to water and sanitation

Improving access to water and sanitation is an essential part of a wider process of poverty reduction and sustainable development.²⁷ According to the United Nations, millions of people, mostly children, die every year from diseases associated with inadequate water supply, sanitation and hygiene. Furthermore, water scarcity, inadequate water quality and lack of sanitation infrastructure negatively impact food security, livelihood choices and educational opportunities for poor families around the world.²⁸ These negative impacts are expected to aggravate with climate change.

According to the World Health Organization, there is continued high infant mortality rates from water-borne diseases in the countries of Latin America.²⁹ Additionally, lack of access to clean drinking water has led to alarmingly high obesity rates, particularly in Mexico. The country has recently been ranked as the world's most overweight nation among countries with populations of over 100 million or more. This is largely attributed to the country's heavy soft drinks consumption, which often serve as a drinking water substitute. Furthermore, Mexico is the world's second largest bottled water market. Spending on bottled water puts a significant financial burden on many low-income households that do not have access to clean

²⁴ <http://documents.worldbank.org/curated/pt/143111468197370875/pdf/101431-REVISED-v2-SCD-Brazil-Systematic-Country-Diagnostic-Vol-2.pdf>

²⁵ <http://www.worldbank.org/en/results/2016/09/20/securing-water-poor-northeastern-brazil>

²⁶ <http://www.worldbank.org/en/results/2016/09/20/securing-water-poor-northeastern-brazil> ;
<http://www.worldbank.org/en/news/feature/2016/07/27/how-brazil-managing-water-resources-new-report-scd>

²⁷ http://www.who.int/water_sanitation_health/resources/povertyreduc2.pdf?ua=1

²⁸ <http://www.un.org/sustainabledevelopment/water-and-sanitation/>

²⁹ <http://www.who.int/ceh/capacity/Water.pdf?ua=1>

tap water. Families sometimes spend as much as 10% of their incomes on water, double what the Inter-American Development Bank estimates should be a norm. The average Mexican spends 240 pesos (\$18) on bottled water per month, which is mostly out of reach for people who live on a minimum wage that can be as low as 61.38 pesos a day.³⁰

Given the significant importance of domestic water consumption, it is clear that Rotoplas, as a pure-play water solutions company, has a large role to play in Latin America in relieving water stress and adapting to climate change. Sustainalytics recognizes that there is an acute need for the projects financed or refinanced by this bond in most of the countries where Rotoplas operates.

Rotoplas' drinking water solutions as well as water storage and wastewater treatment solutions will help provide access to water for households or commercial facilities in water-scarce areas or areas lacking reliable water supply. Furthermore, the company's drinking water solutions, such as water filters and purifiers, water fountains, will help address the problem of poor tap water quality and help address public health concerns, such as water-borne diseases and obesity, and help decrease household expenses on bottled water. Additionally, the sanitation and water solutions can help decrease the risk of sanitation-related disease, which can in turn lead to other positive impacts such as improved school attendance, as illnesses due to contaminated water are one of the major causes of absenteeism in schools³¹. Finally, improved access to water and sanitation facilities can increase women's participation in the wider economy by leading to decreased time spent on household water management.³²

Targeted nature of social impact created by Rotoplas Sustainability Bond

Although Rotoplas is a pure-play company engaged in the provision of water and sanitation solutions, only projects that have targeted nature (that are directed towards vulnerable or underserved communities where access to water and sanitation is lacking) will be eligible for financing or refinancing by the proceeds of this bond.

Rotoplas has confirmed to Sustainalytics that to determine areas lacking inadequate water and sanitation coverage, Rotoplas will review government and non-profit organizations' analysis on infrastructure gaps, public health issues and underserved populations; market intelligence studies and investment banking research e.g. on bottled water consumption and use of private water storage and delivery services; and reports on access to clean water and sanitation from international organizations e.g. from WHO, UNICEF, OECD, World Bank.

Based on the above, Sustainalytics believes that the company has a robust process in place (described above) to ensure that the net proceeds of this bond are directed towards targeted populations, as determined by the Social Bond Guidance. The projects will also be assessed for their alignment with the SDG 6 and SDG 9.

³⁰ <https://www.ft.com/content/b24b14cc-f4ee-3b8a-b1b9-56f56972d8c5>

³¹ http://www.who.int/water_sanitation_health/publications/wash_standards_school.pdf

³² <http://www.un.org/waterforlifedecade/gender.shtml>

Environmental Impact of Rotoplas Sustainability Bond

In areas of water scarcity, wastewater reuse and treatment becomes a necessity. As noted above, it is estimated that only about 30% of wastewater is treated in Latin America.³³ Insufficient water treatment and reuse not only limits the region's ability to get an additional and important source of water supply but also has significant implications for environmental sustainability. Discharge of wastewater into the environment without prior treatment can have a number of negative environmental impacts, including harm to fish and wildlife populations, oxygen depletion, beach closures and other restrictions on recreational water use, restrictions on fish and shellfish harvesting and contamination of drinking water.³⁴

Furthermore, insufficient wastewater treatment and persistent droughts have led to the overexploitation of freshwater water resources in many countries of the region. For example, Mexico City has almost exhausted its underground aquifers, while billions of liters of rainwater are washed down the drain or allowed to cause serious flood every year. Currently, 70% of the city's water comes from the underground aquifers, and the extraction has been so extreme that the city has sunk more than 10 meters in the last 100 years.³⁵ Overall, more than 100 of the country's 653 identified aquifers are overexploited, as more water is withdrawn each year than is naturally replaced.³⁶ Similarly, Brazil has exhausted 17 of the country's 18 biggest reservoirs, leaving many regions of the country in a critical situation. Due to climate change and poor management of the region's limited resources, there is a high risk that many countries in Latin America will experience serious cyclical droughts and chronic water shortages, jeopardizing the livelihoods of its inhabitants.

Thus, there is an immediate need for the region to improve its water management in order to restore water-related eco-systems and increase water use efficiency. Sustainalytics believes that Rotoplas is well positioned to help address these concerns by proving wastewater treatment and recycling solutions. Sufficient wastewater treatment and reuse is crucial for environmental sustainability and can alleviate much of the demand for freshwater, particularly in the most water-scarce areas.

Sustainalytics' opinion on projects in developed countries, including acquisitions

While some of the net proceeds will be allocated to projects that serve populations living in developed countries, such as the United States and Canada, Sustainalytics believes that these projects will create positive social and environmental impact, as long as Rotoplas follows the project selection criteria outlined above in the 'Targeted nature of social impact' section to identify targeted populations.

Furthermore, Rotoplas expects to allocate not more than 20% of the net proceeds of the bond to the projects in developed countries. Additionally, Rotoplas has also confirmed with Sustainalytics that for manufacturing CAPEX and OPEX, only costs associated with targeted eligible projects will be eligible for financing with the proceeds of this bond.

³³ <http://documents.worldbank.org/curated/en/676711491563967405/pdf/114110-REVISED-Rethinking-Infrastructure-Low-Res.pdf>

³⁴ <https://water.usgs.gov/edu/wuww.html>

³⁵ <http://islaurbana.org/english/>

³⁶ <http://geo-mexico.com/?p=5320>

Sustainalytics recognizes that some of the eligible projects, such as acquisitions of minority and majority stakes in other water solutions companies and technology innovation centers, will not have immediate targeted social impact, however these projects will potentially help improve access to clean water and sanitation among the underserved communities in the long term. Furthermore, Rotoplas' investments into research and development facilities are expected to contribute to technological innovation, which is instrumental in addressing water and sanitation challenges around the world.

Alignment with the Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) were set in September 2015 and form the basis for the 2030 United Nations Agenda for Sustainable Development. These goals are widely considered to be the next step to the Millennium Development Goals (MDGs), which were time-bound to 2015. Under the Rotoplas Sustainability Framework, eligible projects are expected to contribute towards SDG 6 and SDG 9. The alignment with these two SDGs has been incorporated into the project eligibility criteria. Rotoplas is specifically focusing on contributing to the following targets: (6.1), (6.2), (6.3), (6.4), (6.5), (6.a), (6.b), (9.1), and (9.5). Sustainalytics is of the opinion that the Rotoplas Sustainability bond is in alignment with the SDGs.

Alignment with the Green Bond Principles 2016

Sustainalytics has determined that the Rotoplas Sustainability Bond aligns to the four pillars of the Green Bond Principles 2016. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Conclusion

Rotoplas has strong commitments to improve access to water and sanitation, as demonstrated by the company's sustainability strategy, product portfolio and international action. The company's sustainability bond issuance will contribute to meeting water and sanitation coverage goals in water stressed countries and to achieving the Sustainable Development Goals.

The Rotoplas Sustainability Bond Framework is in alignment with the four pillars of Green Bond Principles 2016, as well as with the 2016 Guidance for Social Bond Issuers. The Framework defines strong eligibility criteria, demonstrates a transparent project selection and evaluation process, and outlines clear and transparent processes for the management of proceeds and reporting with KPIs that capture social and environmental impacts.

Based on the above considerations, Sustainalytics is of the view that Rotoplas' Sustainability Bond is robust, credible and transparent.

APPENDICES

Appendix 1: The list of sample eligible projects and initially estimated potential allocations of the bond issuance

Category	Projects	Potential Impact Indicators	Potential Allocation (MXN millions)	
			Refinancing	New
1. Drinking water solutions	<ul style="list-style-type: none"> - Drinking water fountains in public schools in Mexico 	<p>Qualitative:</p> <ul style="list-style-type: none"> - Descriptions of projects including the need for such infrastructure in various communities <p>Quantitative:</p> <ul style="list-style-type: none"> - Number of water fountains installed - Number of schools benefitted - Volume of water (m³) purified 	-	400
2. Water storage	<ul style="list-style-type: none"> - Rainwater harvesting systems installed in Brazil in areas lacking reliable public water supply or facing semi-arid or drought conditions 	<p>Qualitative:</p> <ul style="list-style-type: none"> - Descriptions of projects including the need for such infrastructure various communities <p>Quantitative:</p> <ul style="list-style-type: none"> - Volume of water (m³) captured/stored 	650	-
3. Sanitation and sewage treatment	<ul style="list-style-type: none"> - Outdoor Sustainable Bathrooms (Baño Digno) installed in Mexico and Brazil in households lacking sanitation or sewage infrastructure - Self-cleaning biodigesters installed in Mexico in communities lacking sanitation or sewage infrastructure 	<p>Qualitative:</p> <ul style="list-style-type: none"> - Descriptions of projects including the need for such infrastructure various communities <p>Quantitative:</p> <ul style="list-style-type: none"> - Number of sustainable bathrooms installed by region - Number of self-clean biodigestors installed by region - Number of households benefitted 	100	-

4. Water and wastewater treatment	<ul style="list-style-type: none"> - Acquisition of technology and facilities for water treatment, recycling and purification: <ul style="list-style-type: none"> o Acquisition of majority stake in Sanzfield Technologies Inc o Acquisition of minority stake in Advanced Innovation Center, LLC (AIC) o Acquisition of majority stake in Soluciones y Tratamiento Ecológico, SA de CV (Sytesa) 	<p>Qualitative:</p> <ul style="list-style-type: none"> - Descriptions of projects including the need for such infrastructure various communities <p>Quantitative:</p> <ul style="list-style-type: none"> - Volume of water (m³) treated/recycled - Metrics on improvements in water quality e.g. Biochemical Oxygen Demand (BOD) 	1,845	150
Total			2,595	550

Appendix 2: Rotoplas strategy to contribute to the Sustainable Development Goals³⁷

Sustainable Development Goal	Description	Rotoplas' strategy
Goal 3	Ensure healthy lives and promote well-being for all at all ages	Contribute to addressing health risks, such as diarrhea and parasitic and bacterial diseases through clean water solutions
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Achieve reduction in school absenteeism by satisfying basic need of access to clean water and sanitation
Goal 5	Achieve gender equality and empower all women and girls	Empower women to develop outside their homes by reducing the time spent on providing water to households
Goal 6	Ensure availability and sustainable management of water and sanitation for all	Increase access to clean water and sanitation for the most vulnerable communities through partnerships with national governments and NGOs
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Develop innovative water and sanitation solutions

³⁷ <http://www.generadordeideas.com.mx/proyectos/rotoplas16/index.php?locale=eng>

Appendix 3: Green Bond/Green Bond Programme External Review Form

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Rotoplas

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Review provider's name: Sustainalytics

Completion date of this form: May 26th, 2017

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Green Bond Framework and Second Opinion Document above.

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The sustainability bond will fund the following types of expenditures according to the eligibility criteria as defined in the Sustainability Bond Framework.

The types of expenditures are:

- 1. Development, acquisition and operation of facilities; AND
- 2. Manufacturing and installation of products that address one or more targets associated with the following Sustainable Development Goals (SDGs):
 - i) SDG 6 — Ensure availability and sustainable management of water and sanitation for all; OR
 - ii) SDG 9 — Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

The eligibility criteria are:

1. Category: 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;

2. Category: Water Storage

Projects that provide access to water for households or commercial facilities in water-scarce areas or areas lacking reliable water supply;

3. Category: Sanitation and Sewage Treatment

Projects that provide access to adequate sanitation facilities in areas with underdeveloped sewage infrastructure;

4. Category: Water and Wastewater Treatment

Projects that improve water quality and increase water-use efficiency through water recycling and reuse.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water management | <input type="checkbox"/> Climate change adaptation |

- | | |
|--|---|
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Access to water and sanitation |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Rotoplas' Corporate Practices & Strategy Committee is responsible for evaluating and selecting will evaluate and select Eligible projects for each Rotoplas Sustainability Bond. This Committee is comprised of 3 board members, (of whom two are independent), the Chief Financial Officer, Chief Operations Officer and Vice President of New Business and is responsible for selecting and approving strategic projects, including sustainability projects, among other responsibilities. The Corporate Practices & Strategy Committee will:

- i) Assess and determine project eligibility in accordance with SDG 6 and SDG 9 targets, eligibility criteria defined above and alignment with Rotoplas corporate strategy and Sustainability Model; and,
- ii) Determine the allocation of proceeds to eligible past, current and future projects on an annual basis.

Sustainalytics is of the opinion that this is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

While any Rotoplas Sustainability Bond is outstanding, the Rotoplas Corporate Practices & Strategy Committee will maintain internal records to show the allocation of the net proceeds to Eligible projects, including a brief description of the relevant project, its location, and the amount of proceeds allocated to it. These records will be regularly updated until full allocation of the net proceeds. The Corporate Practices & Committee will also oversee Sustainability Bond reporting.

Net proceeds may be allocated to (re)finance Eligible projects that are financed during the five years preceding the bond issue date or Eligible projects financed after the bond issue date and before the bond maturity date. Pending allocation to Eligible projects, net proceeds may be used to repay outstanding debt or invested in cash, cash equivalents and/or marketable securities in accordance with Rotoplas' normal treasury and liquidity policies.

Sustainalytics is of the opinion that this is in line with industry norms.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Within one year of issuing any Rotoplas Sustainability Bond, Rotoplas will publish a Rotoplas Sustainability Bond Report as a part of its Annual Integrated Report available on the Rotoplas Investor Relations website (<http://www.rotoplas.com/investors.html>).

The Rotoplas Sustainability Bond Report will include updated information on allocation of net proceeds, which will be refreshed annually until full allocation and as necessary thereafter in the event of new developments.

This Rotoplas Sustainability Bond Report will contain at a minimum:

- i) Confirmation that the use of proceeds of the Rotoplas Sustainability Bonds conforms to the Rotoplas Sustainability Bond Framework
- ii) The amounts allocated to projects under each Eligible project category
- iii) The balance amount of unallocated net proceeds
- iv) A selection of project examples financed by the net proceeds of the Sustainability Bonds
- v) Impact reporting elements as outlined in the framework, where feasible.

A full list of proposed impact indicators can be found in the framework document.

Conformance of the allocation of Sustainability Bond proceeds with the Rotoplas Sustainability Bond Framework will be verified by an independent auditor.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Rotoplas intends to disclose allocation reporting on a project portfolio basis, but may also disclose allocation to some projects as specific examples. |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Some impact reporting may be at the eligible category level, while impact reporting for some projects may be disclosed as examples |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

GHG Emissions / Savings Energy Savings

Other ESG indicators (*please specify*):

Please see framework document for full list of impact indicators

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (*please specify*):
- Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*):
Allocation of proceeds reviewed by an auditor.

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

<http://www.rotoplas.com/investors.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- (i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.
- (ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialized research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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SUSTAINALYTICS

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