Rotoplas: 1Q24 ESG developments; a strong start to the year

Rotoplas announced its first quarter 2024 earnings results yesterday. As usual, there are some interesting ESG developments from the quarter that are worth highlighting:

- Grupo Rotoplas conducted a thorough assessment of its various business lines' risks and opportunities associated with climate change and water security.
- For the 14th consecutive year, Grupo Rotoplas was recognized as a "**Socially Responsible Company"** (with the ESR designation).
- Throughout the month of March, activities were carried out in all countries in commemoration of International Women's Day. This included a broadcast on Rotoplas TV, webinars, as well as publishing internal and external communication materials.
- During the quarter, Rotoplas accumulated water savings that were equivalent to 8.6 million 20-liter water jugs.

As the Company has continued to make progress over the past years in implementing its ESG strategy and deploying ESG indicators, we believe it is on the right track to reach its ESG goals according to their 2021-2025 timeline.

Overall, Rotoplas maintained its sustainability commitments during 1Q24. We will continue to monitor these developments over the coming quarters, and look forward to seeing their ESG initiatives ramp up during the year.

Company: Grupo Rotoplas S.A.B. de C.V.
Ticker: AGUA.MX
Market Cap: P13,147 (US$776m)

ESG Ratings:
- S&P Global Ratings: mx AA-
- MSCI ESG: BBB
- CDP: B

ESG Indices Constituency:
- S&P/BMV Total Mexico ESG Index
- DJSI MILA Pacific Alliance

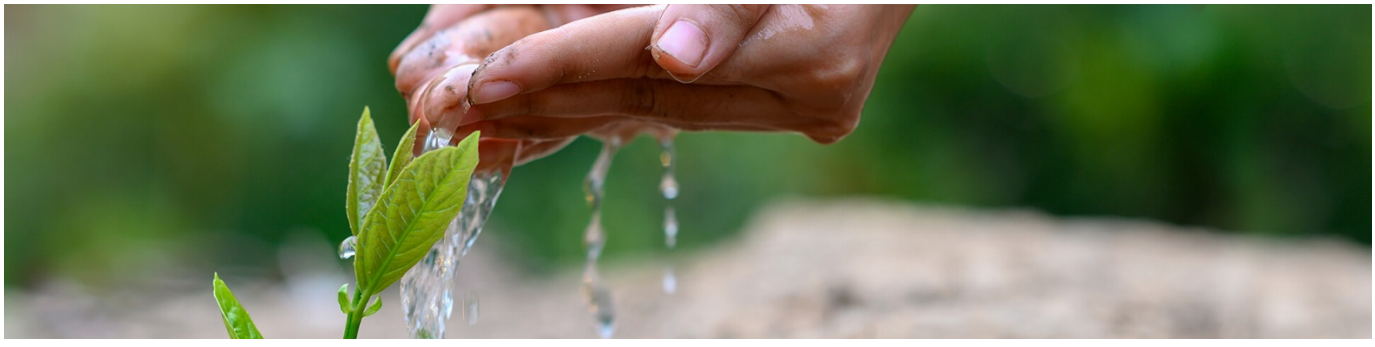
ESG Debt:
- **AGUA 17X** (issued P600m in 2017, matured in 2020)
- **AGUA 17-2X** (issued P1.4bn in 2017, P1.0bn in 2018, and P1.6bn in 2020, matures in 2027, fixed rate of 8.65%)

Marimar Torreblanca, CFA
Partner and CEO of Miranda ESG

Daniela Madrazo
Senior Analyst, Miranda ESG

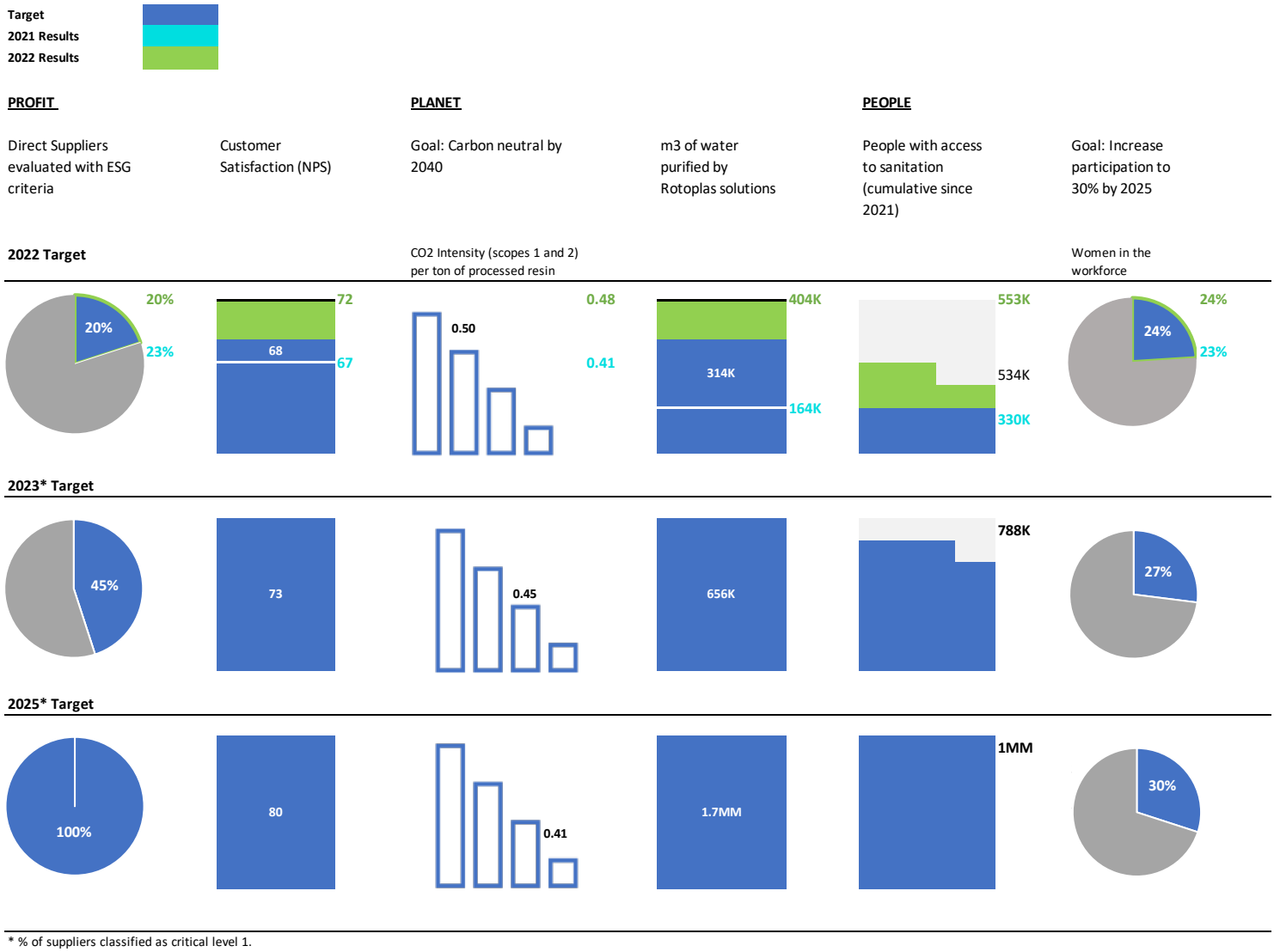
Rotoplas is an ESG research client of Miranda ESG

"We are excited about the opportunities that 2024 will continue to bring. We remain focused on providing the best service to our customers and leading the change towards a more efficient and sustainable use of water." – Carlos Rojas, CEO



April 24th, 2024 This report was prepared by Miranda ESG, to be distributed by Vector Casa de Bolsa, S.A. de C.V.

2021-2025 Sustainable Growth Plan Progress (as of 4Q22):



* % of suppliers classified as critical level 1.

GOAL: 2X SALES IN 5 YEARS

- **2022 results:** 17.0% growth vs 2021

⇒ *Experiencing faster growth than the initial plan*

GOAL: ~20% ROIC

- **2022 results:** 78% increase in ROIC since the start of the *Flow* Transformation Program in August 2019

⇒ *+6.2 pp (from 7.9% in 2021 to 14.1%)*

10 new water solutions launched in 2022 to respond to water challenges

8-point increase in the Bloomberg GEI Score in 2022

ESG Achievements, Opportunities, and Risks Analysis

We reiterate our views on Rotoplas's key ESG achievements, opportunities, and risks. We would still like to see targets on all material topics eventually, but we maintain our view that the existing set of goals sets the right tone for the sustainability strategy going forward.

- **Key ESG Achievements:** through ***Flow***, Rotoplas reshaped its organizational focus and strategy. This also contributed to reinforce its commitment to sustainability, achieving ESG integration across its operations (from CapEx decisions, goals setting, and all the way to management compensation structures). We believe this is also visible in its ESG disclosure level, which is more extensive than that of most peers.
- **Key ESG Opportunities:** we believe Rotoplas has ESG opportunities both in its business (through the development and further growth of eco-friendly water-related products, as clean water scarcity becomes an increasingly pressing global issue) and in its already established sustainability practice. We would like to eventually see ESG KPIs on all material topics to guide this strategy forward, coupled with additional clearly defined publicly disclosed KPI targets.
- **Key ESG Risks:** we see 3 key risks for Rotoplas on ESG matters: (1) the potential increase in costs related to some of its most relevant raw materials as the world transitions to cleaner energy, (2) climate risks to some of its physical assets, and (3) customers' perception of how eco-friendly some of its products are. Rotoplas seems aware of these risks and is actively managing them.

ESG Development & Communication

Rotoplas is still amongst the most mature companies in terms of sustainability in the Mexican market. It is one of the ESG leaders in the Capital Goods sector.

Rotoplas—Miranda ESG Strategy & Communication Heatmap

ESG Strategy	Rotoplas
Materiality analysis	Latest update in 2021
KPIs clearly identified for each material topic	
ESG goals defined for KPIs	
ESG Committee or dedicated team	
Aligned with SDGs	
Aligned with TCFD	
Aligned with Science Based Targets	
Aligned with CDP	
Signatory of the UN Global Compact	
ESG Communication	**Rotoplas**
Corporate governance info available	
Social programs info available	
Environmental programs info available	
Sustainability or integrated report	Published annually since 2015. Last one published in 2023.
External verification for report	
Report under GRI	
Report under SASB	

Source: Miranda ESG

Disclaimer

This report has been commissioned by Grupo Rotoplas, S.A.B. de C.V. and prepared and issued by Miranda ESG. Miranda ESG, a division of Miranda Partners, receives compensation for the provision of ESG Research from Grupo Rotoplas, S.A.B. de C.V.

Miranda ESG maintains a separation between its research and sustainability advisory activities in order to preserve the independence and fairness of its ESG analyses.

The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality, or integrity of the information.

Miranda ESG, in accordance to applicable legislation, has made sure that the presented information is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned information, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this document was obtained from public and/or private sources. The projections or previsions included in this document, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the document will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This document has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda ESG will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this document or its content, or any connection to the document. Miranda ESG is not responsible for the use or association with this document, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This document is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda ESG does not assume any responsibility to update, review, rectify or invalidate this presentation based on any future occurrence.

The opinions related to this document eventually expressed by Miranda ESG, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This document and its contents are property of Miranda ESG and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda ESG.