



# Rotoplas. Innovation & strategy

CREATION OF VALUE

# Creation of value

## Access to water and sanitation context (102-12, 201-2, 203-2)

Latin America and the Caribbean have one-third of the planet's water resources. In the region, water availability exceeds 22 million liters per capita a year, a figure that nearly quadruples the world average (ECLAC, 2016). However, there is a heterogeneous distribution of the resource and large populated areas in regions with low availability or high water stress. 70% of water is used for agriculture, while domestic use occupies the second place of greater intensity, which demands 19% of it (ECLAC, 2016). This scenario suggests the need to prioritize efficiency in agriculture and ensure water supply to households.



**11%**

OF THE WORLD'S  
POPULATION DO NOT  
HAVE ACCESS TO  
DRINKING WATER.



**32**

MILLION PEOPLE DO  
NOT HAVE ACCESS TO  
DRINKING WATER IN  
LATIN AMERICA.



**40%**

OF THE WORLD'S  
POPULATION DO NOT  
HAVE BASIC SANITATION  
FACILITIES.



**80%**

OF GLOBAL DISEASES  
ARE RELATED TO  
POLLUTED WATER.

In this regard, the concept of **water security** stands out, which means to ensure the **availability of safe water to be supplied to the population for subsistence uses**, among other aspects. Access to appropriate drinking water levels and sanitation, availability of the resource to ensure a sustainable productive development and to reduce associated conflicts, the conservation of water bodies in a condition compatible with human health and environment protection, as well as the reduction of risks connected with climate change (which leads to situations of water deficit or excess) are priority areas that must be addressed in the region. (ECLAC, 2016). **Grupo Rotoplas is aware of these priorities and addresses them by providing solutions for storage, flow, purification, filtration and treatment.**

The **most vulnerable population** regarding access to water and sanitation **usually lives in less-favored areas of large cities and in rural regions**, where coverages for this and other basic services are less efficient. This goes against the declaration of the United Nations that refers to water and sanitation as essential to the realization of all human rights, as well as their inclusion in the 2030 Agenda for Sustainable Development.

Mexico has 9 million people without access to piped water, and 50% of wastewater does not have an appropriate treatment (CONAGUA, 2015). The magnitude of these figures in the country and in the region, forces governments to the development of programs to reverse such situation. It is the case of Brazil with the “*Agua para Todos*” (Water for All) initiative, in which we participated between 2013 and 2014 with the provision of rainwater harvesting systems for the semiarid region. We evaluated the impacts generated, identifying an improvement in the hygiene and health conditions of communities, an increase in food intake, and in the use of water for cooking, as well as an increase in school attendance. (Vox Populi Institute, 2014).

## In Mexico, 10% of the population lacks access to drinking water and 43% do not have minimum sanitation facilities.\*

As for Mexico, programs and social initiatives of different government departments have included Grupo Rotoplas’ solutions, such as rainwater harvesting systems, outdoor sustainable bathrooms and water purifying systems, which help reduce gastrointestinal, respiratory, and infectious diseases as well as school and work absenteeism (GESOC A.C., 2015).

During the year, an important event was the implementation of the *Programa Nacional de Bebederos* in public preschool, primary and secondary schools, promoted by the National Education Infrastructure Institute (INIFED from its Spanish) and its representatives at State level. The program aims to increase pure water consumption, promoting a change towards healthy nutrition habits that foster a multidimensional approach against childhood obesity, in which Mexico ranks first globally. After public tenders were carried out, we were awarded the installation of 3,193 drinking water fountains and our solutions are now part of the PNB in 4 of the 5 regions in which the country has been divided for the initiative.

We have been able to provide our experience in previous projects of drinking water fountains in Mexico City, Coahuila, Nuevo León and Yucatán. Specialized institutions have carried out studies on the impact of Rotoplas’ drinking water fountains in habits of school children, particularly in Coahuila. As a result, we identified a decrease by **34% in the amount of consumption of soft drinks at school**, which decreases from 55% to 36% when drinking water fountains are available to students; other effects such as the reduction of plastic bottles and savings for the families were also found. Once we have achieved these results, we work on redesigning the drinking water fountains taking advantage of the experience of such programs, with an approach based on continuous improvement.

\*Source: *Panorama del agua en el mundo, Consejo Consultivo del Agua.*



In Grupo Rotoplas we also develop pilot programs with some integrated solutions in Guatemala, Mexico and Peru, which will be expanded to other countries in the region; we contribute as well with in-kind support to different NGOs' initiatives, that benefit rural communities through joint working models.

#### **COLLABOTATION AGREEMENTS WITH NGOs FOR THE DEVELOPMENT OF WATER AND SANITATION PROJECTS**

- *Fondo para la Paz*
- *Fundación del Empresariado Chihuahuense*
- *Fundación Haciendas del Mundo Maya*
- *Fundación Patrimonio Indígena*
- *Hábitat para la Humanidad Internacional*

We are contributing to improve the conditions of water supply and sanitation in different rural communities through our solutions, reaffirming that our portfolio of products is a win-win option for the population and the company, a business proposal that helps social development. With a history that demonstrates this contribution, the acquisition of Sytesa puts us a step forward participating in the wastewater treatment process, with which we completed our presence in the whole water cycle.



#### **References:**

Peña, H. (2016). *Challenges of water security in Latin America and the Caribbean*, ECLAC.  
National Water Commission. (2015) *Situation of Drinking Water, Drainage and Sanitation Sub-sector*.

## Business model and corporate strategy (102-16)

In Grupo Rotoplas we seek to offer high quality innovative products in order that people will have more and better water, and we have a large portfolio that includes individual and integrated solutions.

Our **design and innovation** team leads the development of products that offer differentiated value considering users' needs; these needs are frequently evaluated by our team on-site. This is how **ideas become solutions**, for which we consider materials from a sustainability approach, such as polyethylene and polypropylene, both of less environmental impact than other alternative plastics. These materials are prepared in company's **plants**, and then distributed to the injection and rotomolding plants.

In the case of solutions with greater diversity of components, we have specialized assembly plants. In order to ensure our high-quality standards, we maintain strict quality standards on parts produced by third parties.

It is worth mentioning that together with the development of high quality solutions, we pay attention to technologies and new solutions arising from the market that may complement our portfolio. An example is the line of water heaters, which we are selling from the incorporation of Talsar, a leading company in that industry in Argentina.

Our products reach the market and consumers through a **large network of distributors**, including home improvement and construction material stores, and other specialized stores. With NGOs, we establish direct relations, either through donations, 1:1 contributions or other collaboration models. On the other hand, we have a team of experts who are responsible for advising Governments to identify needs and possible solutions.

In the case of large projects including Grupo Rotopla's solutions, we also provide training in situ to users, in order that they can take full advantage of our products.

It is important to highlight the active role that we are playing to participate in international tenders, as providers of water solution and in alliance with different entities.



In Grupo Rotoplas we are convinced of the **potential of collaboration** and we want to trigger the development of technologies that improve the population's access to water and sanitation, contributing to the construction of a community focused on it. This is the purpose of **Rotoplas Labs**, our innovation platform for the future, in which disruptive ideas are conceived to develop new solutions that, based on the users' experience and needs, will build innovative business models. Also, we are focusing our efforts to provide value-added services, as those provided by the newly acquired Sytesa, which in addition to the construction of wastewater treatment plants, is a specialist on their operation and maintenance.

Based on our corporate strategy, we have worked in the excellence of our teams and the transformation provided by our solutions, which contribute to economic and social development.





The Rotoplas Way identifies us as creators of a collaborative culture, with people committed, innovative and aligned to processes. It constitutes our collective understanding of how to do things and facilitates interaction among multidisciplinary teams.

The **4 pillars of Rotoplas Way**, are reflected in our Manifesto, with confluent purposes in our Mission and Vision. A monitoring committee evaluates progress weekly. This committee includes members from different areas of the company, which are responsible of suggesting and follows up on initiatives to expand our work style across the Company. After its launch, this year we put emphasis on training and internal communication in this regard, through initiatives such as the *Mes del Estilo Rotoplas* (Rotoplas Way Month), including activities in all our workplaces. Our Rotoplas Way, increasingly present in our daily work life, stands out for the dynamism that is acquiring, evolving with the employees' contributions.



With a historically recognized trademark as a synonym of quality brand, we have expanded our diversity of solutions, attached to an innovation with purpose, seeking from the beginning to transcend as an agent of change for a society that requires “more and better water”.





## Relation with stakeholders (102-13, 102-21, 102-40, 102-42, 102-43, 102-44)

Grupo Rotoplas trajectory, performance and perspectives, are the result of a strong network of relationships and collaborative efforts with our different stakeholders. We understand the actively and multidirectional interaction, with an approach to maximize the created value.

This collaboration was also present during the identification of our stakeholders. The diagnosis was made by teams of Investor Relations





and Government Relations, based on the company's impacts, which we strengthened through consultations with key partners within the company.


Along with our web site and the publication of our integrated report, we also have channels, platforms and other tools to interact with each group of stakeholders.

Stakeholders		Communication channels	Relevant topics
<b>Customers</b> 	Distributors	<ul style="list-style-type: none"> <li>Satisfaction survey</li> <li>CSC (customer service center) Complaint means (by telephone and web site)</li> </ul>	<ul style="list-style-type: none"> <li>Quality of Products</li> <li>Advertising and promotion of products</li> </ul>
	Government entities		<ul style="list-style-type: none"> <li>Access to water and sanitation</li> <li>Users' training on solutions, for a better acceptance</li> </ul>
	End user		<ul style="list-style-type: none"> <li>Quality of products and services</li> </ul>
<b>Employees</b> 	Part-time: professionals in development and alumni	<ul style="list-style-type: none"> <li>Organizational climate survey</li> <li>Corporate social network: R-Connect</li> <li>Complaint means (by telephone and web site, intranet)</li> <li>Company's quarterly results</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and anti-corruption practices</li> <li>Training and career development opportunities</li> <li>Safety and health in the work environment</li> <li>Processes and improvement initiatives</li> </ul>
	Full time: workers, including union members		





Stakeholders		Communication channels	Relevant topics
<b>Suppliers</b> 	Raw materials and service suppliers	<ul style="list-style-type: none"> <li>Annual assessment</li> <li>External surveys</li> <li>Complaint means (by telephone and web site)</li> </ul>	<ul style="list-style-type: none"> <li>Agility and efficiency regarding the company</li> <li>Ethics and anti-corruption practices</li> </ul>
<b>Board of Directors and its internal bodies</b> 	Board of Directors Audit Committee Corporate Practices Committee Compensation Committee Sustainability Committee	<ul style="list-style-type: none"> <li>Meetings (monthly or quarterly, as appropriate)</li> </ul>	<ul style="list-style-type: none"> <li>Strategy, growth and consolidation plan</li> <li>Innovation model</li> <li>Risk assessment, audits and compliance</li> <li>Compliance with guidelines provided for a public company</li> <li>Employees' attraction, training and retention</li> <li>Approaching and monitoring of sustainability initiatives</li> </ul>
<b>Financial community</b> 	Investors Banks - incurred debt Rating agencies	<ul style="list-style-type: none"> <li>Quarterly meetings</li> <li>Telephone conferences</li> <li>Annual and quarterly reports</li> </ul>	<ul style="list-style-type: none"> <li>Economic performance</li> <li>Operating results</li> <li>Organic and inorganic growth</li> <li>Economic results</li> <li>Risk management</li> <li>Financial performance</li> </ul>
<b>Authorities and regulatory bodies</b> 	Mexican Stock Exchange (BMV) and National Banking and Securities Commission (CNBV); Tax authorities of each country Secretary of Labor and Social Welfare	<ul style="list-style-type: none"> <li>Annual and quarterly reports (BMV and CNBV)</li> <li>Monthly tax statements (tax authorities)</li> </ul>	<ul style="list-style-type: none"> <li>Economic results</li> <li>Risk management</li> <li>Compliance of the tax obligations</li> <li>Management of labor obligations and compliance status</li> </ul>

Stakeholders	Communication channels	Relevant topics
<b>Community</b> 	Non-governmental organizations <ul style="list-style-type: none"> <li>• Forums in which Rotoplas participates</li> <li>• Fan del agua digital platform <a href="http://www.fandelagua.com">www.fandelagua.com</a></li> <li>• Social media</li> </ul>	As customers: <ul style="list-style-type: none"> <li>• Quality of Products</li> <li>• Users' training on solutions, for a better acceptance</li> <li>• Impacts of the solutions on beneficiaries (household economics, health, and education)</li> <li>• Collaboration schemes</li> </ul>
	Universities	<ul style="list-style-type: none"> <li>• Collaboration schemes</li> <li>• Company's innovation approach and investment thereon.</li> </ul>
	General community	<ul style="list-style-type: none"> <li>• Access to water and sanitation, and impact of solutions</li> <li>• Practices for rational water use and impact</li> </ul>
	Communication media	<ul style="list-style-type: none"> <li>• Business performance and evolution (including new solutions, acquisition of companies, collaborative efforts)</li> <li>• Impact of the solutions in the socio-economic development</li> </ul>
	Chambers and associations	<ul style="list-style-type: none"> <li>• Collaboration schemes</li> <li>• Impact of solutions in the socio-economic development</li> </ul>

We also collaborate with sectoral associations, contributing to the analysis of the common challenges and proposing solutions.

### Associations in which Grupo Rotoplas is involved

*Confederación Patronal de la República Mexicana (COPARMEX)*

*Consejo Consultivo del Agua (CCA)*

*Associação Brasileira dos Fabricantes de Materiais para Saneamento (ASFAMAS) (Brasil)*

*Instituto Trata Brasil (ITB)*

*Cámara Guatemalteca de la Construcción (CGC)*

*Aquafondo - Fondo de agua para Lima y Callao (Perú)*

*Foro Argentino del Agua (FAaA)*



# Sustainability model (102-13, 102-16, 102-18, 102-26, 102-43, 102-46, 102-47)

In Grupo Rotoplas we consider sustainability as a crossed drive to our corporate strategy and our relation with stakeholders. Under the phrase “For people to have more and better water”, we want to generate a positive impact that will transcend our operations and will contribute to promote a more sustainable society, from the social, environmental and economic perspectives.

In addition to incorporate sustainability into our goals, we have integrated this approach in our operating model, being a principle of the Rotoplas Way.

In order to focus our efforts on the most significant issues from our stakeholders’ perspective and from the Company’s strategy, this year, we carried out a **materiality** analysis, through a 4-stage process: identification, prioritization, validation and review, whose main activities are below.

## Review and identification

Grupo Rotoplas’ Approach	<ul style="list-style-type: none"><li>• Analysis of corporate documents, including our Code of Ethics and Conduct and some major policies.</li><li>• Interviews were made to prominent executives of the Company, who raised many topics.</li></ul>
Our stakeholders’ overview	<ul style="list-style-type: none"><li>• Analysis of the results obtained from the different interaction channels with our stakeholders, including “Great Place to Work” survey and supplier satisfaction survey, along with the main information requirements by investors and the press appearances.</li><li>• Also, we carried out an analysis of the main issues reflected by the industry, according to publications as <i>Sustainability Topics for Sectors of Global Reporting Initiative (GRI)</i>, the annual analysis of RobecoSAM (<i>Sustainability Yearbook</i>) as well as the materiality provided by the <i>Sustainability Accounting Standard Board (SASB)</i>.</li></ul>

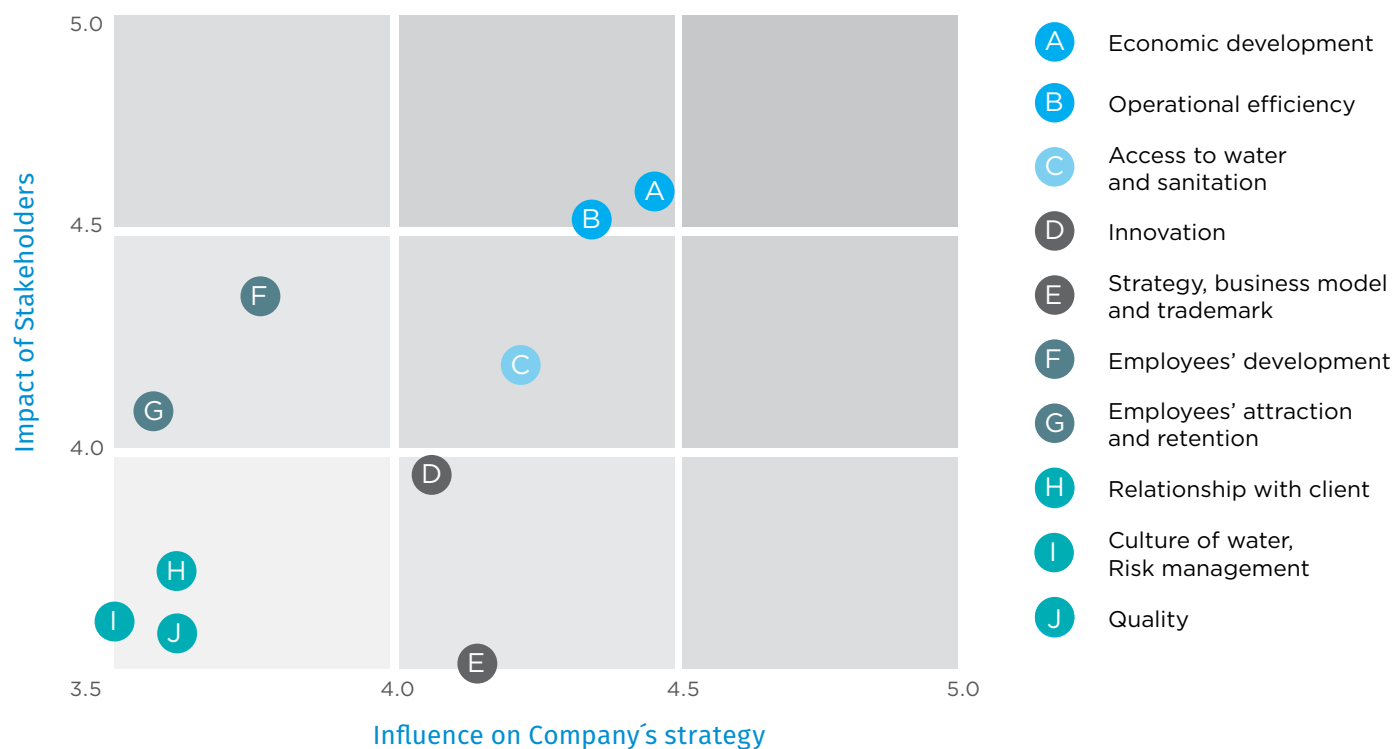
After having created the list of potentially relevant topics, we proceeded with their prioritization and afterwards we determined the material issues. Though the process we considered both the company's strategic overview and the stakeholders' approach, drawn up by:

## Prioritization and validation

Grupo Rotoplas' Approach	<ul style="list-style-type: none"> <li>Executive in-depth interviews.</li> </ul>
Our stakeholders' overview	<ul style="list-style-type: none"> <li>Direct consulting through interviews with strategic clients (including NGOs and Government entities) and a survey to employees. In addition, consultations were conducted to raise the overview of government customers and distributors through interviews with the teams in charge of the relations with them.</li> </ul>

As a result, we obtained the following material issues:

## Materiality Matrix





These topics served as the basis for our **Sustainability Model**, that we defined during 2016 and which will be released in the following year. This Model is also based on the Corporate Strategy 2014-2019 and our understanding of the way in which Grupo Rotoplas creates value. With the support of external specialists, we obtained a flow originated from innovation that our team materializes through the different **business models** that we are developing, our **operations** aligned to processes and the **solutions** that we make available to our customers and users.

Our new **business models**, highly linked to collaborative economy and other disruptive trends, are based on work with third parties, through partnerships for the creation or strengthening of existing platforms, with a prominent role in our Rotoplas Labs initiative.

To guarantee a continuous innovation in our solutions, we evaluate customer's and users' needs, approaching to co-creation thanks to our teams' performance in the field and studies carried out. We contribute to address primary needs through the provision of water and sanitation, for which, a close relation with the beneficiaries is a key factor.

Our processes are the channels through which we articulate the power of innovation and the employees' commitment; a working method that is closely associated with the Rotoplas Way and with an approach of continuous improvement to guarantee efficiency and excellence.

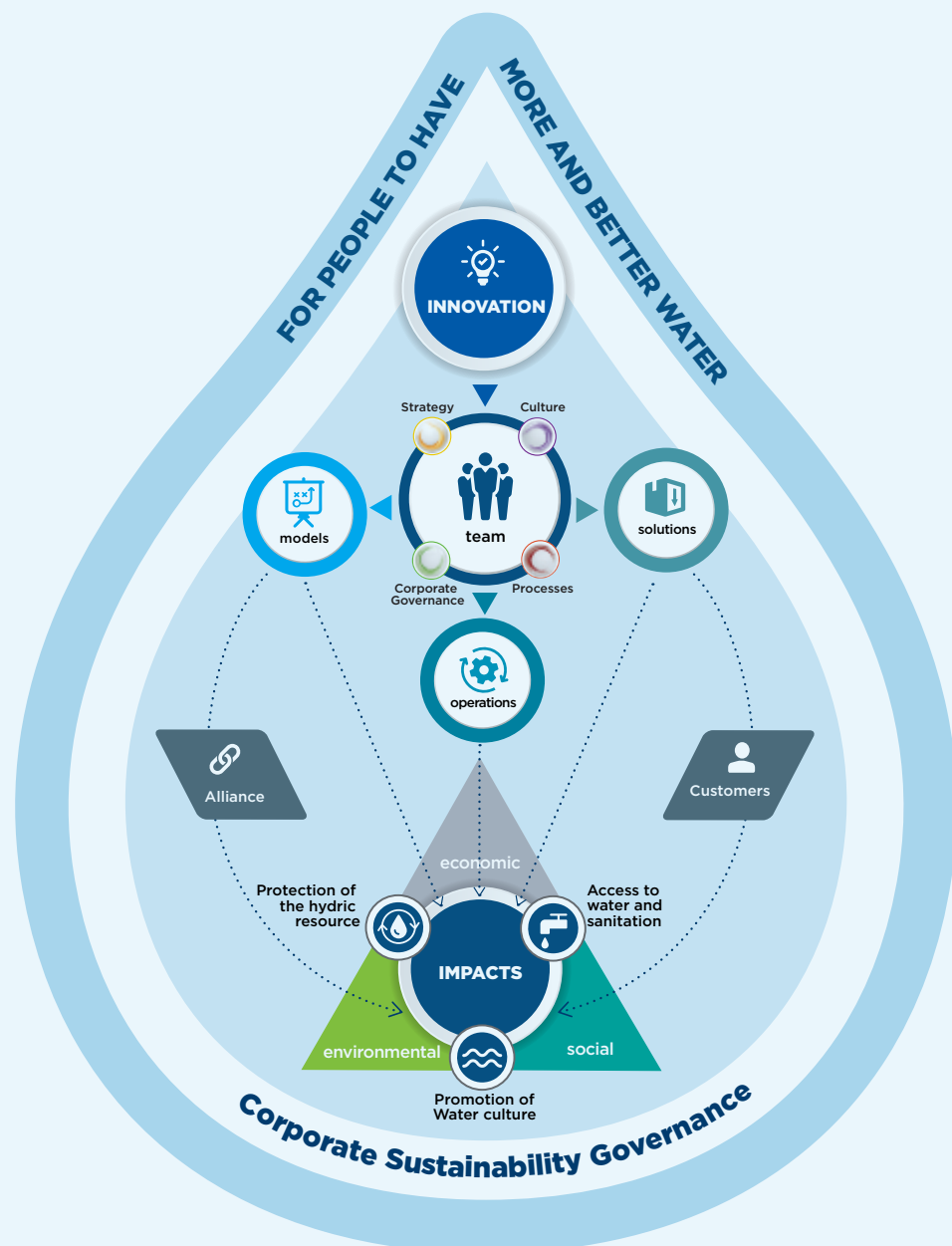
Because of the innovation that we are implementing and accelerating, we are responsible for a series of **impacts in the three sustainability aspects**: economic, social and environmental, including water supply and sanitation, the promotion of water awareness in society and contribution to ensure the availability of water. In this last aspect, our contribution has increased from the integration of wastewater treatment solutions provided by Sytesa.

Four large focal points in which we prioritize our actions arise from our understanding of value generation: **Corporate Sustainability Governance, Collaborative innovation with purpose, Driving economic and social development, and Safeguarding water as a resource for the future**. Each focal point comprises a series of lines of action, which set the guidelines of our performance and the creation of the Model Implementation Plan, for the next 3 years which we are currently developing.

It is worth mentioning that the Model seeks to show mainstreaming of operations and impacts of Grupo Rotoplas, and its implementation is responsibility of every single person who participates in this company. It is also achieved through a close cooperation with our stakeholders, especially customers, users and partners in innovation. The **Sustainability Committee**, approved the Model which is being communicated to the different teams.

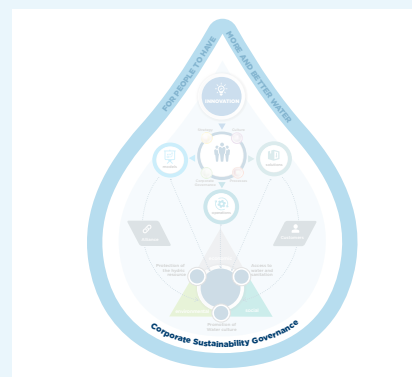
The Sustainability Committee of Grupo Rotoplas has played, since its creation, an active role in the follow-up of environmental, social and corporate governance issues. It is multi-disciplinary composed by Strategy, Human Resources, Institutional and Government Relations, Legal, Investor Relations, Quality, Marketing and Innovation areas. It is in charge of implementing, coordinating and monitoring different initiatives related to sustainability and reporting to the Board of Directors.

## Sustainability model



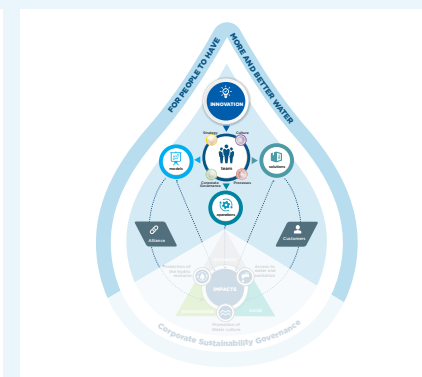
Focal point 1:

**Corporate Sustainability Governance**



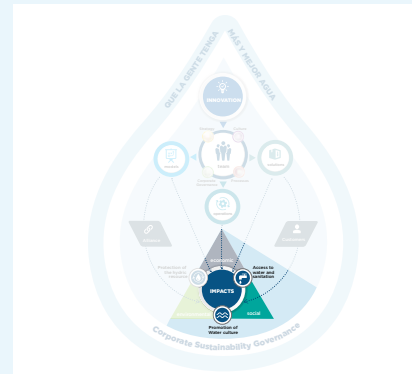
Focal point 2:

**Collaborative innovation with purpose**



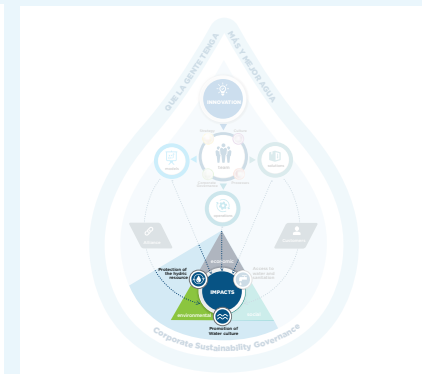
Focal point 3:

**Driving economic and social development**



Focal point 4:

**Safeguarding water as a resource for the future**



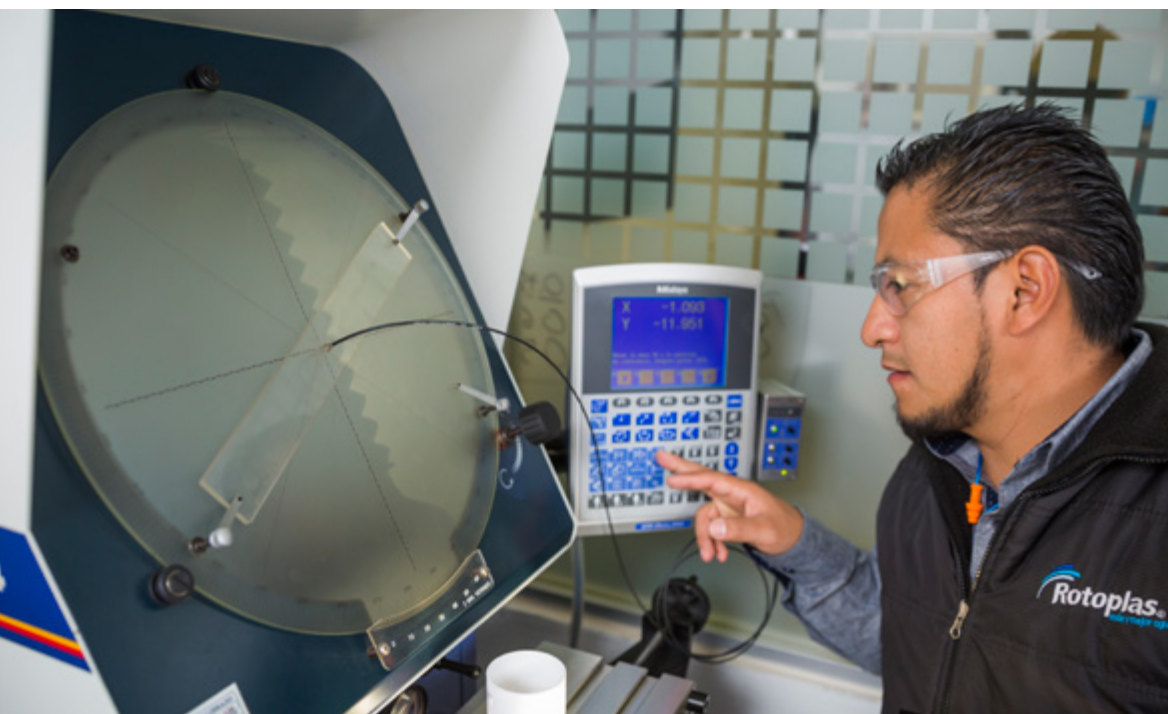
For more information, please visit our website.

In Grupo Rotoplas we also support important international initiatives in which we seek to contribute through our knowledge of the water and sanitation sector, the impacts of water supply and the sustainable management of our operations. It is the case of the United Nations Global Compact, which we joined and are working in the implementation of the 10 principles, which cover Human Rights aspects, Labor Matters, Environmental and Anti-corruption issues.

Since its launch this year, we also participated in the *Alianza por la Sostenibilidad* (Alliance for Sustainability), a platform for business collaboration with the Mexican Government to jointly develop projects aimed to the fulfilment of the 2030 Agenda for Sustainable Development.

In regards to the 2030 Agenda and the Sustainable Development Goals (SDG) we are working in order to strengthen our contribution and to identify new win-win business opportunities that boost socio-economic development<sup>3</sup>.

## Innovation (102-12, 201-1, 203-1)



In Grupo Rotoplas we are characterized for being a company in constant growth, whose passion is to innovate and develop new technologies allowing to expand our portfolio and find new solutions to address the global challenges of water, while retaining a high-quality approach and best guarantee to end users.

<sup>3</sup> More information about Grupo Rotoplas contribution to the Sustainable Development Goals (SDG) in specific section.



Last year, after having created the Innovation Office, in charge of the internal development of products and process as well as new relations with universities and research centers, in 2016, we focused on the wastewater treatment and water purification lines. We invested \$77.7 million pesos, a 5.1% increase over the previous year for all our innovation projects.

Our understanding of innovation goes far beyond its role as the company's intellectual asset, we believe that it **is the collective strength of a community in which we want to be part and facilitators for its development.**

We identify innovative technologies, integrating them to our platform in order that they can reach their full potential and contribute to supply more and better water to all. In 2016, we invested in the Advanced Innovation Center of Chile (AIC), a leading research center with whom we shared the **innovation with propose** approach. The resources provided are intended to promote the development of Plasma Water Sanitation System (PWSS) technology, created and patented by AIC, which allows to purify water contaminated by organic matter in a 100%. Already recognized internationally, PWSS is being applied in 13 pilot projects in communities in Chile and has a huge potential impact on global public health.

In addition to our participation at AIC, we executed agreements with different universities and research centers, to contribute to the development of technologies and water and sanitation solutions. We hope to add new agreements soon, which we are working with institutions in Mexico and United States, to our current initiatives.

### Agreements with universities and research centres

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Columbia Water Center - Columbia University, (EE.UU.)

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University of Utah, (EE.UU.)

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Universidad Nacional Autónoma de México, (México)

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Centro de Investigaciones en Óptica - Consejo Nacional de Ciencia y Tecnología, (CONACyT, México)

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An outstanding part of our progresses during the year, is the launch of **Rotoplas Labs**, a platform with which we are looking to create an innovation community, providing capacities and technologies to communities that need water solutions. The emphasis on creating projects through Rotoplas Labs also extends to our portfolio, an example is our new offer of water purifiers through monthly lease schemes, as a solution for homes and workplaces. It is a business model aligned with the new trends of the economy, that are moving towards offering services rather than products; it also helps to reduce the use of plastic bottles and provides quality water, completely safe for human consumption. With all this, we contribute to return the citizens the right to use water.

The nature of Rotoplas Labs offers a unique opportunity for exponential growth, which could allow to decrease the gap between people with access to water and sanitation and people without them.