



May 4, 2021

# Sustainability Linked Bond Framework

## Business Overview ●



- Orbia is a purpose-led company, passionate about the challenges that define how people will live and thrive tomorrow. Big, systemic issues require strategic, collaborative, and human-centered solutions that are difficult for any one company to tackle alone.
- By taking this approach, Orbia is reinventing the future of cities and homes, reducing food and water scarcity, expanding access to healthcare and well-being through providing advanced materials, specialty products and innovative, human-centered solutions and connecting people around the world to global data infrastructure.
- Our decades-long history began as a leading producer of commodities, and through investments and strategic growth, we've become a global leader in our end markets: polymers solutions, datacom, precision agriculture, building and infrastructure and fluorinated solutions.
- Orbia's business groups span the verticals of Precision Agriculture, Building and Infrastructure, Fluor, Polymer Solutions and Data Communications.
- The company has commercial activities in more than 100+ countries and operations in 50, with global headquarters in Mexico City, Boston, Amsterdam and Tel Aviv and a team of 22,000 dedicated employees working worldwide.

# Advancing Sustainable Solutions...



## Precision Agriculture & Polymers Solutions: Feeding the World Sustainably

Through efficient drip irrigation systems, digital farming tools, and innovative services we aim to empower Netafim's mission of helping farmers "grow more with less". We help feed the planet without wasting water and, through providing precision agriculture products and services, we are privileged to reach millions of the world's farmers each day.

Furthermore, our PVC packaging film preserves food on route to our tables, which reduces the environmental footprint of food production and commercialization

*NetBeat is the first-ever digital irrigation solution to offer automated, intelligent delivery of water, fertigation, and crop protection.*

*Helped 57,000 farmers in 100 Indian villages grow more with less through community irrigation projects.*



## Fluorinated & Polymer Solutions: Making Health and Well-Being More Accessible

Orbia's Fluor business group leads global production of the fluorine-based medical propellants used to deliver life-saving medications in metered-dose inhalers and similar respiratory devices. This is how **we help improve safety, aid infrastructure, and modernize medicine.**

In addition, Orbia is the leading global supplier of polymers used in essential medical equipment such as IV bags, tubes, oxygen masks and a range of medical grade PVC enhancements for hospitals and clinics, as well as a manufacturer of the chlorine used in many life-sustaining applications

*HFA 152a is a new medical propellant for asthma inhalers that lowers carbon emissions by 90% and increases affordability.*



# ... Across Multiple Industries



## Building & Infrastructure: Better Managing Water Systems

This business group focuses largely on water management while also providing a number of other products and services. **We are seeking to open access to this critical resource by fluidly innovating to deliver safe, efficient water management systems and technologies.** Our resilient solutions include capture, recycling and reuse of water, with rain and storm water harvesting, street gullies and heating and cooling systems.

A number of chemical and material applications for fluorspar and chlor-alkali apply directly to water treatment. We work with a number of cities to bring clean water to millions of people

*Rainwater catchment systems in Central America provided 80 million liters of water for home use in a year. Prevented flooding and optimized storm water reuse through StormHarvester system and Tegra street gully.*



## Sustainable Construction: Making Cities More Livable and Resilient

Orbia has been a leader in urban solutions for decades, addressing a diverse range of infrastructure challenges and opportunities, like **designing innovative material solutions for temperature regulation, sanitation, water management and more essentials for better and smarter urban living.**

Orbia's solutions cut across different applications, from chlor-alkali used in water purification, vinyl to fiber cable pathways used in building, construction and housing for social and institutional areas.

*The PlasticRoad is a modular pavement replacement made from 90% post-consumer recycled plastic. Two successful pilot bike paths were installed in 2018.*



## Data Communication: Empowering Communities with Data

Given present and anticipated growth in mobile technologies coupled with current movement toward 5G networks and IoT environments, Orbia's Data Communication group is working on the front lines of creating what connects us. Dura-Line creates the conduit tubing required to physically connect homes, buildings, and entire communities to high-speed internet. **We help the benefits of data access reach as far and wide as possible.**

*We manufacture more than 400 million meters of conduit per year for delivery of fiber-optic internet and other Datacom needs. Provided conduit for 300+ telecom project sites in the U.S.*



# Orbia's Materiality Assessment



Significance of economic, environmental & social impacts

# Sustainability Business Strategy •

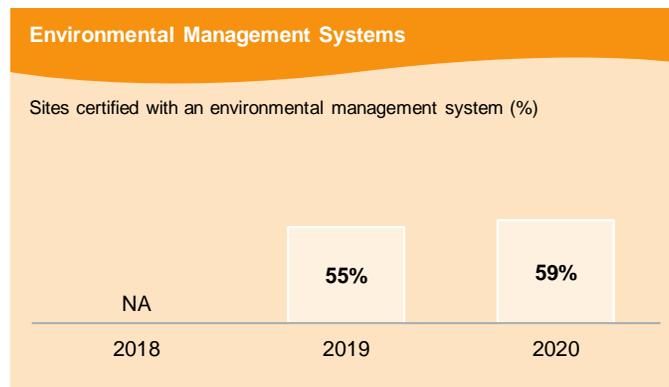
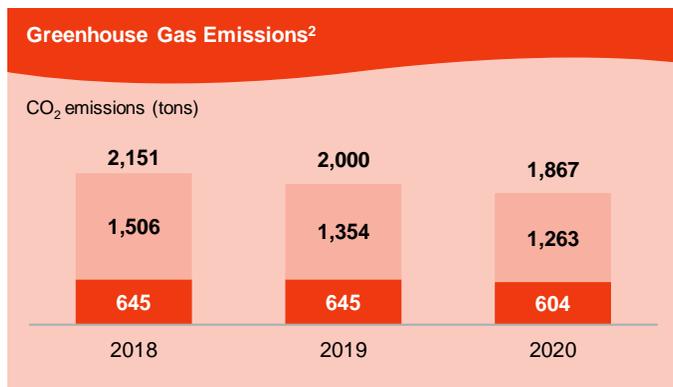
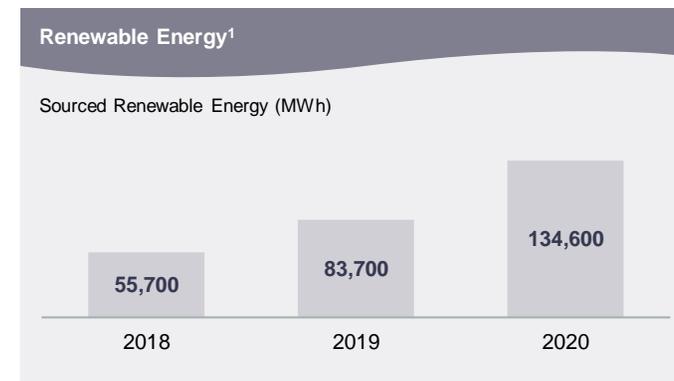
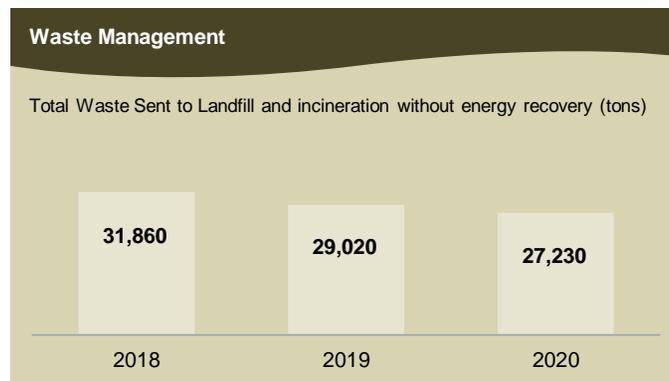
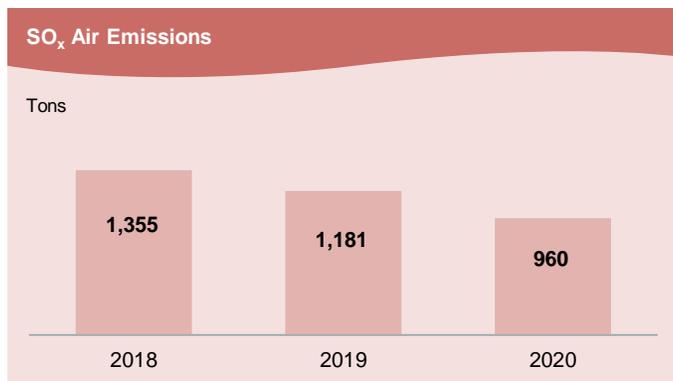
Orbia contributes to global sustainable development by delivering a large portfolio of products, services and solutions that can help meet the world's most pressing challenges. We are committed to responsible business growth in full compliance with the laws and regulations of all the countries in which we operate.

Orbia intends to achieve ambitious sustainability goals in the upcoming years aiming to tackle climate change, sustainability and global topics that concern everyone.



Impact Area	Goal	Year
Climate Change	Achieve net zero carbon emissions	2050
Air Emissions	Reduce sulfur oxide (SO <sub>x</sub> ) emissions by 60%	2025
Environmental Management	100% of sites certified with an environmental management system	2025
Waste	100% of plants will reduce 90% of waste (including hazardous and non-hazardous) diverting from disposal to landfill or from incineration without energy recovery	2025
Safety	Total Recordable Injury Rate (TRIR) below 0.2 total for employees and contractors	2025

# Orbia Sustainability Performance ●



*“We are continuously seeking to minimize any discernible risks in our production processes and to lighten the footprints of the products and services we offer to deliver the greatest value to our stakeholders with the least environmental impact”*

**Notes:**  
 Sourced from Company's Filings, data rounded to nearest tenth in most cases  
 2020 data is not public and is on the process of being reviewed and assured by an external party  
 1. Figures include renewable electricity purchased and generated  
 2. Scope has widened, therefore data is not seen as in 2019 SR. A section of 2018 emissions was extrapolated to make data comparable.

# Sustainability-Linked Bond Framework ●



The Framework has been established in accordance with the International Capital Markets Association's 2020 Sustainability-Linked Bond Principles ("SLBP"). The SLBP 2020 are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking sustainability outcomes and promote integrity in the development of the SLB market by clarifying the approach for the issuance of a SLB. The Framework is in alignment with the five core components of the SLBP 2020:

- Selection of Key Performance Indicators ("KPIs")
  - Calibration of Sustainability Performance Targets ("SPTs")
  - Bond Characteristics
  - Reporting
  - Annual Verification

SLBs are any type of bond instrument where the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ Environmental, Social and Corporate Governance ("ESG") objectives. In that sense, issuers are committing explicitly to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business.

SLBs are a forward-looking performance based instrument. The proceeds of SLBs are intended to be used for general purposes; hence, the use of proceeds is not a determinant in our categorization.

# Selection of the Key Performance Indicator (“KPI”) ●

## KPI Definition: Reduction of Sulphuric Oxide (SO<sub>x</sub>) emissions

### Rationale

Our selection of the Key Performance Indicator is consistent with the comprehensive review of Orbia’s material issues conducted in 2019, which involved external and internal stakeholders’ views on which topics were most relevant for Orbia.

SO<sub>x</sub> emissions may cause acid rain, which is known to have several negative ecological effects, especially on aquatic environments, and can also have effects on human health. For more details see slide 10.

### Background

SO<sub>x</sub> emissions are formed during the production of sulphuric acid and the burning of fossil fuels. The production of sulphuric acid is an essential step in the production of hydrogen fluoride (“HF”) from calcium fluoride (“CaF<sub>2</sub>”), and as such the reduction of SO<sub>x</sub> emissions is key priority for Orbia.

Other chemical companies may purchase the sulphuric acid from vendors, and as such the reduction of SO<sub>x</sub> emissions in their operations may be less relevant.

### Scope of the KPI

For the purpose of the KPI, SO<sub>x</sub> emissions will be measured in metric tons.

The KPI will cover 100% of our SO<sub>x</sub> emissions from our industrial processes, excluding, at our discretion, SO<sub>x</sub> emissions attributable to any acquisition completed after the base year.

As of 2020, more than 90% of our SO<sub>x</sub> emissions are generated by Koura and Vestolit business groups, with plants based in Henry, Illinois and Matamoros, Mexico.

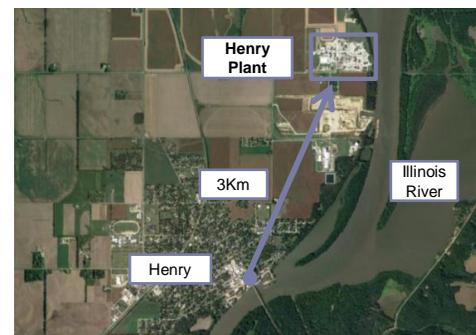
### Measurement of SO<sub>x</sub> emissions

Matamoros: SO<sub>x</sub> concentration is measured by a split beam photometer operating in the ultraviolet (UV) portion, which determines the concentration of SO<sub>x</sub>. Concentration is given in kg/tons of sulfuric acid, then this is multiplied by production

Henry: A “Continuous Emissions Monitoring System” is used. It is a probe that is measuring the SO<sub>x</sub> levels and recording it every 6 minutes on a system. The figures are averaged every date and the 30 day rolling average is monitored



The city of Matamoros, where our HF plant is located 6.9KM from the city center, has a population of 520,367<sup>1</sup> inhabitants. It is also bordered by the Bravo River and is close to Laguna Madre, one of the six hypersaline lagoons in the world, in the Gulf of Mexico. This habitat is one of the most important bird wintering habitats for North American species.



Our Henry plant is located near another important body of water, the Illinois river, one of the principal tributaries of the Mississippi River.

Notes:  
1. INEGI, 2016

# SO<sub>x</sub> Emission Reduction Alignment with SDGs ●




## SDG 3 – Good Health and Well-Being

SO<sub>x</sub> exposures can cause negative health effects in the respiratory system<sup>1</sup>. The vast majority of our SO<sub>x</sub> emissions are generated by our plants in Matamoros, Tamaulipas and Henry, Illinois. A reduction in emissions will mitigate possible negative health effects in neighboring communities. In Orbia we believe that ensuring widespread health and well-being is fundamental to global prosperity. That is why reducing SO<sub>x</sub> emissions while we continue to advance solutions that make communities healthier and more resilient is key for us.




## SDG 11 – Sustainable Cities and Communities

Reducing SO<sub>x</sub> emissions in our plants will help our neighboring communities breathe and drink cleaner air and water. To make cities more livable and resilient, we need infrastructure that is truly efficient and clean. To these ends, Orbia has been a leader in urban solutions for decades, addressing a diverse range of infrastructure challenges and opportunities, and believe reducing our emissions of SO<sub>x</sub> into the atmosphere is an important part of our holistic sustainable cities strategy.




## SDG 14 – Life Below Water

Acid rain, caused by sulfur dioxide and nitrogen oxides released into the air, has several negative ecological effects, especially on aquatic environments. Acid rain results in more aluminum leach from soil, which is carried into lakes and streams. Both the acidity and heavy metal content are toxic to aquatic animals and plants. Orbia's goal related to SO<sub>x</sub> emissions reduction will contribute to mitigate the impact on life below water. The city of Matamoros, where our HF plant is located, is bordered by the Rio Bravo and is also close to Laguna Madre, one of the six hypersaline lagoons in the world, in the Gulf of Mexico. This habitat is one of the most important bird wintering habitats for North American species.




## SDG 15 – Life on Land

“60% of the world's ecosystem services have been degraded over the past 50 years and we continue devaluing our natural resources at an alarming rate. Estimates indicate that 2-5 trillion USD of ecosystem services are lost each year from deforestation alone”<sup>2</sup>. Part of the ecosystem loss is related to acid rain. The effects of acid rain on land contribute to less healthy trees and plants, affecting their ability to reproduce. It also makes them more vulnerable to cold temperatures and disease.

**Notes:**  
 1. United States Environmental Protection Agency  
 2. SDG Compass

# Sustainability Performance Targets (SPTs) Calibration •



SPT.	Trigger.	Observation Date.	Baseline.
Target of a 44% reduction of SO <sub>x</sub> emissions for 2023 vs. the 2018 Baseline	Calculated by determining the percentage change against baseline:	12/31/2023	1,355 tons 2018 Baseline <sup>1</sup>
Target of a 60% reduction of SO <sub>x</sub> emissions for 2025 vs. the 2018 Baseline	Step 1: Calculate the decrease  2023 or 2025 figure, as applicable, excluding, at our discretion, SO <sub>x</sub> emissions attributable to any acquisition completed after the 2018 base year, minus 2018 Baseline figure  Step 2: Divide difference by 2018 Baseline figure	12/31/2025	The 2018 Baseline has been verified by our Assurance Provider in its verification report <sup>2</sup>

The SPTs will be calculated and presented to our Board of Directors quarterly and reported annually in our Integrated Report.

**Notes:**

- 1. Orbia's sustainable strategy baselines were chosen in early 2020. A scheduled maintenance shutdown took place in our Matamoros plant in 2019, making our 2019 SO<sub>x</sub> figures not representative for our normal operations, making a 2018 baseline the better and more comparable option
- 2. Deloitte

# Planned Strategy to Achieve SPT ●

## Vestolit

In 2020 a specialized team in our Vestolit BG initiated a project to understand the financial investment of permanently shutting down the coal-fired boiler. Several alternatives are being assessed and tests are being conducted. It is expected that by 2024 or 2025 at latest, a cost-viable alternative derived from internal studies is fully implemented. This will help us eliminate a significant source of SO<sub>x</sub> emissions for Orbia, representing between 15% to 18% of emissions of our baseline year.

## Koura

A two-step path was identified to reduce SO<sub>x</sub> emissions from our sulfuric acid production facility from our Koura Business Group.

First step was an investment in 2019 for the partial replacement of a catalyst, which led to a 20% reduction in the SO<sub>x</sub> generated by this Business Group, compared to the baseline year.

Second step will require an investment in 2022 to replace the remaining catalyst in order to achieve a 70 to 80% total reduction in SO<sub>x</sub> emissions.

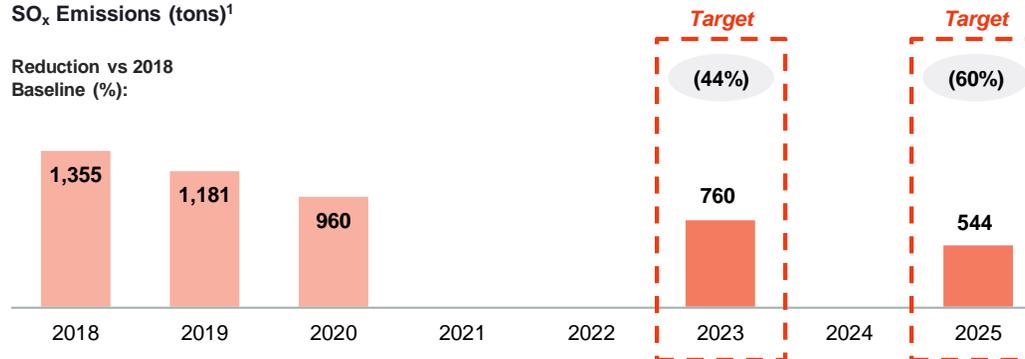
It is also key to Orbia to decrease its NO<sub>x</sub> emissions. Management and operations leadership are working together to define a strategy to address this objective.

We do not expect that any macro-economic / technological factors will negatively influence our strategy to reach the suggested SPT in the proposed timeframe.

## Performance and Sustainable Performance Targets

### SO<sub>x</sub> Emissions (tons)<sup>1</sup>

Reduction vs 2018  
Baseline (%):



### Notes:

- 2020 was an atypical year and not the best data point to set a baseline  
2020 data is not public and is on the process of being reviewed and assured by an external party



## Bond Characteristics

Our Sustainability Linked Bonds (“SLBs”) have a sustainability-linked feature that will result in a coupon adjustment if our performance does not achieve the stated SPT(s).

The relevant KPI, SPT, step-up margin amount will be specified in the relevant documentation of the specific transaction (Offering Memorandum).

The Issuer will notify the investors of the achievement or not of the SPT as soon as possible and in any event by within 180 days after the end of the relevant measurement period, or as specified in the relevant bond documentation (the “Step Up Notification Deadline”).



## Reporting

- Annually, and in any case for any period relevant for assessing the trigger of the SPT performance leading to potential adjustments, such as a coupon step-up or premium payment of our SLB, we will publish and keep readily available and easily accessible on our website:
- A verification assurance report (“Limited Assurance”) relative to the SPT outlining the performance of the KPI against the SPT; and any other relevant information which may enable investors to monitor the progress of the selected KPI.
- Information may also include when feasible and possible:
  - A qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis; illustration of the positive sustainability impacts of the performance improvement;
  - and/or any re-assessments of KPIs and/or restatement of the SPT and/or adjustments of baselines or KPI scope.



## Verification

### **Post-issuance**

Annually, and in any case for any period relevant for assessing the KPI performance against the SPT leading to a potential financial adjustment, such as a step-up coupon or a premium payment on the SLB, until after the KPI trigger event of a bond has been reached, Orbia will seek independent and external verification of the performance level for the stated KPI by the Assurance Provider.

The Assurance Provider means Deloitte, or any other qualified provider of third party assurance or attestation services appointed by Orbia, who will provide a verification assurance report in the form of a “Limited Assurance”.

The verification of the performance of the KPI, along with the Assurance Provider’s verification report, will be made publicly available on Orbia’s website.

### **Pre-issuance**

Orbia has obtained and made publicly available a Second Party Opinion (“SPO”) and/or other external review from consultants with recognized environmental and social expertise to provide an opinion on the sustainability benefit of this SLB Framework as well as the alignment to the SLBP 2020. The SPO will be available on Orbia’s website.

# Legal Disclaimer

The information provided in this Orbia Sustainability-Linked Bond Framework (the Framework) may contain confidential and preliminary information. It is intended only for the analysis and evaluation of ISS Corporate Solutions. In addition to historical information, this presentation contains in some cases "preliminary" statements that reflect management's expectations for the audited figures. The final results may be materially different from current expectations due to several factors. The forward-looking statements included herein represent Orbia's views as of the date of this Framework.

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