



Sewing a
better future

Sustainable
Management Report
2022



INDEX

LETTER FROM THE CHAIRMAN

1. ABOUT US 6

- 1.1. PURPOSE AND VALUES
 - 1.2. MAIN FIGURES
 - 1.3. CERTIFICATIONS
-

2. SUPPLY CHAIN 10

- 2.1. OUR OPERATIONS: CAPABILITIES AND SERVICES
 - 2.2. CLIENTS
-

3. ENVIRONMENTAL MANAGEMENT 14

- 3.1. EMISSIONS
 - 3.2. ENERGY
 - 3.3. WATER
 - 3.4. WASTE MANAGEMENT
 - 3.5. INVESTMENTS IN SUSTAINABLE PROJECTS
-

4. SOCIAL MANAGEMENT 20

- 4.1. OUR PEOPLE
 - 4.2. COMMITMENT TO THE COMMUNITY
-

5. CONTACT US 28

LETTER FROM THE CHAIRMAN

Dear clients, suppliers, employees, and stakeholders in general,

It is with joy and pride that we present you our first Sustainable Management Report, a document that shares our environmental, social, and labor performance. As part of our purpose to dress the world with quality, as well as with social and environmental responsibility, we operate with an approach that translates into concrete actions and has been reinforced over the last few years.

In 2022, we celebrated 25 years in the market and reached a record of 5.9 million exported garments. Both are milestones of great relevance to our operation and reaffirm our leadership in the local apparel industry. However, we are also aware of the impact our industry generates. For this reason, we want to let our stakeholders know that doing business with us means being part of a Supply Chain that is respectful and responsible with the environment, our employees, and society.

Guided by our values and commitment to long-term sustainable management, we have achieved important goals such as developing circular economy initiatives, obtaining sustainability certifications, establishing a specialized sustainability team, measuring our environmental footprint, engaging in a reforestation project, and implementing initiatives for enhancing our employees' lives, among others. All of these actions will enable us to contribute to the Sustainable Development Agenda and build a better future together.



Jorge Velarde-Alvarez
CHAIRMAN



1. ABOUT US

We are Southern Textile Network (STN), a Peruvian company specialized in developing and manufacturing premium knitted garments. We have been supplying key markets around the world for more than 25 years.

“We have been supplying key markets around the world for more than 25 years”

We have our own clothing manufacturing plant, Cut, Make and Trims del Sur (CMT del Sur), located in the city of Chincha, 124 miles south of Lima. At CMT del Sur, we perform manufacturing operations such as:



Our cutting-edge technology and our experienced human team ensure the timely delivery and quality of our products. In addition, we innovate in techniques, processes, and materials, thus keeping up with global trends, as well as strengthening the excellence and flexibility aimed at satisfying our clients.

As to our supply chain, our long-term strategic alliances with textile suppliers enable us to develop a wide range of fabrics from natural and man-made fibers.

Our purpose and values guide our actions every day. Sustainability is part of our core business values, managed by a multidisciplinary team and an ad hoc committee led by our General Manager.

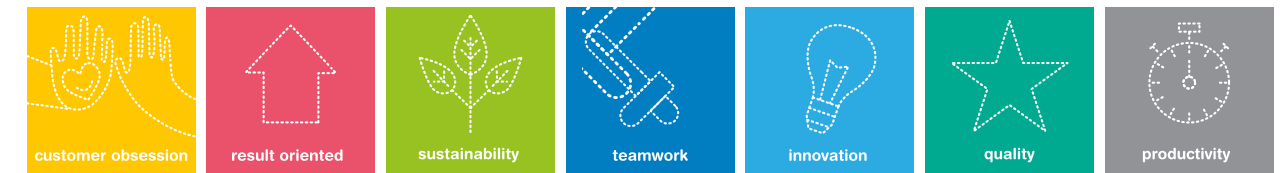
1.1 PURPOSE AND VALUES

Our Purpose:
To dress the world with quality, as well as social and environmental responsibility.

Our Mission:
To offer the best textile solutions with an excellent and flexible service.

Our Vision:
To be the benchmark in the Peruvian textile industry, achieving full client satisfaction, developing our employees, and contributing to society.

Our Values:



As part of our commitment to sustainable management, we have set out to promote the following Sustainable Development Goals (SDGs):



1.2. MAIN FIGURES

Number of clients:
+40 clients since the start of operations

Sales in 2022:
+US\$ 70M

Exported garments:
5.9 million

Number of employees in 2022:
1475 (56% women and 44% men)

Export destinations:
USA, Mexico, Canada, Panama, Colombia, Ecuador, United Kingdom, South Africa, Spain, Australia and Japan



1.3. CERTIFICATIONS

We have different international certifications in sustainability, ratifying our commitment to a responsible and respectful production with respect to social and environmental issues. Certifications help us to continuously improve our processes and be at the forefront of market demands.



We have been **WRAP** certified for more than **13 consecutive years** and were one of the first companies in Peru to obtain it. This certification demonstrates compliance with rigorous social and labor rights criteria by promoting non-discrimination, non-slavery, freedom of association, prohibition of child labor, occupational safety and health practices, environmental criteria, and supply chain security. **We have been certified with the Platinum category for 10 years** and we renewed our certification in 2023.



Since 2021, we have joined the **Cotton Leads Program** to support sustainable cotton production practices. This allows us to be in contact with textile suppliers, generate contact networks, and be part of important associations.



Since 2021, we have been members of the U.S. Cotton Trust Protocol, which provides **full transparency and traceability of American cotton throughout the supply chain.**



We have been GOTS certified since 2020. This label allows us to **produce garments with certified organic fibers, preserving the product's chain of custody and making it transparent.** It also provides us with social and environmental guidelines for the use of chemical products. The GOTS certification is renewed annually through an independent audit.



Since 2019, we have been using the Higg Index methodology, FEM module, to self-assess the environmental impact of our plant and to identify opportunities for continuous improvement in our operations. As of 2021, we added the FSLM module to assess social and labor conditions, as well as the effectiveness of social management programs.



We have been GRS certified since 2020. This certification allows us to **manufacture garments with certified recycled fibers, preserving the product's chain of custody and making it transparent.** As with WRAP and GOTS, it provides us with social and environmental criteria.

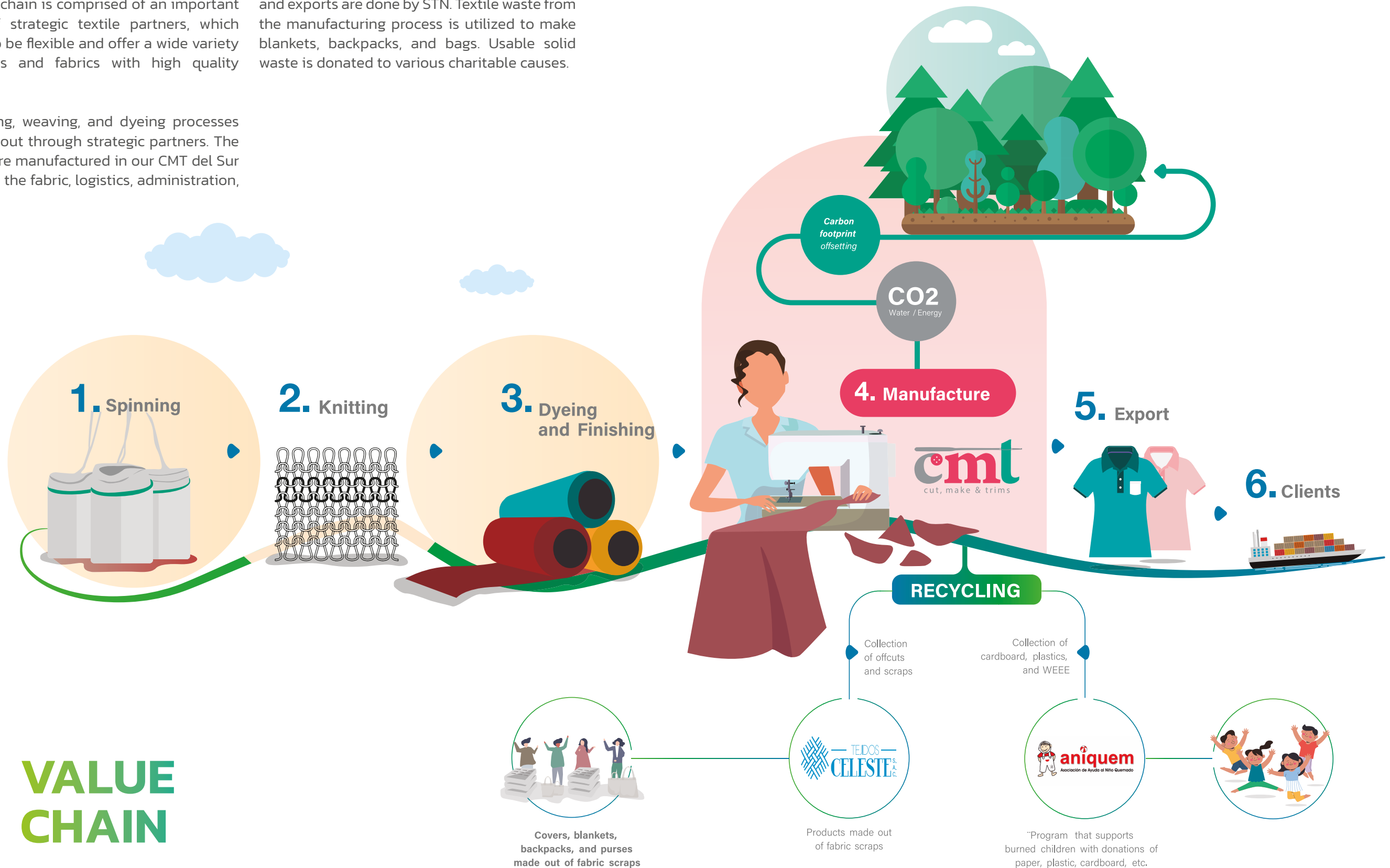
Since 2022, both self-assessments (FEM and FSLM) have been verified by independent international auditors.

2. SUPPLY CHAIN

Our supply chain is comprised of an important network of strategic textile partners, which allows us to be flexible and offer a wide variety of products and fabrics with high quality standards.

The spinning, weaving, and dyeing processes are carried out through strategic partners. The garments are manufactured in our CMT del Sur plant, while the fabric, logistics, administration,

and exports are done by STN. Textile waste from the manufacturing process is utilized to make blankets, backpacks, and bags. Usable solid waste is donated to various charitable causes.



VALUE CHAIN

2.1. OUR OPERATIONS: Capabilities and services

The offices of **Southern Textile Network (STN)** are located in Chorrillos, in the city of Lima.



Support areas are based at this location:



- THE PRODUCT DEVELOPMENT
- FABRIC ENGINEERING
- COMMERCIAL AREA
- TESTING
- LABORATORY
- OPERATIONS PLANNING
- PRODUCTION
- QUALITY CONTROL
- MANAGEMENT AND ADMINISTRATIVE

Our clothing manufacturing plant is located in Chincha, Ica (124 miles south of Lima) and has an area of approximately 3.7 acres. The plant has state-of-the-art technology, is equipped

with modern machinery and has highly qualified staff in the operational areas to meet the highest quality standards

Production capacity:
Cutting:

20,000
garments/day

QUICK RESPONSE

Sewing: 550,000
garments/month

Laundry:
3.5 Tons/day

SPECIALIZED CLIENT SERVICE

Screen Printing:

420,000
prints/month

TREND RESEARCH

Embroidery:

9.4 million
stiches/day

Finishing and Packing
Internal certified
Laboratory

IN HOUSE LAB

Lead Times:
Production LT: 75-120 days
Protos LT: 15 - 30days
SMS LT: 60

INNOVATING TECHNIQUES & MACHINERY

Sample production
capacity:

2,000
garments/month

Materials:

Pima cotton with extra-long fibers and regular combed cotton. Artificial cellulosic fibers. Polyester and polyamide—discontinuous and continuous filaments. Wide range of domestic gear.

Quick Response:

At STN, we have designed and implemented tailored quick-response programs to react to last-minute market trends and chases. This involves holding raw materials such as yarn and fabric while reviewing with our supply chain quantitative sales data to meet lead times and unpredicted demand.

Product Development:

We have highly trained talent to accompany clients from the crystallization of ideas and design concepts to their transformation into commercial products.

Quality Control System:

Our focus on quality is reflected in our quality management system. We also have our own ISO 9001 certified laboratory to control manufacturing processes and perform complete testing analysis.

Trend Analysis:

At STN we devote resources to the research and development of new materials, techniques, and functional attributes that then become part of the portfolio offered.

Certified Sustainable Materials:

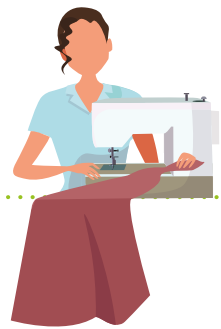
We have materials with reliable worldwide certifications to ensure that your sustainability efforts are robust and verifiable.

2.2. CLIENTS



3. ENVIRONMENTAL MANAGEMENT

“ At STN we sew today, taking care of tomorrow”



We are aware of the environmental impacts generated in our industry. That is why we seek to reduce and mitigate the impact of our operations with our future generations in mind. At STN “we sew today, taking care of tomorrow,” which we demonstrate through our responsible environmental management and by addressing our environmental footprint.

The sustainability team was created in 2019 and is made up of the Head of OHSE, the Head of Laundry and Chemical Products, and the Head of Maintenance. The team reports its progress to a Management Committee on a regular basis.



	Full Names	Position
Management Committee	Fernando Raffo	General Manager of STN
	Ricardo Gomez	Operations Manager of STN
	Fernando Badiola	Commercial Manager of STN
	Jose Luis Gonzales	General Manager of CMT del Sur
	Hugo Inga	Strategic Planning and Sustainability Manager of STN
Sustainability Team	Rocío Barrientos	Head of OHSE
	David Bravo	Head of Laundry and Chemical Products
	Emilio Soria	Head of Maintenance

Duties of the Sustainability Team:

- Ensuring the fulfillment of our purpose in the environmental field
- Planning and implementing sustainability initiatives
- Renewing of labels
- Maintenance of the environmental management system

Duties of the Management Committee

- Establishing the company’s environmental guidelines
- Approving sustainability initiatives and budgets

we will continue to implement our work plan to continue improving.

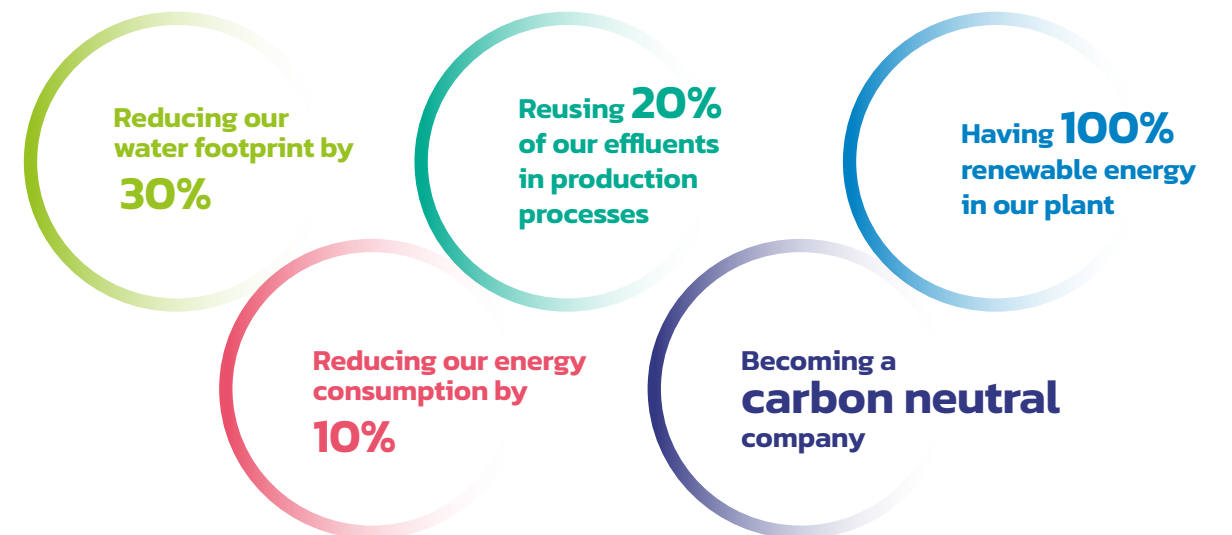
Finally, following the Board of Directors’ reviews, we have set specific goals that we seek to achieve through our Strategic Plan 2030.

In 2019, we also started to apply the Higg Index methodology, FEM (environmental) module, as a good benchmark for the textile industry to measure and assess the environmental performance of our plant. In 2022, we went from self-assessment to verification for the 2021 period, through **ALGI INTERNATIONAL INC**, an international consulting firm.

As a result of this external assessment, we have gone from 23.3% compliance in the self-assessment to 38% verified by ALGI. However, we are aware that there is still a long way to go, and

“We have gone from **23.3%** compliance in the self-assessment to **38%** verified by ALGI”

Goals 2030



> 3.1. EMISSIONS

Greenhouse gas (GHG) emissions contribute to climate change. The carbon footprint represents the amount of GHG emissions that a company, organization, or individual produces through their daily operations or activities. In our case, we have calculated our carbon footprint for 2019, 2020, and 2021 through the consulting firm A2G.

As of 2020, we have taken the following measures to mitigate our carbon footprint:

- **Switching from luminaires to LED technology**
- **Exchange of LPG fuels for Natural Gas in printing and dining areas**
- **Donation of 300 bicycles for employees to commute**
- **Use of subsidized buses for employees**
- **Awareness-raising campaigns among employees**

In 2020, we partially neutralized our carbon footprint, achieving the Carbon Neutral®

On the other hand, in 2020, we partially neutralized our carbon footprint, achieving the Carbon Neutral® label for Scopes 1 and 2 of ISO 14064-1:2006.

This was achieved by purchasing 820 carbon credits, which belonged to the Nii Kaniti project, thus helping to protect high conservation value areas and promote sustainable livelihoods for seven indigenous communities in the Peruvian jungle.



> 3.2. ENERGY

In recent years, we have focused our efforts on energy from **RENEWABLE SOURCES**, in line with our goal of reducing our greenhouse gas emissions.

We have two energy-related goals for 2030:

- 1) **Reducing our energy consumption by 10%**
- 2) **Using 100% renewable energy in our operations.**

In addition, in 2019, we began the change from luminaires to LED technology in our plant. By the end of 2022, the cutting, sewing, printing,

embroidery, laundry, finishing, and outdoor lighting areas were all equipped with LED lights.

At the overall plant level, **80%** of the plant is equipped with LED technology and it is expected that, by the end of 2023, **100%** of the plant will be equipped with this technology. This will serve us to save more than **50%** in energy from plant lighting, making it more energy efficient.

Finally, in 2020, we installed 11 energy meters in the plant operational areas in the plant operational areas for better energy consumption control and energy efficiency initiatives.

> 3.3. WATER

Water is a vital resource; therefore, managing its correct use and avoiding its depletion is critical for greater availability.

As part of our strategic objectives, we have set ourselves the goal of reducing our water footprint by 30% and reusing 20% of effluents by 2030.

The first step was to obtain information. In 2019, we calculated our first water footprint; this was carried out by the consulting firm A2G. In 2021, another study for the Situational Diagnosis of Water Management was conducted by the consulting firm Amphos21. This information was useful, but it needed to be supplemented with more details on internal consumption. Thus, we installed eight flowmeters in the plant in 2021.

The results show that about 50% of consumption occurs in toilet facilities, while the laundry area consumes approximately 40%.

The main actions we carry out for sustainable water management are as follows:

- **Installation of self-closing pipes in all toilet systems in the plant.**
- **Start of pilot with a flushometer toilet with a sensor that automates the necessary flushing of water.**
- **Technical and economic evaluation of nano-bubble technology for the laundry area. The nano-bubble system can reduce water consumption in textile plants by improving water use efficiency, reducing processing time, and minimizing the need for chemicals.**
- **Campaigns and contests among employees and their families to raise awareness about the use of water.**
- **Implementation of a primary effluent treatment plant.**

3.4. WASTE MANAGEMENT

Waste generation is one of the most difficult environmental challenges we face today. In 2020, a waste characterization study was carried out by the consulting firm Grupo GEA to learn more about our waste. Thus, we determined that cuts, trimmings, and fabric waste are the highest volume solid wastes in the plant.

For better waste management and disposal, we have developed key strategic alliances to go beyond our own operations.

Our allies are:

- **ANIQUEM**, to whom we donate paper, cardboard, and Waste Electrical and Electronic Equipment (WEEE). This generates funds for its social work of providing treatment and rehabilitation to burned children.
- **TEJIDOS CELESTE**, to whom we deliver fabric waste, which represents waste material for national waste regulations. This waste is

converted into raw materials to produce blankets, bedcovers, bags, backpacks, among others, which constitutes a practice of circular economy.

Furthermore, we are evaluating initiatives with other companies for the reuse of sewing thread cones, and for the implementation of bio-gardens with the management of organic waste from our plant. In 2022, a project for an eco-efficient company certification was initiated with Promperu. These projects will be completed by 2023.

Adequate waste management is not only beneficial for the environment, but also for a positive impact on the economy and society.



> 3.5. INVESTMENTS IN SUSTAINABLE PROJECTS

The commitment of Southern Textile Network's shareholders has transcended the textile industry and has allocated resources to Infosur, a project with environmental and social impact in the Peruvian jungle. Infosur has reforestation operations in the department of Madre de Dios,

with more than 740 acres of its own plantations, totaling an investment of US\$ 2.5 million by the end of 2022. This has indirectly created employment opportunities for more than 40 people, thus generating support activities for the communities in its area of influence.



4. SOCIAL MANAGEMENT

Our commitment to sustainable management goes beyond our operations. Introducing social responsibility into the supply chain involves identifying and assessing our stakeholders and then implementing impact initiatives.



	Full Names	Position
Management Committee	Fernando Raffo	General Manager of STN
	Ricardo Gomez	Operations Manager of STN
	Fernando Badiola	Commercial Manager of STN
	Jose Luis Gonzales	General Manager of CMT del Sur
	Hugo Inga	Strategic Planning and Sustainability Manager of STN
Sustainability Team	José Matías	Head of Management and HR
	Celia Ramos / Lady Leyva	Social Workers
	Emilio Soria	Department of Occupational Health

Duties of the Sustainability Team:

- Ensuring the fulfillment of our purpose in the social field
- Planning and implementing social responsibility initiatives

Duties of the Management Committee

- Establishing the company's social responsibility guidelines
- Approving social responsibility initiatives and budgets

> 4.1. OUR PEOPLE



At STN and CMT we have a commitment with our employees and our environment, where we not only seek to comply with the laws but to go a step further—achieving a positive impact on the well-being of our employees and their families, in the community—and to leave a legacy for future generations.

As evidence, we have received the Worldwide Responsible Accredited Production (WRAP) certification in the Platinum category for more than 13 consecutive years. WRAP has 12 principles that guide us in the implementation of ethical production practices, respect for labor rights, social security, the safety and health of workers, protection of the environment, and security of the supply chain.

Our policies and procedures are in line with WRAP principles, such as:

- **Equal opportunities for all.**
- **We do not tolerate forced labor.**
- **We do not tolerate harassment or discrimination of any kind.**
- **We are against child labor.**
- **We take care of the safety and health of our employees.**
- **We provide fair employment and respect working hours.**
- **We respect the right to association and collective bargaining.**

Employees in 2022



Lima	Chincha
Women 142	Women 686



Lima	Chincha
Men 134	Men 513

SOCIAL RESPONSIBILITY AND SUSTAINABILITY TRAINING

Trainings are essential to disseminate our company policies and practices, as well as to raise awareness on environmental and social impacts and promote sustainable practices in the workplace.

The trainings carried out in 2022 were:

a. Human Resources:

• **Principles of Social Responsibility:** As part of their induction process, all employees are trained in the 12 principles of WRAP. This training is reinforced twice per year for all personnel.

• **Sexual Harassment:** During 2022, Jessica Fernandini coached activities for the entire plant to empower people and enable them to be respected in the face of any attempt of harassment, thus achieving a workplace with respect, trust, and free of discrimination.

b. Safety

• **Occupational Safety and Health:** On topics aimed at preventing accidents and promoting a safe and healthy work environment. This training is provided to all incoming personnel. There are also two annual talks for all personnel.

• **Use of Personal Protective Equipment (PPE):** To emphasize the importance of the use of PPE to protect against head, eye, ear, lung, foot, and extremity injuries in relation to the activities performed in the workplace.

• **Use of Fire Extinguishers:** On the proper handling of fire extinguishers and the importance of using them in a timely manner in the event of a fire.

• **Preventive Test for Ergonomic and Psychosocial Risks:** To raise awareness on these risks to preserve health and optimize the well-being of people in the performance of their duties.

c. Health

• **First Aid:** We teach basic skills to identify and treat injuries such as burns, cuts, fractures, sprains, and other musculoskeletal injuries. We also explain how to perform CPR (cardiopulmonary resuscitation) and how to handle a medical emergency situation.

• **Tuberculosis:** Basic concepts of tuberculosis, its symptoms, transmission, and risk factors, as well as prevention are indicated.

• **COVID-19 Care and Prevention:** We explain the basic preventive measures to reduce the risk of contracting and spreading the virus, the importance of properly wearing masks, and hand hygiene, in addition to keeping spaces clean, disinfected, and with adequate ventilation.

• **Breastfeeding:** Information is provided on the benefits of breastfeeding, how it can be combined with work, and how to do it effectively and safely. Topics such as pumping, proper storage, hygiene, and handling of breast milk are discussed.

d. Environment

• **Integrated Quality, Safety, and Health Policy at Work, the Environment, and the Supply Chain:** The company's commitment and objectives in the aforementioned areas are disseminated to employees, highlighting the continuous improvement and sustainability of our processes.

• **Water and Energy Savings:** We promote responsible and efficient practices in the use of natural resources, aiming to reduce the environmental impact on the company and our employees in their daily lives.

• **Wastewater:** We teach the importance of properly managing the wastewater we generate in the company and provide examples of actions that can be taken at home.

• **Solid Waste:** Information is provided on the importance of correctly segregating waste and the disposal of non-hazardous and hazardous waste in temporary storage facilities. In addition, we share practices for reducing, reusing, and recycling at work and at home.

• **Global Organic Textile Standard (GOTS) and the Global Recycling Standard (GRS):** The concepts of GOTS and GRS with whom we are certified are disseminated, explaining our commitments to labor, social, and environmental issues, as well as traceability in each of the processes.

AWARENESS-RAISING CAMPAIGNS FOR EMPLOYEES

They help us to raise awareness on social and environmental issues and to encourage the commitment not only of the company but also of its employees.

The awareness campaigns carried out were:

- Tuberculosis
- Breastfeeding
- Water Day
- Earth Day
- Recycling Day
- Inter-American Air Quality Day
- Energy Savings Day

2022 HEALTH CAMPAIGNS FOR EMPLOYEES

We have developed voluntary campaigns that help with prevention and timely health care to improve the well-being of our employees.

Month	Description
May, August, September, and October	Cervical cancer screening
May	Deworming
June	COVID-19 and influenza vaccination
August	MMMR, hepatitis, influenza, and COVID-19 vaccination
August, October	Glucose, cholesterol, and triglyceride tests
September	Prostate cancer screening
September	Ophthalmology
October	Peripheral bone densitometry





WORK BENEFITS

Being a plant worker entails great responsibility, but also great benefits. A series of programs have been designed for employees and their families, promoted by our HR department.

The main benefits are:

- Partial transportation and meals subsidy.
- High technical education agreements with SENATI and CIBERTEC to provide scholarships to our employees.
- High education agreements with the universities Universidad Autónoma de Ica and Universidad San Juan Bautista.
- School education agreements with the Ada A. Byron School in Chincha to provide special discounts to our employees' children.
- Health agreement with the Los Vásquez Clinic (Chincha) and WSH (Lima).

SOCIAL ACTIVITIES FOR EMPLOYEES

a) Labor Day:

We raffled household appliances among our plant personnel, and we honored our longest-serving employees.

b) Children's Christmas:

To provide a moment of fun and joy during the Christmas season, we invited the children of the plant's employees to a kids' show, where we gave gifts to all the children who attended the event and raffled additional toys.

c) Sport's Day:

It is a sports tournament that seeks to promote inclusion, fellowship, and teamwork in the plant. This championship is both for men's and women's teams that play weekly. We also held the championship in the Lima office in September.

d) Sustainability Halloween:

In October, we invited our employees from the Lima office to a costume contest using recycled materials to perform a choreography with typical Peruvian dances.

e) Christmas Peruvian Dance Contest:

In December, employee teams from Lima register to perform traditional Peruvian dances regarding Christmas. It is one of the most anticipated events of the year.

f) New Year's Eve Party:

At the end of the year, the Lima office holds a celebration for employees to share a moment of camaraderie with all their colleagues.

PROJECTS TO IMPROVE THE QUALITY OF LIFE OF EMPLOYEES AND THEIR FAMILIES

a) Subsidized Sale of Water Drums ("Todos ponemos el hombro"):

Concerned about our employees' need for water collection and storage, we delivered drums (200 liters) with a 50% subsidy to 80 workers.

b) Water Pump Installation Program:

In 2022, to address the problem of access to water that the population of Chincha suffers, we subsidized 85% of the installation of drinking water collection systems in the homes of 40 employees. The system included the installation of a 1,000-liter tank and a hydropneumatic pump to provide employees with water at any time of the day.

c) Donation of Bicycles:

As a sign of our social commitment to and concern for sustainability, we donated bicycles as a means of transportation to 300 employees to improve their economy and health, thus contributing to the reduction of our carbon footprint.

> 4.2. COMMITMENT TO THE COMMUNITY

At CMT our social responsibility not only involves our employees, but also our community, which is why we support projects through donations and projects.

As a sign of our commitment, we have carried out the following activities:

a) Donation of Covers and Blankets:

Area of influence	Beneficiaries
Chorrillos	San Pedro Church Employees in Lima
Chincha	Personnel affected by fire in Sunampe Chincha Baja Police Station Chincha Baja Parish Pueblo Nuevo Health Center Chincha Alta Fire Station Employees in Chincha

b) Regalando Sonrisas (Giving Away Smiles):

This activity is carried out exclusively by STN and CMT employees and is aimed at children living in our area of influence, where we offer chocolate, panettone, candy, and toys.

c) Improving Schools Infrastructure:

We made donations for infrastructure improvement works in parochial schools in Lima. As of 2023, there is an ambitious plan to support schools in Chincha.

PARTICIPATION IN VIVE CHINCHA

The festival consisted of three days with multiple activities and closed with a parade and a traditional dance contest in which CMT del Sur achieved third place.

WORKPLACE ENVIRONMENT

In 2022, the first workplace environment study of the companies STN and CMT del Sur was conducted by the consulting firm Centros de Estudios para el Desarrollo (CED). The overall satisfaction indicator reached 76%, outperforming the local industry average. Based on this study, new opportunities for the development of initiatives were identified. It is expected that STN and CMT will apply for the Great Place to Work certification by 2025.





Southern Textile Network S.A.C.

Av. Defensores del Morro 2066 Chorrillos

15066, Lima-Perú

Phone: (+51 1) 617-2525

contact@perustn.com

www.perustn.com

