

**INDUSTRIAS NETTALCO S.A**

**QUALITY THAT MAKES THE DIFFERENCE**

**SUSTAINABILITY STRATEGY 2020-2025**

# INDEX

Message from our CEO

Welcome to Nettalco

## 1. Nettalco Sustainability

1.1 Our Vision

1.2 Our Goals by 2050

1.3 Our Culture

1.4 Our Commitment

1.4 Our Road Map, A New Corporate North

1.6 Our Plan of Action

## 2. Our strategy 2025

### 2.1 Example of Good Governance

- Including Sustainability as a strategic aim
- Implement management systems
- Traceability and Transparency

### 2.2 Social Leadership

- Eliminate poverty in all its forms
- Be an empowering force in the community

### 2.3 Circular Leadership

- Combat Climate Change
- Eliminate waste
- Water conservation

## 3. Goals and Course of Action

# MESSAGE FROM OUR CEO



It is a pleasure to present the first strategic planning initiative on Sustainability that we have developed at Nettelco. This plan shows our efforts to make the world a better place to live.

At Nettelco we are aware of our key role as actors in the textile and fashion sector of Peru. For this reason, we have developed a roadmap for sustainability that is strategically incorporated into the organization's DNA.

We understand that sustainability is a complex and evolving process, and that is why we have ambitiously defined our vision for 2050 as well as the roadmap necessary to reach it in a flexible way.

We want to build a business that can be part of the solution to the challenges that face our society. At the same time, we see sustainability as a key factor to remain competitive in the future.

To define our objectives we have taken into account our strengths, our impacts and the main action-oriented commitments made by the sector at the international level. We also have defined three areas of action and four goals that deserve more attention in our work. These are the elimination of poverty and the empowerment of the community; the complete elimination of the concept of waste; and collaboratively address the threats of climate change.

For us, sustainability marks a new standard of quality. We are convinced that it adds value to our operations and contributes to deliver a better product and service to our customers; at the same time, we will become an empowering force of a new development model.

We aim to continuously progress, improving facilities, product and the value chain, with a life-cycle perspective. We are committed to increasing openness in our work and also welcome others to join us on our journey to contribute to make the world a better place than it is today.

Last but not least, the commitment shown by our team is the factor that gives us the assurance that we will achieve the objectives outlined in this plan.

A handwritten signature in black ink, which appears to read 'Cesar Tello'. The signature is stylized and fluid, written over a horizontal line.

Cesar Tello  
CEO

# WELCOME TO NETTALCO



## Being part of textile history in Peru for more than 50 years

Since its beginning, in 1965, Nettalco was born as a vertically-integrated, garment manufacturing company. In 1987, we reached a new height in our management, dedicating ourselves completely to the exportation of knit apparel made from cotton, as well as other cotton blends.

From the first day of our founding, Nettalco has become a reference for the Peruvian textile industry, working strongly to obtain the maximum quality of our products and at the same time, seeking to give our clients the highest satisfaction to fit their specific needs.

Adding to the quality of our garments and to the optimal level of customer service, today we make a commitment with our society, founded on **Sustainability as a tool for innovation that will lead us to be relevant in the future.**

**Sustainability** will be present in the quality of the materials we use. It constantly improves our production processes. The respect, motivation,

and empowerment continues to grow among the people with whom we work.

Today **Sustainability** is our new quality standard, serving as the main tool that allows us to build an ecosystem where innovation becomes a part of our work methodology and at the same time serves as one of our main competitive advantages.

We are convinced that integrating the social and environmental commitments with business excellence will be factors that reinforce our position of leadership in the industry.

Welcome to Nettalco and welcome to our new standard of quality..

We invite you to learn more about us by contacting [sostenibilidad@nettalco.com](mailto:sostenibilidad@nettalco.com).



**SUSTAINABILITY  
IN NETTALCO**

# THE NEW DEFINITION OF QUALITY

For a long time the textile industry has considered the earth's resources to be unlimited and that the planet can take on the liability of the massive quantity of waste that we generate.

But the reality is different, the planet has given us plenty of warning to make us aware of the damage we are causing it.



It's time for a change. We need new circular production models that don't exhaust resources and degrade ecosystems. We need business models that are sufficient and flexible so as to allow our employees and our society to grow, develop and achieve their goals.

Today governments, consumers, organizations and companies across all sectors are applying new strategies to build a society that is more sustainable; and the textile industry is not exempt from this transformation. For this, at Nettalco we take on this commitment with the world, as our new corporate purpose.

We seek to contribute to society with a new and valuable proposal that offers high quality products, adjusted to the new standards and market requirements.

Sustainability gives us a new perspective that allows us to bring these challenges to the forefront, and to create shared value. **To be sustainable means to create economic and social value for everyone in society, and have the ability to be consistent over time, without putting at risk the future of our planet, and ultimately the future of our families.**

With this new vision, we are redefining and reinventing ourselves as a company, seeking a business model that is profitable and capable of generating social development according to the needs of our country and the world.

# I.I OUR **VISION** BY 2050

The problems that we tackle as a society and as a company are complex and there is no exact formula for which to achieve our objectives. Notwithstanding, this does not keep us from setting ambitious goals and motivating our team to get better every day. **Our horizon is 2050 and our objective is innovation.**

**Our vision by 2050 is that the fashion industry be a regenerating force for ecosystems, a promoter of sustainable economic and social development.**

To obtain this, we are focusing our work on principles of circular economy and maximum efficiency. Our objectives and interests are parallel with those of the industry at a global level and we align ourselves with them in order to work collaboratively on a model that generates **economic, social and environmental value.**

## I.2 OUR GOALS BY 2050



**Eliminate poverty in all its forms:** by 2050 Nettalco will have an inclusive and dignified value chain that empowers all suppliers and their employees to achieve their maximum potential and well-being.



**Be an empowering force in the community:** Consistent with our business model, under a leadership that will affirm that we are authentic agents of change, by 2050 Nettalco will have three key programs that will improve the community and the textile industry at the national level.



**Zero Waste:** By 2050, Nettalco will have eliminated the concept of waste as collateral damage during production. We will be an example of maximum efficiency in respect to consumption of water, energy and the use of chemicals. We will reuse all flows of material, water and energy in our production and in our value chain, as well as that of our clients who are in favor of circular economy.



**100% Carbon neutral:** By 2050, Nettalco will have completed the objectives set by the industry of 0 emissions, in accordance with the Fashion Industry Charter for Climate Change.



## I.3 THE **5 PILLARS** OF OUR SUSTAINABILITY CULTURE

Moving towards a sustainable model requires a corporate culture based on our strengths and convictions.

Our culture of sustainability is based on 5 pillars of excellence that puts us in a position of leadership in the country's textile industry.

## Quality



The quality of our products and services surpasses the quality and condition requirements established by clients.

We define sustainability through quality using the best available materials, the excellence service, ability and motivation of our employees.

At Nettalco, we are **in a position to contribute to a more sustainable society** because quality is our calling card and our main strength.



## Life Cycle



The vision of the life cycle keeps us in tune with the complexity of the system as well as identify the opportunities around it. Every improvement is analyzed not only from the local perspective, but also from the systematic thought that allows us to anticipate and manage the current and future impacts, both local and global, of our actions.

## Commitment



The commitment is the reason that each one of us wakes up everyone and the energy to make our business work. We are committed to a better life for our employees, with teamwork, with the company's mission and our role as agents of change in order to generate a positive impact on society.



## Competitiveness

The competitiveness is the base with which we maintain our position as market leaders. Our team works highly coordinated way rooted in a culture of continuous improvement, eco-efficiency, technology innovation and constant training for our employees.

## Collaboration



Through collaboration, we have a strategy for leveraging our strengths and expanding our impact. We work with our clients to exceed their expectations of what it means to be a better product and with our employees in order to ensure efficiency. We are unified by principles of national and international alliances in order to expand our positive impacts and achieve excellence in the industry.



## I.4 OUR COMMITMENT IS



To integrate sustainability in our strategy in order to surpass our benchmark of quality and the expectations of our clients.



To contribute to bend the negative trend in which our societies are immersed and contribute to a positive change in people and the environment.



To maintain and surpass the standards of eco-efficiency and competitiveness of our industry



To work in order to achieve results from our actions throughout the entire life cycle, supporting the mission of our clients.



To create a collaborative network where clients, employees, industry and civil society work together to face our common challenges.



Reactivate our economic model, eliminate our society and regenerate the ecosystems that sustain us.

# I.5 OUR ROADMAP, A NEW **CORPORATE NORTH**

We know that we have achieved something that will extend the length of our corporate trajectory, and we also know that the Vision and Mission that we have outlined obligates us to review our business strengths and at the same time evaluate those areas of opportunity that the future presents to us.

That is how we have configured a roadmap which allows us to reach our goals.

### **2020-2025**

We concentrate on identifying, measuring and making transparent all processes, impacts and improvement objectives both in our facilities and throughout our value chain.

### **2025-2035**

It will be our opportunity to implement the more ambitious actions and see the results of action that is focused and convincing.

### **2035-2045**

We will be an active part of national and international alliances that will make it possible to reach the maximum competitive advantage in terms of sustainability for each one of our processes and well-being of society.

### **2045-2050**

We know that in order to be sustainable we must make a profound change in the industry's business model. We will be advocates for the new revolution of circular economy and we will lead a new way of producing textiles and creating fashion.

## I.6 OUR AREAS OF ACTION

### EXAMPLE OF GOOD GOVERNANCE:

We seek to be a positive reference for the textile industry on the national level. We are committed to a culture of continuous improvement, transparency, and accountability to offer value to shareholders and society.

### SOCIAL LEADERSHIP:

We seek to eradicate poverty along the entire value chain and become an empowering force for the community.

### CIRCULAR LEADERSHIP:

We seek to reduce the impact of our activities and those of our partners in the value chain, giving priority to the actions of Zero Waste, conservation of water and adaptation to climate change.

WE CONTRIBUTE TO  
THE SUSTAINABLE  
DEVELOPMENT  
GOALS



# **2. 2025 STRATEGY**

# BE DIFFERENT

We have prioritized our efforts towards sustainability based on our strengths, the priorities of our clients and the main international and industry guidelines in terms of sustainability.

**Our vision for 2025 is to be a reference and example for the definition of the social, environmental and good governance standards in Peru.**

This first strategic plan focuses on measurement and traceability. For the next 5 years we will map our value chain and will carry out a materiality evaluation in our production process.

For this reason, the action plans defined in our 2025 strategy have the central objective of identifying, ordering, measuring and monitoring our impacts to lay the foundations for sustainable growth.

Our goal is to order and systematize both management of social aspects as well as environmental management with the aim of a comprehensive improvement.

We have come a long way in improving working conditions and that is backed by the main certifications in the sector.

However, the field of environmental management will receive more attention to measure our impact and project significant improvements in our value chain. That is why the environmental aspect becomes a prominent piece in this strategy.



## 2.1 EXAMPLE OF GOOD GOVERNANCE

### Include sustainability as a strategic axis:

The first step along the path that we take is to establish a new management unit devoted to coordinate sustainability efforts in a transversal way within all areas of the company.

This is because sustainability is not a competition as isolated as marketing or operations can be, but, on the contrary, it is a new business perspective applicable to all areas of the business.

The objective of the sustainability department will be to ensure the long-term future of the company, ensuring social and human development; contribute to restoring and conserving ecosystems, while at the same time, generating a competitive advantage for the company.

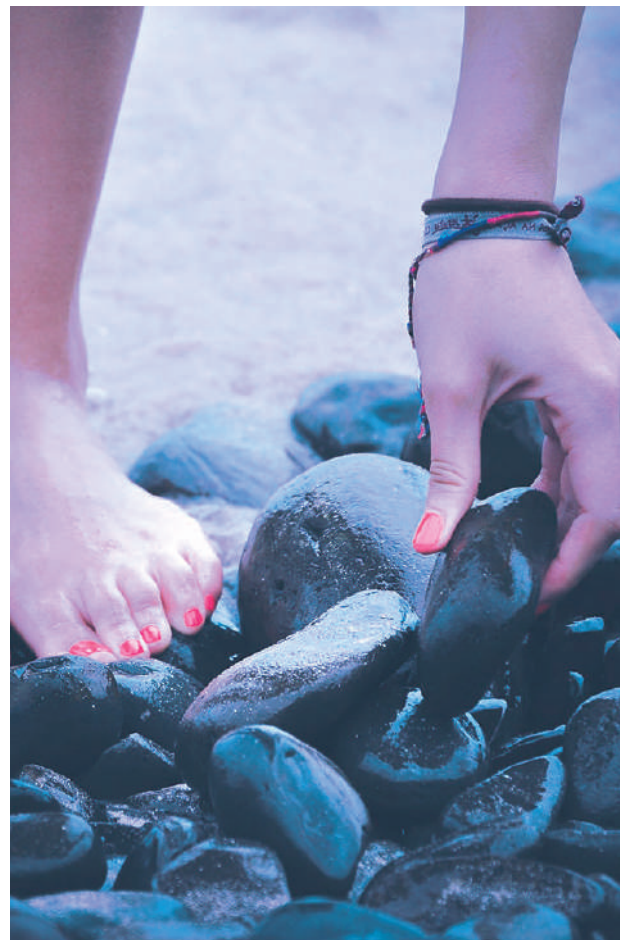
Implementing this management will mean a change in the way we do business, as was the incorporation of a comprehensive approach for quality. **Sustainability is a new standard for our quality requirements.**

### Implementation of management systems:

Two certifiable management systems will be implemented to help us manage and control the different social and environmental aspects of our activities. It will begin with the implementation of the environmental

management system based on ISO14001 and then we will evaluate the implementation of a social management system that will be integrated with the existing one.

These management systems will establish a continuous and integrated cycle of planning, implementation, evaluation and improvement of processes. This will ensure the good management of social and environmental aspects, the fulfillment of global objectives and goals in a coordinated manner for the continuous improvement and results.



## Traceability and Transparency:

Being committed to quality implies knowing the origin of our inputs, how they have been produced and what negative impacts are generated in the process. It also means understanding what impact they will have once consumers use and dispose of them. **Our goal is to be able to offer our clients clear and transparent information** about these possible scenarios, to be able to minimize and manage risks in the value chain, contribute positively to the improvement of its social and environmental conditions and offer solutions to the global environmental crisis.

This, we have decided, during these first 5 years, **to begin a process of mapping the value chain and analyzing the key social and environmental conditions for us and our clients**, and for this, we will establish different alliances with our suppliers, seeking to strengthen the benefits of an industry that aims to be increasingly responsible and coordinated.

Our advances will be reflected in the **Higg Platform**, available to the entire textile industry, which will allow us to benchmark our progress against our competitors and the sector in general.

Similarly, in a biannual manner, in accordance with the progress of our management, we will publish **sustainability reports** that will demonstrate to society our progress.

## Objectives

- Create a Management of Sustainability.
- Implement management systems for sustainability
- Map and analyze 100% of the value change in the business.
- Share our progress with the sector in order to ignite a movement of continuous improvement.



## 2.2 SOCIAL LEADERSHIP

### Eliminate poverty in all its forms:

As creators of quality employment, we play a very important role in the fight against economic poverty, and that is why we are committed to ensuring the quality of wages and working conditions of all employees. But we are aware that poverty is a problem with many facets, and we want to solve each one of them.

#### Education

In Peru, more than 1 million people are illiterate. Being able to access knowledge is key for economic development and at the same time guarantees good citizens for the future.

For Nettalco, contributing to solving this problem involves giving access to basic education to our employees, as well as continuing education opportunities. One of the priority approaches will be the training to face the great digital challenges of the industry.

Our purpose is to facilitate access to technical knowledge related to the textile sector, as well as access to knowledge that enables our employees to integrate and progress in society.

#### Comprehensive Technical and Socio-economic Education Program:

We are convinced that a Comprehensive Plan for Technical and Socio-Economic Education is

the key to achieving the objectives. The plan will consist of 3 key axes:

- **Basic training:** Program for the attainment of primary and secondary education degrees. The objective is to guarantee the complete elimination of illiteracy in our employees.
- **Technical training in the textile sector:** Training aimed at improving technical skills to establish a solid career line within the organization. Examples include the training courses, languages, computer science, administration, environmental management, accounting, health and safety, among others.
- **Youth training:** Training line focused on digitalization and industrial reconversion that will allow training in the digital and technological skills and tools that the industry is adopting. Focusing on young people is an investment because they are the ones who will fill the posts in the future.

## Objectives

- Eliminate illiteracy in our facilities.
- Empower our workers to improve their lives through continuous learning.

## Health

We understand that having a job is a wellness opportunity that positively impacts the economy and people's emotional, physical and mental well-being. Nettelco goes beyond promoting physical well-being and is committed to improving the comprehensive (emotional and mental) well-being of people who work with us.

This premise leads us to strive to create a positive, safe and healthy environment for our employees, which naturally leads them to balance work and family life, that can be measured by an increase in productivity and efficiency.

### Comprehensive Health Program:

Like our Training Program we will establish an Occupational Health Program linked to the social management system, which will also be based on 3 fundamental axes:

**-Physical Health Axis:** Focused on disease prevention; immediate medical attention and support included in various health programs' coverage.

**- Emotional Health Axis:** It contemplates the legal and psychological support necessary to help people improve their personal life, work management as well as their social skills.

**- Mental Health Axis:** Psychological support to people who are experiencing mental health conditions or problems.

### Work-family balance:

We are aware that the textile sector does not allow in many cases to have stable schedules and salaries, to ensure that employees maintain an ideal balance between the time dedicated to work and the time they give to their families.

Our commitment is to identify and implement actions and projects in collaboration with our clients which improve the quality of life of our employees and ensure that they can enjoy quality time with their families.



## Objectives

- Ensure that our employees enjoy optimal physical and emotional health.
- Guarantee that our employees achieve an adequate work-family balance.

## Be an empowering force of the community:

Companies cannot succeed if society around them fails. The challenges that our society experience are the same that our business experiences. The problems of illiteracy, health and safety are replicated in the communities around us making it difficult for both society and business to develop.

Therefore, a key goal of Nettalco is to improve the communities in which we work.

## Reduce illiteracy by half in the families of our employees:

Working to eradicate illiteracy, both of our employees and their families, becomes imperative in order to reverse this reality.

At Nettalco we have proposed to extend the scope of our Training Plan to the families of our employees as part of the commitment assumed to eradicate illiteracy.



## Create safe and harmonious living spaces for our employees and their families:

Just as education ensures a more dignified life, full of opportunities for our employees and their families, creating safe living spaces is essential for the health, vitality and spirit of the communities.

Nettcalco will lead the management of neighborhood security measures to ensure that green areas and plants are safe and healthy living spaces. That is why Nettcalco is committed to leading the management of neighborhood security measures to ensure that the surroundings of the plants are safe and healthy spaces to live, work and transit.

Along the same lines, the possibility of developing activities, projects and leisure and athletic spaces in green areas will be studied in a way that contributes to strengthening the safety and healthy environment in the community.

## Objectives

- Reduce illiteracy by half in the families of our employees.
- Create safe spaces around our corporate facilities.

## 2.3 CIRCULAR LEADERSHIP

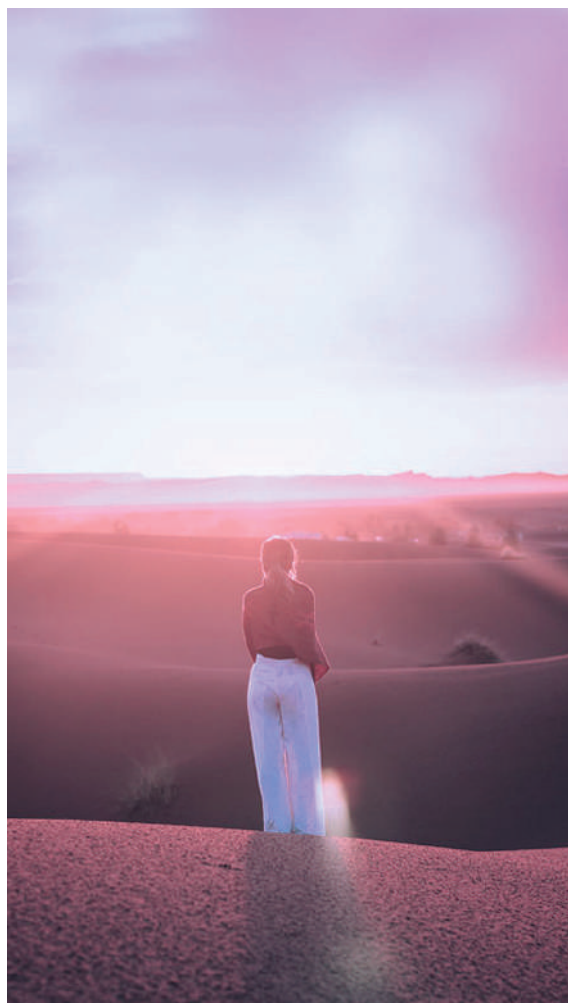
### Combat Climate Change:

Climate Change is a constant, and consequently, the dramatic results caused by Climate Change become increasingly evident. The fashion industry on a global level has managed to align with the objectives of the **Paris Agreement** on Climate Change, reaching common grounds of hope. Nettalco has assumed the agreements as our own, and we are drawing concrete actions to be able to carry them out.

Under that premise, we have set out to work on two very specific fronts. The first step will be to start measuring our impact on Climate Change and continue with measures that allow us to be circular in energy consumption until we reach the goal of **zero emissions**.

#### Reduce emissions:

Through the **Environmental Management System**, a process of analysis and inventory of CO2 emissions will begin. This will allow us to define objectives of reduction, technological improvement and productive reorganization.



#### Recirculate Energy:

The **Carbon Neutral mentality** will push us to progressively modify our facilities, looking for more efficient and beneficial ways to use energy. Similarly, the possibility of reusing and recycling energy in our processes will be studied.

### Objectives

- Achieve a 10% reduction in CO2 emissions in our facilities, avoiding negative repercussions in the different phases of the product life cycle.
- Recovery of 30% of energy, optimizing its use in the production of the Vulcano plant.

## Dispose of Waste:

Waste is a concept created by human beings and, as such, can disappear. In nature, waste does not exist, since the waste of one is the input for another. Under the logic of the circular economy, we will initiate a process of industrial reconversion where we seek to eliminate progressively, but definitively, the waste from our production process.

### Reduce waste:

The first step, and the focus we have set for the next 5 years, will be to implement a management system that allows us to measure, analyze and properly manage our hazardous and non-hazardous waste.

This first step will be accompanied by ambitious objectives to continuously reduce, revalue and recycle waste from our plants, seeking to be an example of efficiency and Zero Waste.

### Revalue and recycle waste:

Similarly, a program for the classification and recovery of the value of waste will be developed, identifying those that are usable inputs that add to our production process or that of other local industry.

In line with this, we also commit ourselves to maximum traceability and control of the final disposal of waste that has not yet been revalued in our plant.

## Objectives

- Reach the highest level of efficiency in the Peruvian textile sector when it comes to reducing both solid and liquid, direct and indirect waste.
- Reuse 50% of the resources generated by our production.
- Guarantee 100% the responsible disposal of waste, minimizing its adverse effects.



## Conserve Water:

Peru ranks among the top eight countries with the most water in the world, but it is also one of the most vulnerable to water scarcity. Water is an essential input for the textile industry and our facilities are located in areas of high risk when it comes to water shortages, which leads us to consider the quality and availability of water as our priority.

### Improve Energy Efficiency:

The implementation of the environmental management system will allow us to define goals related to water conservation and reuse in a closed circle of which we have full control, seeking to minimize the need for water in our production process.

This will lead us to evaluate and implement new technologies for the reuse of water in production, especially in the Vulcano plant where dry cleaning and finishing work is carried out.

### Improve Wastewater Quality:

We are highly committed to work to ensure that our wastewater is of equal or superior quality as it was when it entered our facilities. We will identify and implement technologies and procedures to ensure the progressive improvement of the quality of wastewater.



## Objectives

- Succeed in being the most efficient in the use of water within the Peruvian textile sector.
- Recover 50% of the production water to give it a new use in our manufacturing process.
- Achieve the highest level of wastewater quality in the entire sector.







# GOALS AND LINES OF ACTION

## 2020 - 2025

Area	Goal 2025	Objectives	STRATEGIC ACTIONS
<b>EXAMPLE OF GOOD GOVERNANCE</b>	Include sustainability as a strategic axis	<p>Create the sustainability department</p> <p>Implementation of management systems</p>	<ul style="list-style-type: none"> <li>• Select the person / s that will be part of the team and the coordination mechanisms with the rest of departments.</li> <li>• Develop an annual work plan within the framework of this strategy.</li> <li>• Design and implement a comprehensive environmental management system that is consistent with the Higg guidelines and based on international quality guidelines. It must be able to be validated by third parties.</li> <li>• Design and implement a social management system for Health, Education and Industrial Safety, based on international standards and current legislation.</li> </ul>
	Traceability and Transparency	<p>Map and analyze 100% of the value change in the business</p> <p>Share our progress with the sector in order to ignite a movement of continuous improvement.</p>	<ul style="list-style-type: none"> <li>• Mapping of the value chain including suppliers and materials.</li> <li>• Analyze the status of working conditions and environmental aspects throughout the value chain.</li> <li>• Identify and prioritize actions to be carried out.</li> <li>• Start conversations with suppliers to share Nettalco environmental and social improvement objectives and support them in developing strategies and actions.</li> <li>• Identify and implement certifications that independently show our progress in priority areas of action.</li> <li>• Develop public access sustainability reports every 2 years.</li> <li>• Report our progress in the social and environmental field in the Higg platform for the two production plants.</li> </ul>

# SOCIAL LEADERSHIP

Eliminate poverty in all forms

Eliminate illiteracy in our establishment

Empower our workers to improve their lives through continuous learning

Ensure that our employees enjoy optimal physical and emotional health.

Guarantee that our employees achieve an adequate work-family balance.

- Identify physical and emotional health needs.
- Develop physical and emotional health plan for the collaborators and their families.
- Promote instruments that facilitate the financing of physical and emotional health programs beyond those promoted for free.
- Identify the most immediate and most strategic training needs.
- Develop stable continuing education programs for workers preparing them for the robotization and digitalization of the industry.
- Promote instruments that facilitate the financing of training programs beyond those promoted for free.
- Ensure that our workers enjoy good physical and emotional health.

Be an empowering force of the community

Reduce illiteracy by half among family members of employees

Create safe spaces around our corporate facilities.

- Identify the literacy needs of the community.
- Implement 2 permanent literacy programs in the community in agreement with educational organizations.
- Promote instruments that facilitate the financing of training programs beyond those promoted for free.
- Lead the surveillance and security project started in the neighborhood.
- Promote recreational spaces and sports in the area of influence.

# CIRCULAR LEADERSHIP

## Combat Climate Change

Achieve a 10% reduction in CO2 emissions in our facilities, avoiding negative repercussions in the different phases of the product life cycle.

- Measure the emissions of the facilities.
- Identify emission reduction measures in the two plants
- Design and implement reduction actions.
- Identify and implement an energy recovery systems

Recovery of 30% of energy, optimizing its use in the production of the Vulcano plant.

Reach the highest level of efficiency in the Peruvian textile sector when it comes to reducing both solid and liquid, direct and indirect waste.

- Identify and measure the waste generated by the two plants.
- Identify waste minimization and revaluation measures.
- Develop a policy and procedures for chemical management.

## Dispose of Waste

Reuse 50% of the resources generated by our production

- Identify possibilities of reuse or sale for reuse of waste and supplement it.
- Develop alliances and dealings with customers from other industries for the sale of waste for a productive purpose.

Guarantee 100% the responsible disposal of waste, minimizing its adverse effects

- Track the destination of waste that is not reused.
- Define criteria for good waste management and identify the appropriate suppliers for its management.
- Carry out a constant measurement and control of the good disposition of our waste that ensures maximum use of them.

# CIRCULAR LEADERSHIP

## Conserve Water

Succeed in being the most efficient in the use of water within the Peruvian textile sector

Recover 50% of the production water to give it a new use in our manufacturing process

Achieve the highest level of wastewater quality in the entire sector

- Implement a system to measure and monitor water consumption in both plants.
- Identify and implement measures to reduce water consumption in the two plants.

- Identify and implement strategies and technologies for water recirculation in the production process.

- Identify the main pollutants of wastewater and develop a policy and procedures to reduce and, eventually, eliminate them.