



SUSTAINABILITY REPORT

2022

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Message from our CEO

I am pleased to present our first Sustainability Report, through which we share with our stakeholders our performance in economic, governance, environmental, and social management (ESG). First and foremost, I wish to express my gratitude to Cotton Knit's workforce for their dedication and commitment to propel this company into a world-class enterprise.

Thirty-one years ago, we started working towards our dream of becoming a benchmark in the textile industry. Today, those efforts have borne fruit.

We can proudly affirm that we have consolidated our leadership. We are a modern and innovative company that has successfully entered new markets and countries, establishing ourselves as a reliable supplier for all our customers.



Alberto Majluf
COTTON KNIT'S CEO

People at the center of our business



Entering European markets has enabled the implementation of ESG practices, aiming to improve our company's performance. Integrating these criteria is key for the continuity of our business. Therefore, with great pride, we announce that in 2022, we successfully incorporated the Higg Facility Social and Labor Module (FSLM) through collaborative efforts with prestigious brands. This reinforces our commitment to enhancing our social performance year after year.

The health and well-being of our employees have also been a priority in our business management. Thanks to agreements signed with EsSalud, in 2022 our workforce had free access to health campaigns organized by the company. We have also encouraged vaccination against COVID-19, tetanus, influenza, and other diseases. These measures have been key in preventing significant health issues among our employees.

We have also made progress in Occupational Health and Safety Management (OHS), strengthening a culture of accident prevention and facilitating effective reporting of incidents and accidents by our employees. The work carried out by our Occupational Health, Safety, and Environment Department (HSE or SSOMA in Spanish) has enhanced the organization of our Hazard Identification, Risk Assessment, and Control Measures (HIRAC or IPERC in Spanish) matrices. This enhancement is evident in audits that highlight the robust performance of our OHS management system. In 2022, we achieved an 87% advancement in indicator compliance, made possible by reinforcing commitments within the OHS committee, refining our matrices organization, and continually fostering our employees' professional development through ongoing training.

With regards to professional development and education, we have upheld our commitment to provide opportunities for our employees to pursue higher education at the SENATI Technological Institute. This benefit also extends to their immediate family members, granting them access to educational opportunities. Furthermore, we have achieved a significant milestone with the successful implementation of our Apprentice School program, aimed at fostering the advancement and development of our workforce.

Through this initiative, we provide training to staff with limited experience, enabling them to develop skills in various productive areas of the company. Afterwards, we evaluate their learning process and promote them to a specific line of work. As a result, we have successfully placed 60 formerly inexperienced operators in the Sewing department. This best management practice is replicated in all other departments such as Quality, Cutting, Sorting, among others. The long-term goal is for our employees to develop a career path within the company.

We have maintained the WorldWide Responsible Accredited Production (WRAP) and Business Alliance for Secure Commerce (BASC) certifications throughout the year; thus, ensuring a responsible supply chain committed with human and labor rights. These certifications strengthen trust with the international brands we collaborate with.

In 2022, we successfully reinstated programs designed for our employees' families, which had to be put on hold due to the pandemic. One of our most cherished programs is our annual Children's Christmas event, a tradition that brings us together as members of Cotton Knit. This year, over 300 children, our employees' kids, had a delightful day at the Huachipa zoo, filled with activities, presents, and lots of fun.

Our environmental performance



The collaboration with international brands has played a crucial role in advancing our environmental performance. We are delighted to showcase some major milestones on responsible production. In December, we secured the Global Organic Textile Standard (GOTS) and Global Recycled Standard (GRS) certifications, enabling us to offer products crafted from organic cotton and recycled materials; thus, meeting specific brand standards.

Additionally, we have improved our environmental and social performance, better positioning ourselves in global markets. We maintain our environmental programs with the support of our strategic allies Polo Ralph Lauren and Lacoste.

With the former, we launched the Carbon Footprint Reduction Program, anticipating mid-term improvements, and with the latter, we participate in the Textile Waste Recycling Program, immersing ourselves in circular economy practices. Another significant milestone is the investment towards improving our energy efficiency. Over the year, we have installed LED lighting throughout the plant, and are currently at an 80% completion rate. Our goal is to finish the remaining 20% next year. Furthermore, we are pioneers in the textile industry, utilizing gaspowered machinery in our processes. This best management practice significantly reduces our carbon footprint through the use of clean energy.

Our long-term goal is to become a carbon-neutral company, which will allow us to attain the third star in the Carbon Footprint Peru program. Regarding our water and effluent performance, we have achieved a 50% reuse of treated water at the Wastewater Treatment Plant (WWTP) in our production processes. This initiative has led to a decrease in water consumption as outlined in our water footprint report. Moreover, the assessments from environmental regulatory agencies confirm that our wastewater adheres to the permissible maximum values (PMVs).

In other noteworthy news, we have begun recycling textile waste to integrate it into new circular

processes. This innovative recycling method not only generates employment for the formal recyclers we partner with but also re-purposes this waste into new products for market introduction. Furthermore, we have made progress in recycling Waste Electrical and Electronic Equipment (WEEE), and, with the help of Aniquem NGO (Association for Children Burn Victims Assistance), we have donated the initial batch of WEEE. We plan to uphold this agreement for the coming year. Our commitment is to maintain this agreement during 2023 and to remain dedicated to enhancing our environmental management.

Our economic performance



From a financial perspective, it is gratifying to note that we concluded the year with robust sales, seeing our garment production surge by over 20% compared to the prior year, resulting in total sales of \$56million. Amid the challenges and valuable lessons learned, it is crucial to highlight that while we experienced a surge in the first six months, securing South America as a strategic supplier, we later faced declining sales due to inflationary pressures, recession, and our clients' surplus inventories. Nevertheless, despite these obstacles, we successfully closed the year with positive balances.

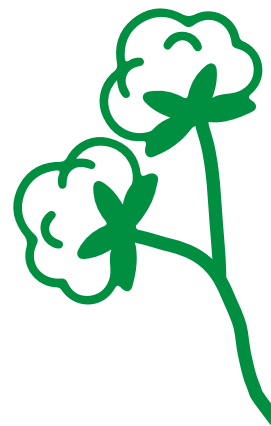
It is important to emphasize that this good performance enabled us to clear our debts with the banks and solidify our reputation as an attractive company with a robust credit history. As a valuable lesson, we have learned the significance of accepting orders we can fulfill to steer clear of extra costs and decisions that might negatively impact

our economic performance. With this strength, we will kick off 2023 positively.

In terms of investments, we are contemplating short-term upgrades to machinery and investments in key assets to reduce our operational costs. It is crucial to acknowledge that a significant portion of our success is attributed to the commitment and effort of every member within the Cotton Knit family. The challenge we face as an organization is to continue consolidating our path towards sustainability and to create an inclusive, equitable, and regenerative economic system.

Finally, I wish to express my gratitude to the sustainability team and all departments that have contributed to the success of presenting our first sustainability report. I encourage our customers, employees, and other stakeholders to read and share it. (GRI2-22)

Alberto Majluf
COTTON KNIT'S CEO



About this sustainability report

We are pleased to present our first sustainability report for the fiscal year 2022. This annual publication encompasses data collected from January 1st to December 31st 2022, focusing exclusively on Cotton Knit's operations.

In this sustainability report, we share with all our stakeholders our performance in managing environmental, social, and governance (ESG) impacts. To manage and measure these impacts, we have taken into account our operations in Ate, Lima.

The current management document has been developed following the guidelines of the Global Reporting Initiative (GRI), using the updated universal standards of 2021. Additionally, in our commitment to sustainability, we have integrated the framework of the United Nations' Sustainable Development Goals (SDGs) as well as the Global Compact, among other significant international standards and commitments.

The content of this report has not been restated or subjected to verification processes by an external auditor. (GRI 2-2) (GRI 2-3) (GRI 2-4) (GRI 2-5)

ESG 2022

Main indicators



1679
employees.



50 %
of our
workforce
are women.



189
trainings.



4
educational agreements
signed with universities
and institutes.



5.21
training
hours per
employee.



100 %
of operations
assessed for
corruption risk.



0
cases of forced or child
labor in the company
and its suppliers.



100 %
of the Board of Directors received
training on anti-corruption
issues and policies.



90 %
of compliance
with the Annual
Training Plan.



452 665 kg
of recycled
textile waste.



20 783.68
tCO₂
of GHG emissions
generated.



100 %
of industrial
effluent
treated.



178 877 kg
of segregated
waste.



100 %
of WEEE
donated to
Aniquem NGO.



20 countries
are our export
destinations.



\$ 56 MM
net sales.



83.50 %
customer satisfaction
index (CSI).



\$1766 000
in local
purchases.



1

WE ARE
COTTON KNIT

1.1. Our history



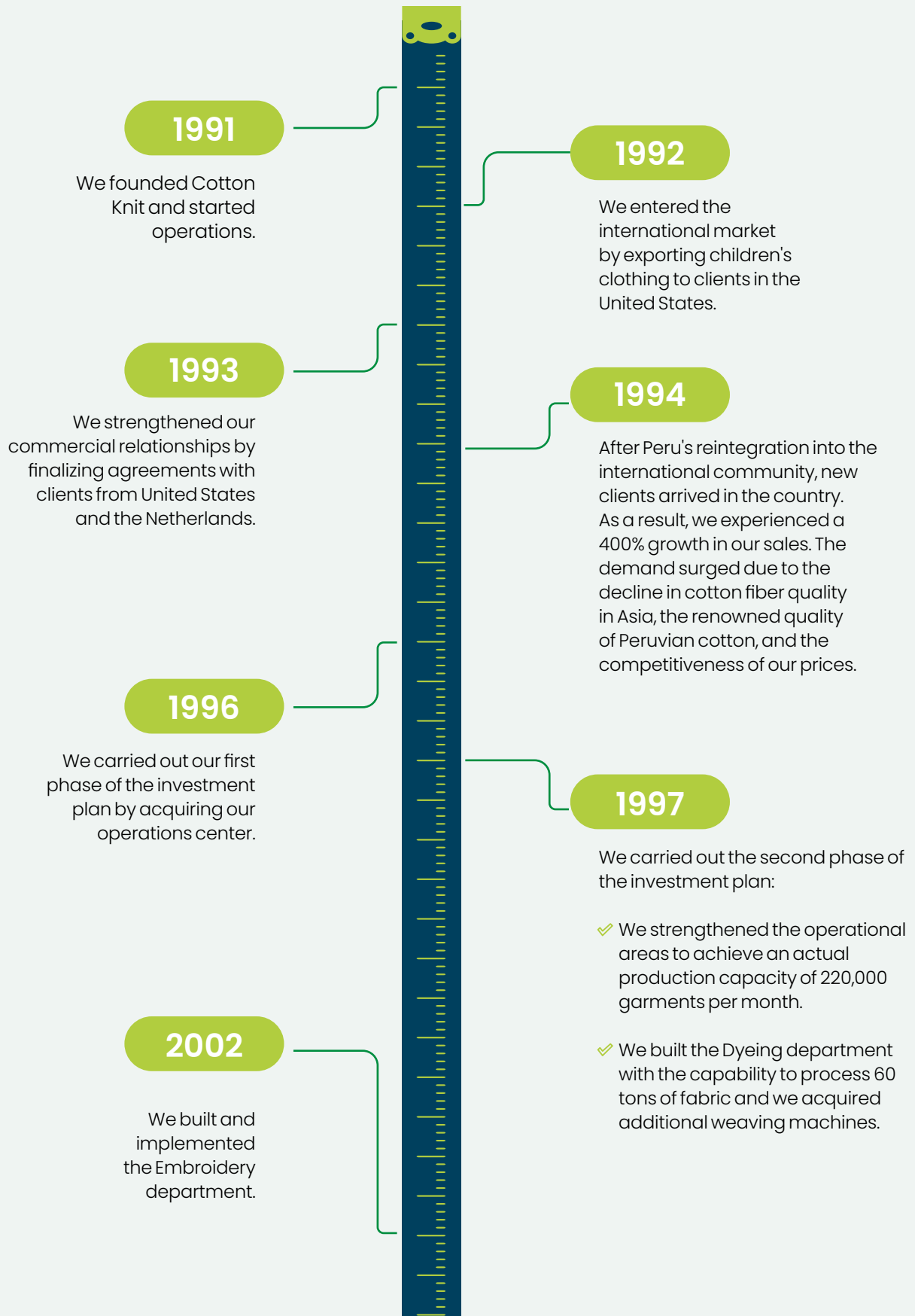
We were born amidst a socio-political upheaval that swept through Peru at that time. Despite the challenges, the perseverance and eagerness to establish a business by a group of siblings enabled us to found Cotton Knit on June 3, 1991. The driving force behind this dream were the brothers Alberto Majluf, Enrique Majluf, Luís Majluf, and Gustavo Majluf, who envisioned establishing a company aimed at meeting the needs of textile companies like Nettelco, Almeris, and COFACO.

Over the past 30 years, we have continued to innovate and grow within the textile sector. This journey has allowed us to establish ourselves as one of Peru's most important textile companies. Currently, we export our products to over 20 countries worldwide, and it is our customers who recognize the quality and excellence that has characterized us since our inception.

We are established as a closely-held corporation (SAC in Spanish) and our operations center is located at Santa Sofia Street, Ate 15022. (GRI 2-1)



Main milestones



2003

We built and implemented the Laundry department.

2005

We began the construction and implementation of the Printing department.

We created the Work Environment department, working collaboratively with all the team leaders and their respective staff.

2012

We obtained the Worldwide Responsible Accredited Production (WRAP) certification to ensure good labor and environmental practices, among other aspects in our operations.

2022

We obtained the Global Organic Textile Standard (GOTS) and the Global Recycled Standard (GRS) certifications to ensure that our raw materials originate from organic fibers and recycled materials, strengthening our competitiveness in the international market.

2004

We initiated the certification processes, obtaining the ISO 9001 certification in quality management.

2006

We obtained the Business Alliance for Secure Commerce (BASC) certification, to highlight our commitment to safety in our supply chain.

2019

We obtained ISO 14000 certification to control and manage our environmental impacts and to bolster our environmental management strategy.

1.2. Company's description

Cotton Knit's history began weaving itself in 1991 when the Majluf family transformed a dream into reality: build the best textile company exporting knit fabric. Since then, our challenge has been to drive service quality across all processes, guided by ethical values of excellence, integrity, inclusivity, and teamwork.

Today, we have consolidated our leadership, evolving into a modern, innovative company that has conquered new markets and countries, establishing itself as a reliable supplier for all our clients. This achievement would not be possible without the active participation of our 1,500+ employees, whose effort, commitment, and dedication allow us to challenge the impossible. Together, we are not just creating a better company, but also a better community.



Mission, vision, and values



MISSION

Produce and export knitted garments, with the goal of ensuring satisfaction among our customers, shareholders, and employees. We value and prioritize our processes of social responsibility and environmental care at each stage of our operations.



VISION

Become the leading and recognized company in the garment export industry in Peru, standing out as a sustainable company with high quality and service.



VALUES

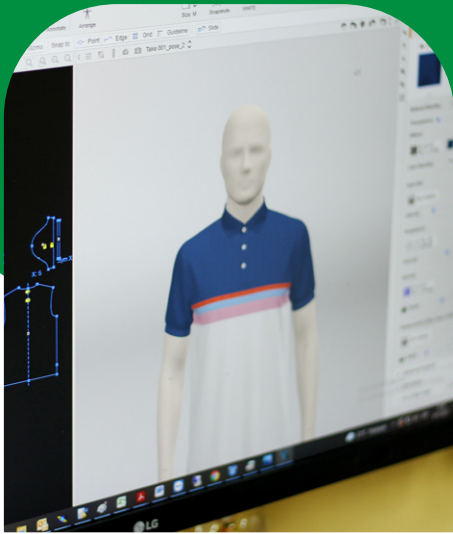
Our values are the pillars that guide our actions and decisions at all times. These values are quality, customer orientation, commitment, honesty, reliability, and responsibility.

Our products

We offer a wide range of full package garments, including t-shirts, polo shirts, dresses, sweatshirt, and pants made of materials such as Pima cotton, modal, nylon, polyester, among others, for prestigious international brands. It is worth noting that our products meet high standards of quality, sustainability, traceability, and safety. In recent years, we have embraced a robust approach to sustainability with the aim of becoming a

competitive, profitable, and sustainable company over time.

Currently, we produce over 600,000 garments per month and operate as a vertically integrated company with weaving, dyeing, cutting, sewing, laundry, embroidery, printing, and finishing processes.



International market

Export of garments in 2022



United States	65.33%	Argentina	0.60%
Italy	7.01%	Korea	0.36%
Brazil	5.93%	Ecuador	0.15%
Mexico	4.64%	United Kingdom	0.11%
France	4.10%	Uruguay	0.03%
Hong Kong	4.58%	Colombia	0.03%
Panama	2.79%	Australia	0.02%
Canada	2.39%	Spain	0.02%
Chile	0.74%	South Africa	0.01%
Japan	0.72%	Paraguay	0.42%

We have a presence in America, Europe, Asia, Africa, and Oceania. We collaborate with renowned international brands that see Cotton Knit as a company providing high-quality products and services. It is important to note that our production is exclusively carried out upon orders from international clients.

Our main clients



Garnet Hill



Unbranded Co.®



1.3.

Key affiliations and partnerships

At Cotton Knit, we strive to be a sustainability-driven company contributing to the country's development. Therefore, voluntarily, we have worked to obtain the following sustainability certifications and standards: (GRI 2-28)



ISO 14001



Worldwide Responsible Accredited Production (WRAP)



Global Organic Textile Standard



Global Recycled Standard (GRS)



The Higg Facility Environmental Module



Peru Carbon Footprint Program

We are part of different civil society organizations, private companies and associations:



The Lima Chamber of Commerce is an association that brings together companies of various industries and sizes in Lima, fostering organized collaboration among them. Our association with CCL provides us with association representation with the Government. Additionally, we engage in training sessions and talks on relevant topics for the textile industry.



We are part of the leading business association of Peruvian foreign trade. Thanks to the services it provides, we manage to maintain our international competitiveness. ADEX gives us access to statistics on the export textile sector and opportunities to participate in trade fairs.



Non-profit institution that promotes the development of the manufacturing industry, drives the market economy, and contributes to the country's development from various fronts. Maintaining synergies with them enables us to access training, talks, and/or relevant information about the national textile manufacturing sector.



Peruvian Association of Textile Technicians

Association formed by individuals engaged in technical, scientific, and social activities related to the textile industry and its related fields, aimed at promoting and encouraging the study, research, and dissemination of technical knowledge derived from the textile industry. As members of this association, we receive news and updates about the Peruvian textile sector, along with access to training sessions and talks on emerging trends in textile processes.



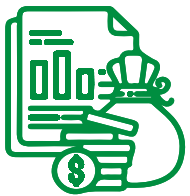
Peruvian Cotton Institute

We are actively involved in the Peruvian Cotton Institute, working closely with all stakeholders in the production chain. Our goal is to drive a collective agenda that enhances the competitiveness of Peruvian cotton both nationally and internationally.



The Better Cotton Initiative (BCI) is a nonprofit organization working to promote sustainable practices in the cotton industry. Through our participation, we support aid and technical assistance programs for individuals working in cotton farming fields.

1.4. Financial Management



Our leading position in the international market is cemented through the long-term relationships we foster with our clients. In 2022, our financial performance exceeded expectations, experiencing a

substantial surge in order flow from the American market. This unexpected growth posed a challenge for us to fulfill orders promptly.

Thanks to this challenge, we managed to improve our initial net sales projection from 44 million dollars to 56 million. This achievement reflected our ability to adapt to market demand and contributed to strengthening our financial management, providing the company with greater liquidity.

During the second half of the year, we faced the challenge of the global market contraction, stemming from external factors such as economic

recession, which slowed consumer spending and impacted apparel purchases. Confronted with this scenario, we implemented economic measures to safeguard the business, gaining valuable lessons in the process.

Our resilience in responding to changing market conditions and making sound financial decisions was pivotal. To measure our financial impacts, we have a management committee responsible for evaluating the company's economic performance. Additionally, our financial statements undergo annual audits conducted by an independent firm. These audited reports are presented to financial entities to strengthen our position for future loans. A notable achievement in 2022 was the partial debt repayment to banks, a result of our strong performance, leadership, and the judicious decisions of our senior management. (GRI 3-3) (GRI 201-1)

Generated and distributed economic value (in million of soles)

Closing exchange rate sales 31/12/2022: S/3.820

Closing exchange rate purchases 31/12/2022: S/3.808

EVG&D		2022	
DIRECT ECONOMIC VALUE GENERATED (DEVG)			
Revenues	Net sales	213 494	219 172
	Income obtained from <i>drawback</i>	5 525	
	Assets sales	153	
ECONOMIC VALUE DISTRIBUTED (EVD)			
Operating costs	Cost of production materials and others	86 285	136 998
	Employee expenses (training costs and related)	47	
	Payment for contract workers	25 779	
	Administrative expenses	346	
	Contributions	4 176	
	Other operational expenses	20 366	
Employee wages and benefits	Salaries	40 693	57 388
	Employee profit sharing	533	
	Health insurance	475	
	Bonus	1 294	
	Other benefits	14 392	
Payments to government	Taxes and penalties	1 568	1 568
Payments to providers of capital	Dividends to all shareholders	-	7 431
	Interest on all forms of debt and borrowings	7 431	
Community investments	Deductible and non-deductible donations	20	20
ECONOMIC VALUE RETAINED (EVR)			
Economic value retained (EVR)	DEVG - EVD (direct economic value generated - economic value distributed)	15 767	15 767



2

OUR GOVERNANCE FOCUS

2.1.

Corporate governance

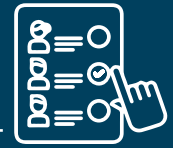
We have established ourselves as a family-owned company since our foundation. Consequently, the highest governance body consists of four members of the Majluf family, who lead the company with the aim of ensuring efficiency, profitability, and transparency in its management. With the recent inclusion of sustainable management in our business model, we are integrating ESG components for a comprehensive impact-driven approach. (GRI 2-9)

Board of Directors



The Board represents the highest governance body of the company and is composed by members of the Majluf family. The roles of the shareholders are clearly defined in the company's bylaws, outlining the obligations and responsibilities of both the shareholders and the General Management. It is important to highlight that currently, the Management Committee includes the participation of two women, who significantly contribute to the strategic planning of the company. (GRI 2-9)

Nomination and Selection



The nomination and selection of the Cotton Knit Board follows the guidelines outlined in the family business statute. Through this process, the company selects individuals for key positions, such as the CEO, as well as other members of the senior management. Through a consensus agreed upon by the parties, Mr. Alberto Majluf has been appointed as the Chairman of the Board. It's noteworthy that Mr. Majluf concurrently holds the role of CEO and occupies a senior executive position within the company. (GRI 2-10) (GRI 2-11)

Board Responsibilities

The Board is responsible for the following within the company: (GRI 2-12) (GRI 2-14)

- A. Define the company's policies, strategies, and objectives for the specified period.
- B. Approve and/or modify the policies and strategies presented by Senior Management.
- C. Oversee compliance with good governance practices.
- D. Ensure the company's strong economic performance.
- E. Manage other matters within its competence and scope.
- F. Regarding sustainable development, the Board reviews, approves, and supervises the sustainability strategy, the sustainability report, as well as the certifications proposed by the department of Management System and Certifications.

Training and performance evaluation

In line with our internal policies, members of Senior Management receive ongoing training in various specialized topics, including sustainability. In 2022, they participated in a kick-off meeting to present their first sustainability report, which included a discussion on the importance of sustainability. In 2023, we will continue with similar activities aimed at enhancing their skills and solidifying our position as a leading company in the Peruvian market.

Being a family-owned company, we don't conduct internal evaluations of the Senior Management. However, members of the management committees undergo continuous evaluation by the Senior Management. This process involves ongoing feedback due to their extensive industry knowledge. We also consider criteria such as responsiveness and flexibility to market changes, among others. Maintaining an open-door management style in Senior Management enables direct interaction with committee members, promptly addressing any performance differences. If Senior Management deems a formal evaluation necessary, we request an external assessment to ensure transparency of the results. (GRI 2-17) (GRI 2-18)



When addressing conflicts of interest, as detailed in our Code of Conduct and Ethics within the 'Ethical Business Practices' section, we reinforce the priority of upholding moral and ethical values for all employees and senior management. These principles take precedence over any personal interests that could impact decisions made on behalf of the company. In the event of any violations resulting in conflicts of interest, our BASC Committee is accountable for addressing, investigating, and rendering a verdict.

Should an employee wish to file an inquiry, complaint, and/or suggestion, they can do so through the Committee for Intervention in Inquiries and Complaints. This committee will conduct investigations and submit a report to the Head of Human Resources, who will make a final decision, validated by Senior Management. (GRI 2-15).

Remuneration Policies


We support the strategies outlined by the company and the Human Resources department within our Remuneration Policy. These strategies are designed to attract and retain talent at Cotton Knit. We strive to foster individual and team performance among our employees, maintaining consistency in remunerations to ensure equality (without discrimination), internal equity, and competitiveness within the market, all in full compliance with labor legislation.

Our salary structure is organized in three groups:



Determining salary ranges is based on the point factor method, which assesses various positions within the company, providing a transparent categorization.

Generally, salary reviews are determined by considering criteria such as performance levels, individual merits, pay position (valuation), among others. Proposals for salary increases should be requested and supported through Human Resources, which will assess the feasibility of the proposal before seeking approval from the General Management.

 For the purpose of this report and due to confidentiality and competitive sensitivity reasons within our industry, we have excluded detailed quantitative information about the remuneration and expenses of the Board of Directors and General Management. (GRI 2-19) (GRI 2-20) (GRI 2-21)



Committees

We have established specialized committees to effectively manage a wide array of issues spanning from economic performance to strategic planning, continuous improvement processes, and environmental and social aspects. These committees play a crucial role in addressing and holistically managing these aforementioned matters. It is important to highlight that the General Management actively participates in these

committees, providing necessary resources for the implementation of initiatives.

Additionally, critical concerns regarding potential negative impacts on the organization are communicated by the management teams within the Management Committee to the General Management during scheduled managerial meetings. (GRI 2-13) (GRI 2-16)

BASC COMMITTEE

Responsible for proposing, evaluating, approving, and implementing improvements to the BASC Management System in Control and Security, aiming for continuous improvement. Also accountable for receiving, investigating, and finding solutions for reported suspicious activities.

COMPOSITION

President and 5 members.



COMMITTEE ON OCCUPATIONAL HEALTH, SAFETY, AND ENVIRONMENT

Responsible for reviewing and approving management documents related to the occupational health and safety system, aiming for continuous improvement while adhering to current legislation and regulations. Additionally, plays an active role in accident investigations and inspections of various OHS processes.

COMPOSITION

Joint, with 6 representatives elected by employees and 6 appointed by the company.



COMMITTEE FOR INTERVENTION IN INQUIRIES AND COMPLAINTS

Responsible for reviewing, assessing, and proposing solutions for cases of inquiries, complaints, and suggestions that were not resolved initially. Additionally, formulates measures to strengthen the work environment.

COMPOSITION

Joint, with 2 representatives elected by employees and 2 appointed by the company.



COMMITTEE FOR INTERVENTION AGAINST SEXUAL HARASSMENT

Responsible for conducting investigations and systematizing complaints and claims related to sexual harassment by employees. It also proposes disciplinary action to prevent new cases and suggests measures that promote respect, equality and dignity, contributing to a positive work environment.

COMPOSITION

Joint, with 2 representatives elected by employees and 2 appointed by the company.



WRAP COMPLIANCE COMMITTEE

Responsible for verifying compliance with the WRAP principles and our Code of Conduct and Ethics. This committee places special emphasis on key aspects such as human well-being, ethical negotiation, and environmental stewardship, making a significant contribution to fostering a safe and pleasant work environment.

COMPOSITION

8 members.



Furthermore, to address corporate sustainability matters, we have the department of Management System and Certifications. Elizabeth Maúrtua, Coordinator of such department, spearheads sustainability-related initiatives within the

organization. This includes overseeing certifications such as ISO 9001, ISO 14001, WRAP, BASC, GOTS, and GRS, in addition to supervising the Sustainability Strategic Plan. (GRI 2-24)

2.2. Sustainability Management in Corporate Governance

Ethics and anti-corruption management

We promote continuous improvements in our organizational culture, focusing on strengthening our values, transparency, and corporate ethics. We aim to establish a framework that guides the conduct of all our employees and other stakeholders.

Our Code of Conduct and Ethics, consisting of principles, guidelines, and instructions, ensures compliance with ethical and integrity standards that all our stakeholders are expected to follow. Below are the guidelines:



<p>1</p> <p>Prohibition of forced labor</p>	<p>2</p> <p>Prohibition of child labor</p>	<p>3</p> <p>Prohibition of abuse</p>	<p>4</p> <p>Prohibition of discrimination</p>	<p>5</p> <p>Prohibition of discrimination and violence against women</p>
<p>6</p> <p>Health and safety</p>	<p>7</p> <p>Freedom of association</p>	<p>8</p> <p>Compensation and benefits</p>	<p>9</p> <p>Hours of work</p>	<p>10</p> <p>Overtime hours and compensation</p>
<p>11</p> <p>Legal and ethical criteria</p>	<p>12</p> <p>Environment</p>	<p>13</p> <p>Customs compliance</p>	<p>14</p> <p>Management and mechanisms for resolving complaints</p>	<p>15</p> <p>Security</p>



We operate with ethics



The Committee for Intervention in Inquiries and Complaints addresses cases resulting in violations of the Code of Conduct and Ethics, overseeing and imposing sanctions as necessary. This Committee is led by representatives of the company's employees and the BASC Committee.

POLICIES AND CODE OF CONDUCT AND ETHICS

Cotton Knit's Ethic Hotline

We encourage our employees and other stakeholders to report actual or potential acts that violate the guidelines established in the Code of Conduct and Ethics. In this regard, the Committee for Intervention in Inquiries and Complaints is responsible for receiving complaints or claims related to mistreatment, harassment, discrimination, and other unethical acts. Meanwhile, the BASC Committee is tasked with handling reports of fraud, theft, and corruption in all its forms.

It is important to highlight that we manage cases comprehensively and with discretion, ensuring the confidentiality and protection of the reporting individuals.

Additionally, we implement a rigorous control process for reported cases, which varies based on specific factors of each situation such as urgency, impact, severity, among others. (GRI 2-25) (GRI 2-26)

Reports and complaints filed by employees

Type of report or complaint	Amount	Percentage
Mistreatment from superiors	13	45 %
Dining services	1	3 %
Parking services	1	3 %
Treatment by security personnel	10	34 %
Corruption (theft)	4	14 %
Total	29	100 %

We present our communication channels through which our stakeholders can address their respective reports and complaints if they deem it appropriate:

1



In person

Any employee can approach the Human Resources department at any time to present their inquiry, complaint, claim, report, or suggestion, which, according to its nature, will be forwarded to the responsible committee.

2



Suggestion box

Any employee can submit an anonymous complaint, claim, report, or suggestion either in the physical suggestion box located on our premises or through its digital version via a QR code link.

3



Email

Inquiries, complaints, claims, reports, or suggestions can be sent via email to the following address: **comunicaciones@cottonknit.com**, including any pertinent information you deem relevant for the investigation.

4



WhatsApp

We provide the number 998 100 832 to promptly address inquiries, complaints, claims, reports, or suggestions as part of our open-door policy. Any employee or interested party can contact the General Management, Human Resources Department Head, or their respective department's head to discuss any concerns they may have.

It is important to highlight that these communication channels and mechanisms are disseminated among our employees and strategic partners throughout the year across multiple communication platforms.



Anti-corruption

In recent years, we have implemented best practices in anti-corruption to operate securely and reliably. To manage anti-corruption issues, we currently have a Management System in Control and Security comprising policies, procedures, and a Code of Conduct and Ethics. Additionally, the BASC Risk Assessment Matrix aids in the identification and monitoring of corrupt practices and acts, mitigating associated risks.

As part of our BASC certification, we have established the BASC Committee, responsible for addressing reports related to acts of corruption, bribery, fraud, among others. Presently, this committee is led by Mr. Enrique Majluf.

Throughout 2022, we conducted anti-corruption drills to assess our employees' preparedness for specific corruption scenarios. Supported by CCTV cameras, these drills provided insights into the attitudes and reactions of our employees when faced with these scenarios. As a key takeaway, we highlight our employees' strong understanding of procedures, as all simulated exercises were reported as suspicious acts of corruption. This reflects our firm commitment to conducting secure and ethical operations. (GRI 3-3)



Upcoming projects

✓ Clearly defining the scope of the Anti-corruption Policy regarding gifts received from suppliers.



✓ Ensure that the Anti-corruption Policy is effectively communicated to 100% of our strategic partners.



POLICIES AND GUIDELINES ADDRESSING ANTI-CORRUPTION MANAGEMENT



CODE OF CONDUCT AND ETHICS



BASC COMMITTEE



ETHICS HOTLINE



PROCEDURE FOR ADDRESSING COMPLAINTS, CLAIMS, AND/OR SUGGESTIONS



PROCEDURE FOR THE PREVENTION, INVESTIGATION, AND SANCTION OF SEXUAL HARASSMENT OR HARASSMENT



BUSINESS ALLIANCE FOR SECURE COMMERCE

We have been BASC certified since march 2006, ensuring secure trade control and preventing smuggling, illicit drug trafficking, and terrorism.



Operations evaluated based on corruption-related risks

During 2022, we assessed all 13 processes crucial to our operations for potential corruption risks. This assessment identified critical activities associated with risks such as theft, collusion, bribery, and other unethical practices. Across our Risk Assessment Matrix (BASC), a total of 64 corruption risks were uncovered, prompting the implementation of operational controls to mitigate the chances of corrupt behavior. Looking ahead to 2023, our agenda includes gauging how effective these controls are within our risk matrix, allowing for a more comprehensive quantitative tracking of identified corruption risks. (GRI 205-1) (GRI 205-3)



Training and Education on Anti-Corruption

In 2022, every member of Cotton Knit's Board of Directors underwent training focusing on anti-corruption topics and policies. Furthermore, our suppliers and contractors were informed about these policies, including compliance aspects. The number and percentage of employees informed about anti-corruption policies and procedures is presented below. (GRI 205-2)

Cotton Knit Employees	2022		Business partners	2022	
	Number	Percentage		Number	Percentage
Executives	9	100 %	Suppliers	23	100 %
Employees	454	100 %	Contractors	22	100 %
Operators	1216	100 %			

3

Planta de
TRATAMIENTO DE AGUAS RESIDUALES

**CONSOLIDATING
OUR PATH
TOWARD
SUSTAINABILITY**

3.1. Our triple impact strategy

In 2021, we outlined a clear road map to integrate sustainability at the core of our business. We established our mission and incorporated indicators and goals within a triple-impact strategy: economic and governance, environmental, and social. Within a two-year time frame, we have achieved significant progress, which is detailed in our first sustainability report.

Sustainability is not just an internal commitment but also a shared responsibility with our employees, customers, and suppliers, as well as with the community at large. We firmly believe that by

aligning our efforts with all stakeholders, we not only strengthen our position in the market but also contribute to building a more ethical and sustainable business environment.

We are committed to engaging all stakeholders in our journey toward sustainability, promoting transparency, collaboration, and innovation in all our operations and strategic decisions. Currently, we are working diligently to ensure that these actions have a positive impact on our employees and other stakeholders. (GRI 2-23) (GRI 2-24)

Cotton Knit's triple impact strategy



ECONOMIC AND GOVERNANCE

-  Corporate Governance and Ethics
-  Economic Performance
-  Responsible Management in the Supply Chain
-  Risk and Crisis Management



ENVIRONMENTAL

-  Climate neutrality strategy
-  Materials, waste, and water management



SOCIAL

-  Occupational Health and Safety
-  Professional Development, Diversity, and Commitment with our Employees
-  Human Rights and Good Labor Practices
-  Employment Generation

3.2.

Contribution to the Sustainable Development Goals (SDGs)



Aligned with our corporate sustainability strategy, we have prioritized 10 SDGs, driving tangible actions toward their attainment and thus, supporting the 2030 agenda.

sector. Hence, issues such as quality education, access to healthcare, climate action, among others, need to be approached through a multisectoral lens to narrow the existing gaps in the country. We present our contribution to the SDGs across the governance, environmental, and social dimensions:

In the peruvian context, we have identified challenges that require addressing in collaboration with the private

GOVERNANCE

Ethics and Corporate Governance

17 PARTNERSHIPS FOR THE GOALS

- ✘ Strategic partnerships with our raw material suppliers (yarn).
- ✘ Code of Conduct covering ethical standards, anti-bribery, and corruption.

SOCIAL

OHS and workplace climate

03 GOOD HEALTH AND WELL-BEING

- ✘ **+800** employees benefited from health campaigns promoted by Cotton Knit such as 'My Health My Life,' 'CK Cares for You,' among others.

- ✘ **73 %** satisfaction rate in the workplace climate index.

08 DECENT WORK AND ECONOMIC GROWTH

- ✘ **+300** employees benefit daily from transportation fully covered by CK.

Education

04 QUALITY EDUCATION

- ✘ **98 %** competency index.
- ✘ **6 638 h** of training provided to our employees during 2022.

08 DECENT WORK AND ECONOMIC GROWTH

- ✘ We have strategic educational agreements for our employees to enhance their performance and skills (SENATI, ADEX, UCV, UPN).

17 PARTNERSHIPS FOR THE GOALS

- ✘ **3 Scholarships** have been awarded to talented children from low-income populations, thanks to Cotton Knit's partnership with Peru Champs, an organization dedicated to reducing the educational inequality in our country.

Human rights

05 GENDER EQUALITY

- ✘ **1** non-discrimination policy for our employees based on factors such as race, gender, disability, religion, education, among others.

ENVIRONMENTAL

Air

13
CLIMATE
ACTION



✘ **79 mg/m³**
is the concentration of nitrogen oxide in CK, which falls beneath the permissible maximum limit of 320 mg/m³.

✘ **88 mg/m³**
is the concentration of carbon monoxide in CK, which falls beneath the permissible maximum limit of 100 mg/m³.

Recycling and chemicals

12
RESPONSIBLE
CONSUMPTION
AND PRODUCTION



✘ **452 665 kg**
of textile waste from cutting and sewing were recycled during 2022.

✘ **178 877**
units of waste were properly segregated during 2022 according to their classification: papers, plastics, and cardboards.

✘ **2 369 kg**
of WEEE were donated to Aniquem NGO through the program **Recycle to Help.**

13
CLIMATE
ACTION



✘ **1 year**
of funding for lycra mask production through the donation of WEEE.

✘ **100 %**
of our chemical product suppliers hold certifications such as: **ZDHC, OEKO-TEX, GOTS, and BLUESIGN.**

✘ **2 years**
utilizing the B-Hive software, enabling us to maintain an inventory of the chemicals we use and to track their certifications.

Water and energy

06
LIFE
BELOW
WATER



✘ **100 %**
of the residual water from our processes is treated.

✘ **50 %**
of the osmotized water is reused in our processes.

12
RESPONSIBLE
CONSUMPTION
AND PRODUCTION



✘ **30 L**
of water savings per kilogram of processed fabric. Moreover, by reducing the bath ratio, we also minimize the use of chemicals and dyes in the process.

07
AFFORDABLE
AND CLEAN
ENERGY



✘ **+ 15 years**
using natural gas, promoting the use of clean energy.

✘ **50 %**
of the energy consumption dedicated to plant lighting is saved due to the utilization of LED luminaries.

3.3.

Integrated Management System (IMS)

At Cotton Knit, we have an integrated management policy aimed at:



Our integrated management policy is built upon **four main pillars**:

Our strength

Specializing in crafting high-quality knitwear garments and efficiently managing the risks inherent in our activities.

Our commitment

Meeting the needs of our customers and stakeholders while fulfilling quality requirements, safeguarding the environment, and preventing pollution in a safe environment conducive to the well-being of our employees.

Our responsibility

Taking care of the environment and the health and safety of our employees and stakeholders is paramount. We promote engagement and consultation, raise awareness about good work practices, and prevent injuries, illnesses, and incidents. We ensure that our activities are conducted without pollution, thereby creating a healthy and sustainable environment.

Our prevention

Committed to complying with legal regulations concerning workplace health and safety, the environment, and other applicable requirements. We aim to enhance our employees' skills, fostering their professional and personal development.

It is crucial to understand and internalize our policy and pillars, effectively applying them in our daily work.

3.4. Certifications



Certified since 2004



Certified since 2006



Certified since 2012



Certified since 2019



Certified since 2022



Certified since 2022

3.5. Human rights

At Cotton Knit, we advocate for the promotion, defense, and respect of human rights for our employees and other stakeholders. Our human rights framework aligns with the principles of the WRAP (Worldwide Responsible Accredited Production) standard, as well as the Universal Declaration of Human Rights and the International Labour Organization (ILO) Declaration. Implementing best practices in human rights is supported by the leadership and involvement of all levels of the company. We are working to implement a comprehensive policy that includes a diversity and inclusion program. (GRI 3-3) The 12 principles of the WRAP standard encompass the following human rights:



- ✓ Compliance with Laws and Workplace Regulations
- ✓ Prohibition of Forced Labor
- ✓ Prohibition of Child Labor
- ✓ Prohibition of Harassment and Abuse
- ✓ Compensation and Benefits
- ✓ Hours of Work
- ✓ Prohibition of Discrimination
- ✓ Health and Safety
- ✓ Freedom of Association and Collective Bargaining
- ✓ Environment
- ✓ Customs Compliance
- ✓ Security



Discrimination

Through our non-discrimination policy, we ensure equal opportunities and fair treatment for all Cotton Knit employees, regardless of their race, gender, sexual orientation, religion, among other characteristics. In 2022, we identified a case of discrimination related to one of our internal suppliers. In response, the Committee for Complaints, Claims, and Sexual Harassment Intervention conducted relevant investigations and implemented appropriate corrective measures among the involved parties. As part of our actions, we also held awareness talks on this issue. (GRI 406-1)



Freedom of Association and Collective Bargaining

We respect the processes of free association and collective bargaining in accordance with the principles of the WRAP standard. Although we currently do not have a workers' union, we have established Committees in which we encourage our employees' participation in matters related to labor rights, safety, ethics, sexual harassment, among others.

Regarding our suppliers, we ensure their operations align with principles of legality and good labor practices. For this reason, we reject behaviors and initiatives that contradict the freedom of collective association. (GRI 2-30) (GRI 407-1)



Child Labor and Forced Labor

We govern our activities in accordance with the provisions of the National Superintendence of Labor Supervision (SUNAFIL in Spanish) and the Ministry of Labor and Employment Promotion, Peruvian regulatory and oversight bodies regarding child labor and forced labor. Furthermore, we follow the guidelines of the WRAP certification to ensure that our operations and those of the companies we engage with maintain a zero-tolerance policy towards child labor and forced labor. In 2022, we have not identified any cases of forced or child labor within the company or among our suppliers. (GRI 408-1) (GRI 409-1)

3.6.

Materiality

Materiality analysis is a crucial tool in our sustainability management as it allows us to identify strategic priorities for said management. Following the recent updates in the Global Reporting Initiative's (GRI) reporting standard, we have conducted a thorough process to update our material topics, incorporating the new evaluation

criteria. This materiality approach focuses on due diligence and the identification of impacts on human rights.

In line with this, we developed our materiality with an impact focused approach, integrating the identification of actual and potential impacts on our stakeholders (environmental,

social, and human rights), as well as risks and opportunities that could affect our ability to create value with these groups.

In this analysis of material topics, we have not set a prioritization threshold, but we have created a matrix to visualize the most significant topics for our organization. (GRI 3-1) (GRI 3-2)

The methodology we have employed to identify our material topics in 2022 is outlined below:



Understanding the organizational context



Identifying actual and potential impacts



Evaluating actual and potential impacts



Prioritizing the most significant impacts for the report

1

Understanding the organizational context

In this essential step, we conducted an internal and external analysis of the environment within which our company operates. Externally, we performed benchmarking with leading companies in the textile sector with whom we have business relations. This included a detailed review of the main sustainability guidelines and standards, with a specific focus on the SASB standard through the Apparel, Accessories, and Footwear sector supplement, the Higg Index, the SDGs, and the 2022 Sustainability Yearbook.

Subsequently, we analyzed the sustainability context and prevailing trends in the sector, as well as the national context and potential risks that could affect us.

Internally, we reviewed our sustainability strategy and assessed its impact on value generation. We also integrated key policies and management documents to thoroughly understand the sustainability issues we address.



2

Identifying actual and potential impacts

We conducted an impact workshop with the company's management teams. In this workshop, we analyzed the impacts generated in our operations and business relations (both positive and negative, actual and potential). Additionally, we employed other tools such as surveys and focus groups with some stakeholders including customers, employees, suppliers, and governmental entities.

We investigated the most impactful aspects of Cotton Knit, both positive and negative, including topics that could affect our financial performance. This process allowed us to attain a comprehensive view of the impacts relevant to our sustainability management in 2022.



3

Evaluating actual and potential impacts

After an exhaustive analysis of the previous steps, we integrated specific evaluation criteria to prioritize Cotton Knit's most significant impacts. We evaluated actual and potential negative impacts based on severity variables (scale, scope, and irreversibility) and probability. As for actual and potential positive impacts, we assessed them considering scale,

scope, and probability, among other relevant criteria.

In summary, we identified and assessed various impacts (positive, negative, actual and potential) to ultimately prioritize the most significant ones in our sustainability management for 2022.



4

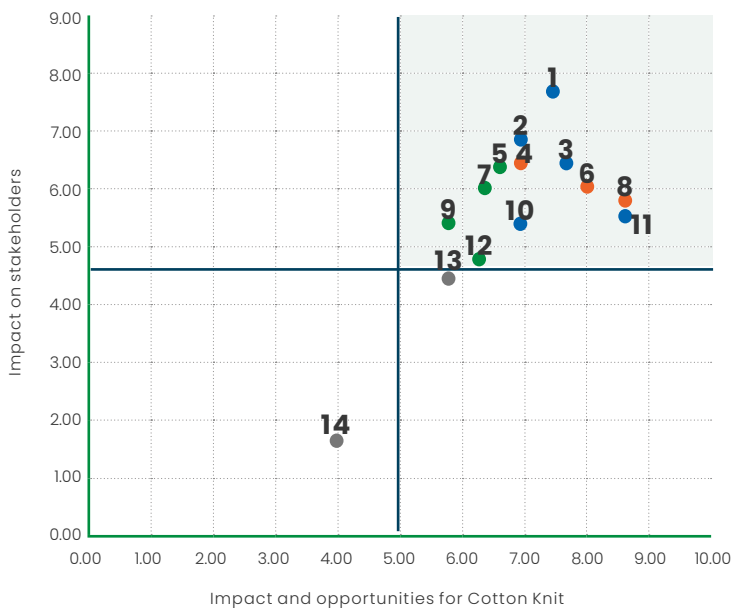
Validating material topics

We presented our most significant material topics to Cotton Knit's General Management, which approved the proposal of material topics.

Here, we present the prioritization of our list of material topics.



Cotton Knit Materiality matrix



■ Economic and governance ■ Social ■ Environmental

Prioritized material topics

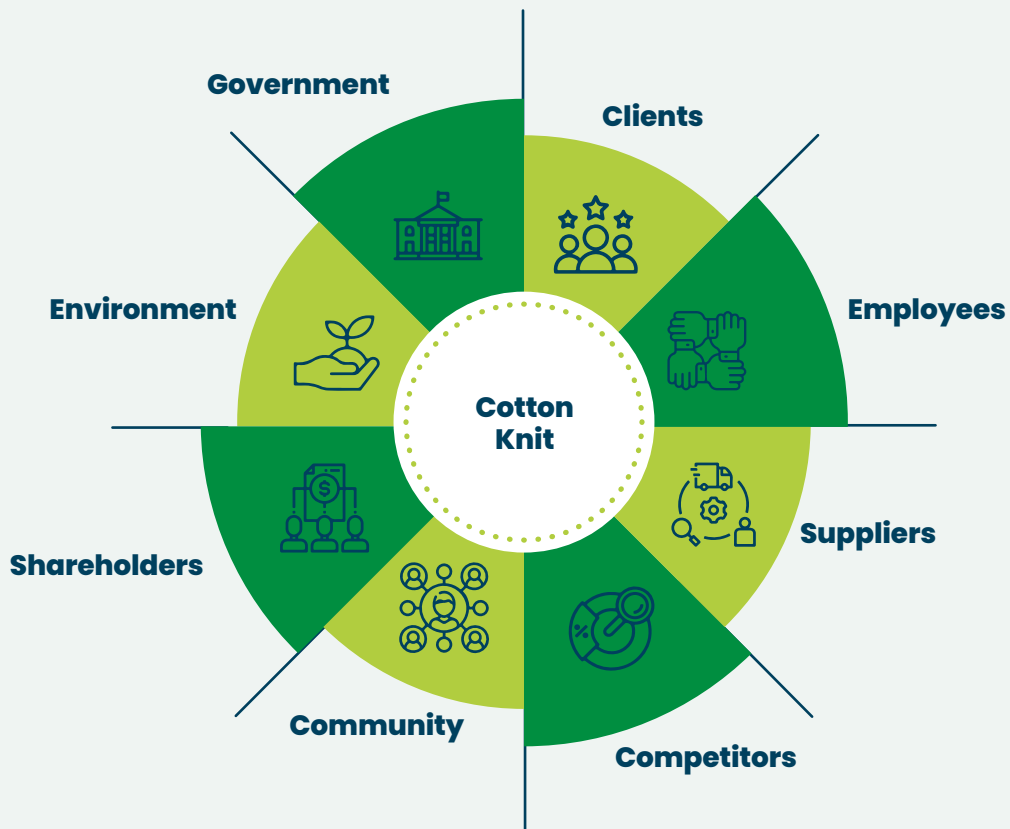
N.º	Material topic
1	Responsible supply chain management and traceability
2	Technology, innovation, and product development
3	Economic performance
4	Occupational health and safety
5	Water management eco-efficiency
6	Job creation, employee well-being, and human rights
7	Waste Management
8	Customer Relationship Management
9	Climate Change Strategy and Mitigation
10	Good Corporate Governance, Ethics, and Anti-Corruption
11	Operational Efficiency
12	Chemical management
13	Risk Management and Crisis Handling
14	Community Relations Management

3.7. Stakeholder Engagement



In 2021, we established a sustainability road map that involved identifying our key stakeholders. This analysis allowed us to prioritize internal and external stakeholders, as well as understand their expectations and engagement mechanisms. (GRI 2-29)

Next, we present our key stakeholder groups:



A photograph of three men in red t-shirts with 'TINTORERIA' printed on them, standing in an industrial factory environment. They are all giving a thumbs-up gesture. The man on the left has yellow earplugs and a lanyard with an ID badge. The man in the middle has glasses and a lanyard with an ID badge. The man on the right is wearing safety glasses and has his arm around the man in the middle. The background shows complex machinery, pipes, and a control panel with a 'B6' label. The image is framed by a green circular border with decorative white and yellow dashed lines. Large white and green abstract shapes are overlaid on the left and right sides of the image.

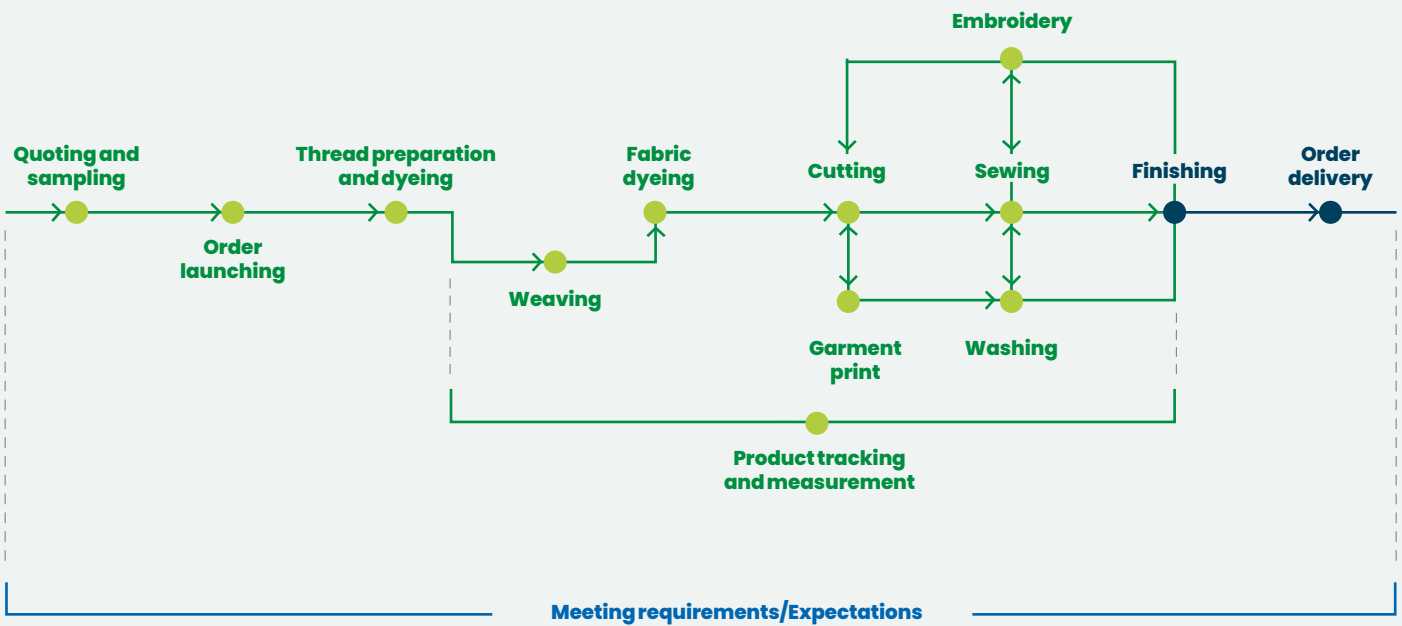
4

**PERU, WE HAVE
SOMETHING TO TELL
YOU: WE CRAFT
SUCCESS**

4.1. Value chain

We actively manage various stages within our value chain, from raw material procurement to the manufacturing and distribution of final products. This includes overseeing fabric production, garment manufacturing, and retail sales, ensuring greater control over product

quality, costs, and distribution. We operate under a vertical integration approach, enhancing quality control, reducing costs, improving coordination, and fostering innovation by having mastery over multiple stages of the value chain. (GRI 2-6)



4.2. Operational excellence

At Cotton Knit, we foster a culture of applied information to enhance efficiency. We are integrating all the company's processes and procedures to achieve optimal outcomes using minimal resources, such as time, money, and effort.

This process of integration has been gradually implemented. Initially, the strategy focused on production, addressing processes like sewing, weaving, printing, and embroidery. However, over time, we have expanded this integration to other processes, seeking a holistic vision.



To ensure its proper functioning, we have invested in technology and trained our staff to consider the assessment criteria. In this regard, data entries are conducted using tablets and specialized software enabling cloud-based information capture. Analyzing this data is crucial for information managers to make well-founded decisions and identify improvement opportunities. Data analytics are conducted weekly by the respective

department and monthly in management committees, where the performance of key indicators is reviewed. This enables us to identify patterns, optimize processes, and make data-driven decisions. This practice also includes simulating client-requested orders, crucial for product traceability. (GRI 3-3) (NO GRI Operational efficiency)

We assess our performance, identify areas for improvement, and base our decisions on the following objectives:



Here is a summary of the operational efficiency management implemented at Cotton Knit:



Upcoming projects for 2023



Acquisition and installation of new energy saving, water-saving, and resource-efficient equipment and technologies, aiming to reduce the environmental impact of textile operations.



Establishment of a dedicated space for continuous improvement, fostering the pursuit of enhancements through interdisciplinary collaboration.



Design and implementation of a Key Performance Indicators (KPIs) system to measure operational efficiency, including production time, daily product output, and production cost per unit.



Implementation of automated planning tools based on analysis to ascertain initial requirements for meeting our client needs.



Implementation of cloud utilization for efficient information management.



Expansion of the application (App) for process control and monitoring.

4.3.

Innovation and product development



We produce a wide range of products, from basic to high-fashion styles, utilizing innovative fabrics, various types of blends, special finishes, and washes; all under the highest sustainability and quality standards. Innovation is a key driver across our operations, allowing us to be creative, agile, and efficient.

Our innovative capacity in product development is reflected in the range of products meeting our customers' requirements, thanks to continuous process improvements backed by technological

innovation and the development of new fabrics crafted from the finest, export-quality materials.

Looking ahead, we anticipate that by 2023, we will have achieved certification for our textile quality laboratory, obtaining ISO/AATCC/ASTM certifications. This will strengthen our ability to assure our customers that their technical requirements will be met within our textile quality laboratory. (GRI 3-3) (NO GRI Technology, innovation, and product development)

Quality

Reduce the overall % of seconds

We achieved a significant decrease in seconds due to snags and stains through controls and result evaluations within a specific period.

2022 Actions:

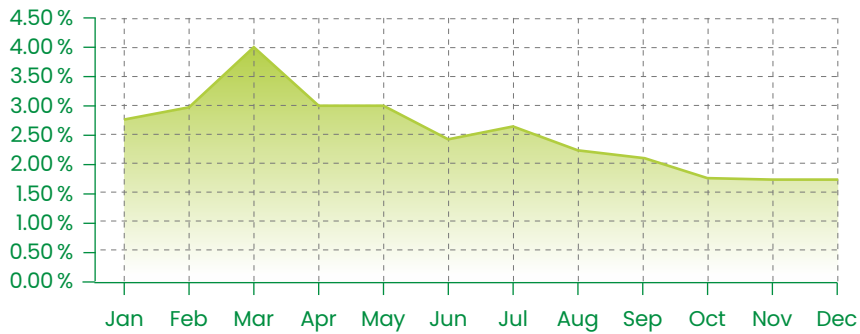


Acquisition of plastic boxes for transporting garments/fabric cuts

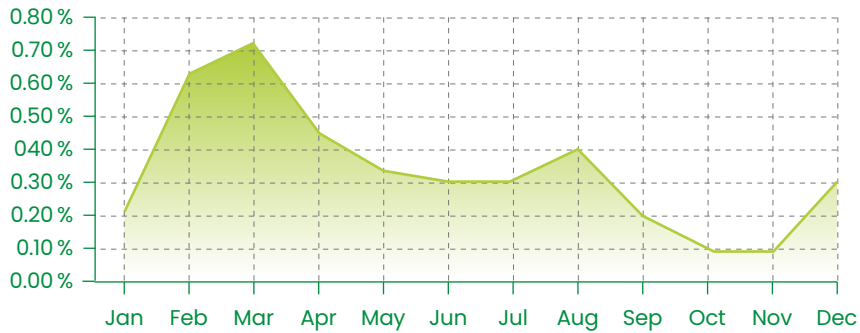


Personnel training

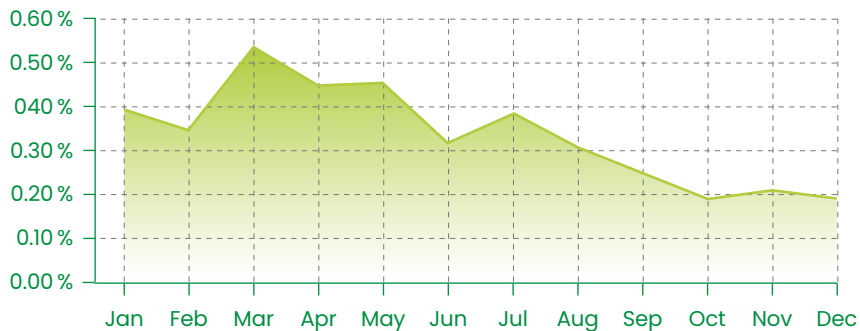
% of seconds 2022



% snagging 2022



% of seconds due to stains 2022



Implementation of the Auditex system

We implemented a program called Auditex, allowing us to record sewing audits on tablets. With Auditex, we receive audit results right away,

enabling us to take immediate corrective actions if necessary.

2022 Actions:



Hiring support personnel to facilitate the development of the program that streamlines audit entry.

Certification of the textile quality control laboratory in ISO, AATCC, and ASTM methods

The textile quality department aims to secure certification for the textile quality control laboratory through the international certifier, Bureau Veritas.

test methods, which are an integral part of the physical and chemical (non-analytical) testing requirements of our clients' quality standards. We are seeking their approval to conduct these tests internally.

This certification will accredit our competent performance in executing ISO, AATCC, and ASTM

Upcoming 2023 actions:



Implementation of a training program for technical personnel applying for the certification.



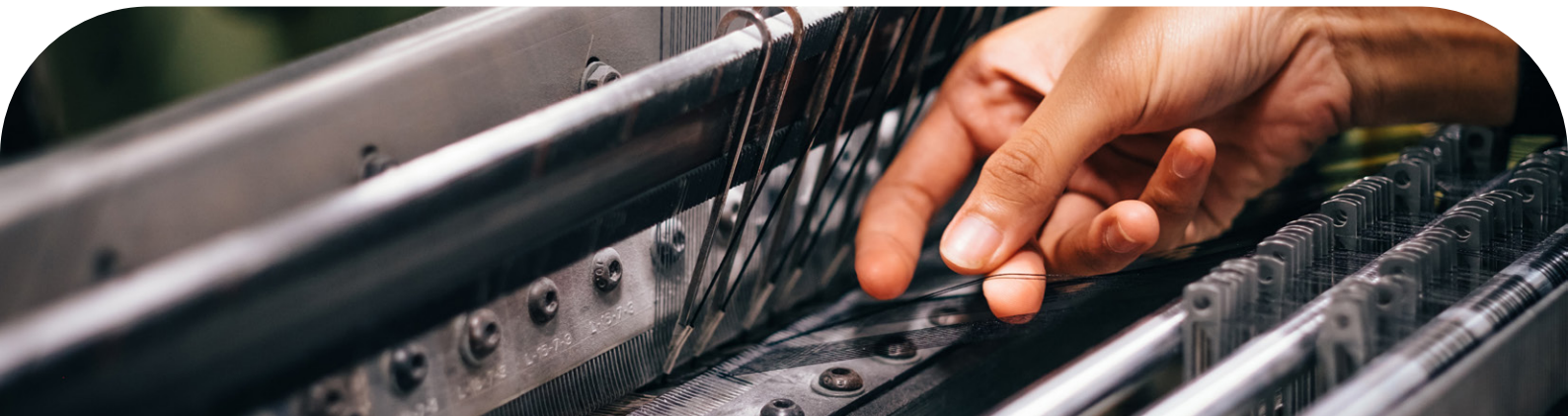
Investment in laboratory infrastructure, including cooling systems and humidity control, as well as refurbishment and painting of the laboratory infrastructure.



Acquisition of the testing methods to be used: ISO, AATCC, and ASTM technical standards.



Procurement of reagents and materials compliant with technical standards.



Systems

Design, development, and implementation of the CKONTROL – CUT application

Developed in C# for the Android platform, which interfaces with our production ERP.

- ✓ Measurement of processing time for the cutting department operations.
- ✓ Traceability and detailed monitoring of operations in the cutting area.
- ✓ Identification of improvement opportunities within cutting operations.

During our control checks, we successfully and precisely determined the actual execution times for each operation.

2022 Actions:



Purchase of tablets for application execution



Implementation of Wi-Fi network



Personnel training

Implementation of the CKONTROL – DYEING System

We implemented a program called Auditex, which allows us to record audits. Design, development, and implementation of the CKONTROL – DYEING application developed in C# for the Android platform, which interfaces with our production ERP.

- ✓ Measurement of processing time for the operations in the threads and fabrics dyeing department.
- ✓ Traceability and detailed monitoring of operations in the threads and fabrics dyeing area.
- ✓ Identifying improvement opportunities within threads and fabrics dyeing operations.

During our control checks, we successfully and precisely determined the actual execution times for each operation.

2022 Actions:



Purchase of tablets for application execution



Implementation of Wi-Fi network



Personnel training

Product development

Browzwear

It is a 3D modeling software designed specifically for the fashion industry. Its focus not only aims to drive creativity in design but also promotes environmental responsibility by reducing material waste and waste accumulation. The software consists mainly of two key applications:

- ✔ **Vstitcher:** enables pattern development, garment styling, and the creation of 3D models to visualize the final product.
- ✔ **Stylezone:** generates digital samples, eliminating the need for physical ones. This prevents excessive waste generation, making processes more eco-friendly.



Benefits of  modelling



Waste reduction

Creating digital 3D samples streamlines collections production, reducing the generation of waste that takes thousands of years to reintegrate into the environment.



Efficient use of materials

It uses scanned fabric with the required design and weight, as well as defines locations and sizes of embroideries or prints.



Time-saving

It allows visualizing how the garment will look on the virtual mannequin, making adjustments and comments, saving waiting time.



Precise design interpretation

Facilitates a correct interpretation of the design on different body types and avoids the need to send physical garments to the client.

Clients

✔  **Ralph Lauren:** long-term collaboration to eliminate the need for physical prototypes.

✔  **Lacoste:** in the process of implementation.

✔ In 2022, the product development modeling team was trained on this software and its tools.

Certifications

✔ The modeling team obtained the 3D Proficiency Certificate - 2022 Browzwear Training Program by Ralph Lauren.

4.4.

Customer Relationship Management

Cotton Knit maintains a strong commitment to adapting to the changing needs of each customer, recognizing the dynamic nature of the fashion industry. Our main challenge is to align with the new demands of the market.

To achieve this goal, we are working on actions aimed at improving the customer journey within the framework of preproduction, production, and after-sales.

Our pillars:



Continuous active communication and attentive listening



Specialized technical support available through various communication channels



Quick and high quality response



Promoting the establishment of close B2B relationships built on trust

Cotton Knit's customer management considers various indicators that provide us with a precise measure of our customers' satisfaction levels:



Customer Satisfaction Index

We conduct periodic surveys with each of our clients, focusing on measuring variables from multiple perspectives, such as quality, On-Time-In-Full (OTIF) delivery, response speed, and technical support.



Billing Level

This measures the evolution of billing per client, enabling us to identify opportunities aligned with each client's needs.



Claims Level

This measures the level of claims in relation to the sales period and allows us to identify the source of any non-conformities. It is gratifying to report that Cotton Knit has not received any claims during this period.



We emphasize our long-term business relationships with our customers. Our main motivation is to continue strengthening these relationships, aiming for continuity and competitiveness. It is noteworthy that we are chosen by brands because we meet their expectations in terms of quality, price, and

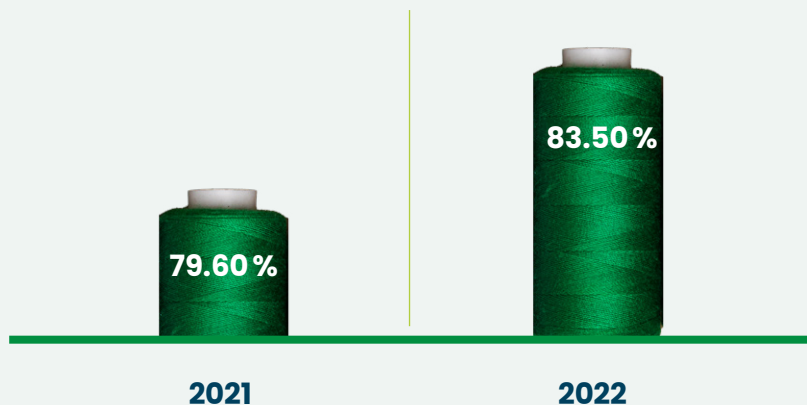
timeliness. Our main global clients have an average relationship duration of 15 years. This extensive period has allowed us to accompany our clients in their growth, evolve alongside them, and effectively respond to their new demands. (GRI 3-3) (NO GRI Customer relationship management)

Customer Satisfaction

Year after year, we strive to enhance our performance across four fundamental criteria: product quality, delivery timeliness, response speed, and technical guidance. The overall measurement of customer satisfaction incorporates the Customer Satisfaction Index (CSI), enabling us to ascertain the annual percentage of satisfied customers. Notably, compared to the previous year, our percentage index has increased by 3 points, inspiring us to continue improving.



Customer satisfaction results



4.5.

Sustainable management in the supply chain

Traceability and quality

Over recent years, we have focused on bolstering our supply chain by integrating environmental and social criteria to identify and manage risks, and promoting practices that ensure the quality, excellence, and reliability of the products we market.



Currently, our supplier management is guided by the following objectives:

- ✓ To have suppliers as strategic partners capable of fulfilling quick-response orders.
- ✓ Conduct periodic reassessment of suppliers, considering criteria such as compliance level, pricing, product or service quality, production capacity, adaptability to new procedures, technical competence, and quality, occupational health and safety, and environment management systems.

Cotton Knit is committed to share the assessment results with the suppliers that receive a rating below 3 (on a scale of 1 to 5). This allows the suppliers to improve in the areas with low ratings, and to monitor the improvement process.

This comprehensive supply chain management not only enhances operational performance and reduces costs but also elevates customer satisfaction.

When choosing and assessing our suppliers, we consider the following technical aspects:



Time of Delivery

We evaluate the supplier's ability to meet agreed-upon deadlines, ensuring efficient supply chain management.



Technical Guidance

We value the supplier's ability to provide technical advice, contributing to the improvement of the quality and efficiency of our processes.



Quality Management System

We analyze the existence and effectiveness of the supplier's quality management system, ensuring compliance with established standards and regulations.



Compliance and Price

We evaluate adherence to commercial agreements and consider the relationship between quality and price to ensure fair and equitable negotiation.



Health and Safety Criteria at Work

We ensure that the supplier complies with health and safety standards and regulations, ensuring a safe working environment.



Environment

We assess the supplier's environmental practices, aiming to collaborate with those who share our commitment to sustainability and reducing environmental impact.

The assessment of these criteria not only allows us to reduce the levels of risks we are exposed to but also creates value across the entire supply chain. At Cotton Knit, we have a supplier risk management matrix that helps us classify the risks based on their level of criticality.

As a lesson learned, we recognize the necessity of consolidating evaluation criteria that cover both technical and sustainability aspects across different departments in our company. Currently, quality assessments are managed by the Logistics department, while the SSOMA department oversees social and environmental criteria separately. Starting in 2023, we plan to integrate these processes to streamline evaluations, ensuring a comprehensive assessment and more efficient workflow of the evaluations. (GRI 3-3) (GRI 204-1)



Local purchases

Regarding local suppliers at the country level, we source various supplies and raw materials such as sewing accessories, chemical inputs and dyes, yarn, raw fabric, and finished fabric. All these companies meet the quality and sustainability standards required by our international clients. (GRI 204-1)

Distribution of suppliers by type of contracted product and region

Local suppliers	Lima	
	Local purchases in USD	%
Sewing and finishing accessories	136 000	40 %
Chemical inputs and dyes	280 000	100 %
Yarn, raw fabric, and finished fabric	1350 000	100 %
Total	1766 000	

Responsible sourcing

In response to the demands of international brands, we have implemented continuous improvements throughout our supply chain year after year. We comprehensively manage the impacts stemming from our business relationships. For environmental and social criteria management, our SSOMA department ensures that suppliers meet the minimum required standards. Specifically, textile supply (yarn) providers must demonstrate possession of certifications such as GOTS, GRS, as well as a Quality Management System (QMS), or show that they are in the certification process. Additionally, they must certify that their products are free from harmful chemical inputs.

Furthermore, another framework governing our relationship with all suppliers is the signing of our Safety, Social Responsibility, and Environmental Agreement, which includes the Code of Conduct. In these documents, we clearly establish the mandatory compliance with environmental, social, and human rights standards. (GRI 3-3) (GRI 308-1) (GRI 308-2) (GRI 414-1) (GRI 414-2)



New suppliers that have met selection filters according to environmental and social criteria



For the year 2022, we evaluated three suppliers considering environmental and social criteria, in addition to quality criteria. However, for our suppliers providing sewing production accessories and finishes, we have requested environmental certifications such as OEKOTEX, FSC, GRS, GOTS, among others.

For 2023, we aim to evaluate and reevaluate all our production suppliers considering sustainability (environmental and social) and quality criteria under the same format.



5

WE CONSERVE
OUR PLANET

With the implementation of our sustainability strategy, we have mapped out a clear path to responsibly manage our environmental impacts. In our commitment to being industry leaders, we have achieved recertification in the ISO 14001 environmental management standard, significantly boosting our sustainability performance.

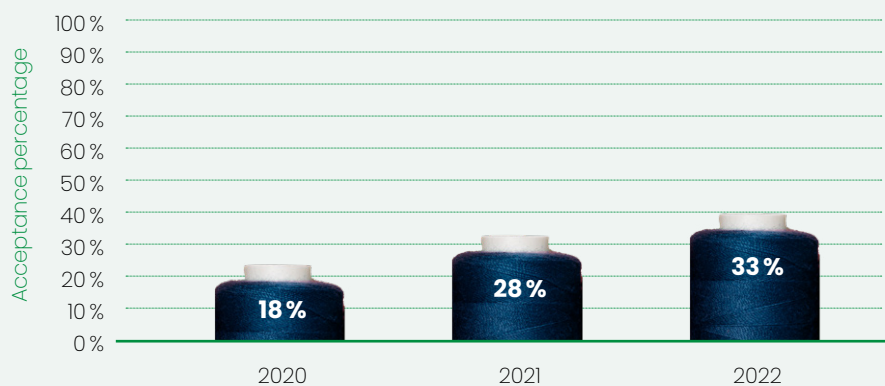
To provide more sustainable products aligned with our clients' expectations, we have been measuring our environmental performance using the Higg Index since 2020. This indicator evaluates companies in the fashion and footwear industries across social and environmental dimensions.

In 2021, we began with a compliance score of 28%. By 2022, we improved our management, reaching a 33% score. Over the coming years, our aim is to further promote more responsible and eco-efficient practices to solidify our position as a leading company in the sector with robust environmental practices. It is worth highlighting that, thanks to our robust IMS, we have not received fines or sanctions from any environmental oversight bodies. This system enables us to identify, update, and verify compliance with various regulations, including environmental standards. (GRI 3-3) (GRI 2-27)



Progress of our environmental performance, as per the Higg Index

HIGG Index- FEM Module





Air

- ✓ The concentration of nitrogen oxide at Cotton Knit is 79 mg/m³, which is below the permissible maximum limit of 320 mg/m³.
- ✓ The concentration of carbon monoxide at Cotton Knit is 88 mg/m³, remaining below the permissible maximum limit of 100 mg/m³.



Recycling and chemicals

- ✓ 452 665 kilograms of textile waste generated in the cutting and sewing processes were recycled during 2022.
- ✓ In 2022, 178,877 kilograms of waste were correctly segregated, sorted into categories such as paper, plastic, and cardboard.
- ✓ All our chemical product suppliers hold recognized certifications, including ZDHC, OEKO-TEX, GOTS, and BLUESIGN.
- ✓ We have been using the B Hive software for 2 years now, allowing us to maintain an updated inventory of the chemicals used in our processes.



Water and energy

- ✓ The 100% of wastewater is treated.
- ✓ We recycle 50% of osmotized water for reuse at different stages of our processes.
- ✓ We achieved a saving of 30 liters of water per kilogram of processed fabric. Reducing the bath ratio not only saves water but also decreases the use of chemicals and dyes in the process.
- ✓ 50% of the energy consumption dedicated to plant lighting is reduced through the implementation of LED luminaires.

5.1.

Environmental management

Emissions

The textile industry, according to the United Nations Environment Programme (UNEP), ranks as one of the primary contributors to emissions, comparable to international flights and holds the third position on the list of major emission sources.

At Cotton Knit, we are committed to conducting semi-annual monitoring of greenhouse gas (GHG) emissions through environmental assessments performed by a consulting firm. This strategy, implemented since 2019, is a part of our Environmental Adaptation Diagnostic Program (DAA in Spanish) approved by the Ministry of Production.

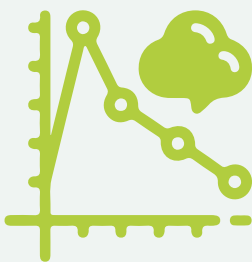
Aligned with our environmental policy and dedication to environmental stewardship, we are committed to measuring atmospheric



emissions from our boilers. Biannually, we conduct measurements of gases such as nitrogen oxide (NOx) and carbon monoxide (CO).

Since 2019, we have been measuring our corporate carbon footprint following the guidelines of ISO 14064, the international GHG Protocol, and national measurement standards. In recognition of these efforts, we obtained the first star in the Carbon Footprint Peru program in 2019, granted by the Ministry of Environment. (Minam in Spanish). (GRI 3-3)

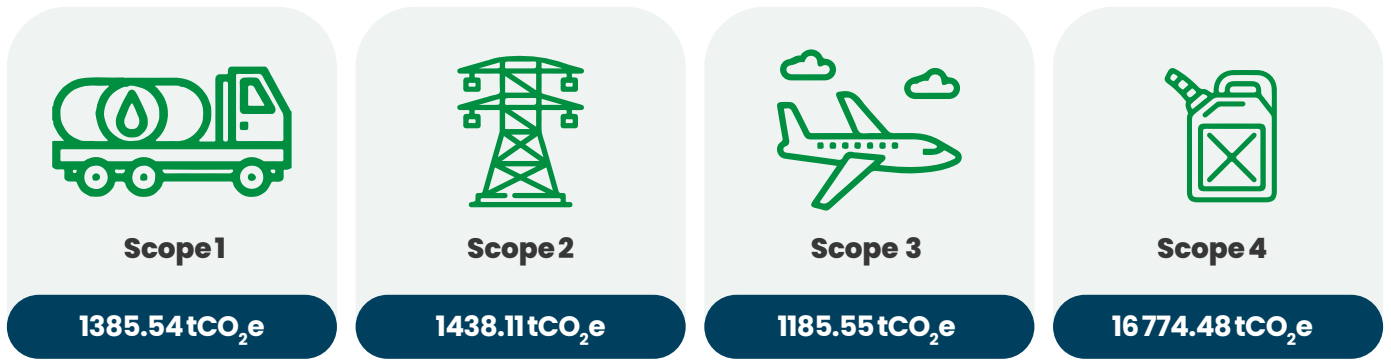
Eco-efficient practices to reduce our emissions



In recent years, we have implemented significant changes at Cotton Knit's offices air conditioning system. Initially, we used the R22 refrigerant gas and have since transitioned to the use of R410 refrigerant gas. This shift is part of our commitment to more sustainable practices, as R410 is a non-toxic and environmentally friendly option.

The greenhouse gas emissions associated with our activities during 2022, reached a total of 20,783.68 metric tons of carbon dioxide equivalent (tCO₂e).

GHG emissions by scope type (GRI 305-1) (GRI 305-2) (GRI 305-3)

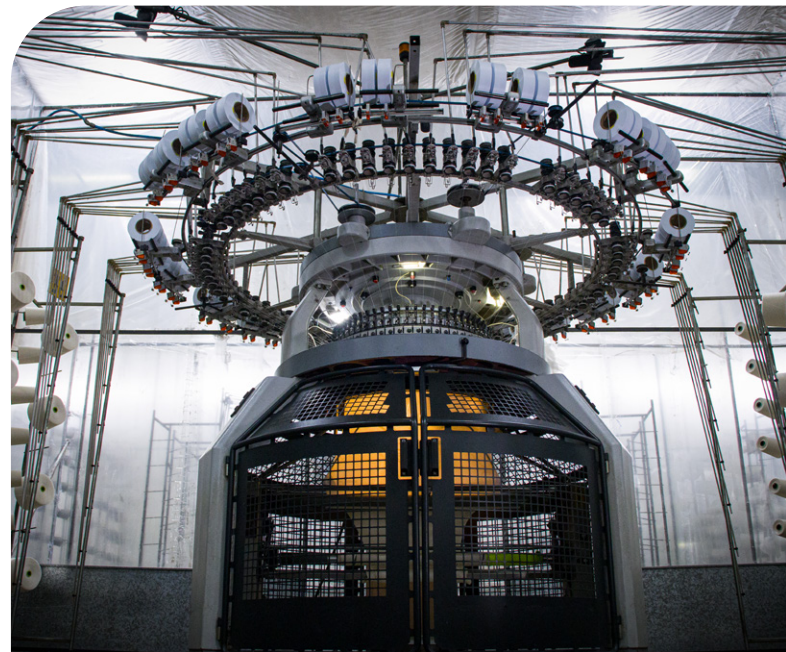


Energy management

In recent years, we have made investments aimed at optimizing our energy matrix and implementing eco-efficient actions to reduce our emissions. Since 2005, we have integrated the use of natural gas in boilers, textile finishing machines, and furnaces. Additionally, we have started the process of replacing conventional lights with LED lights to decrease our electricity consumption, with a target of achieving a 50% savings by 2023.

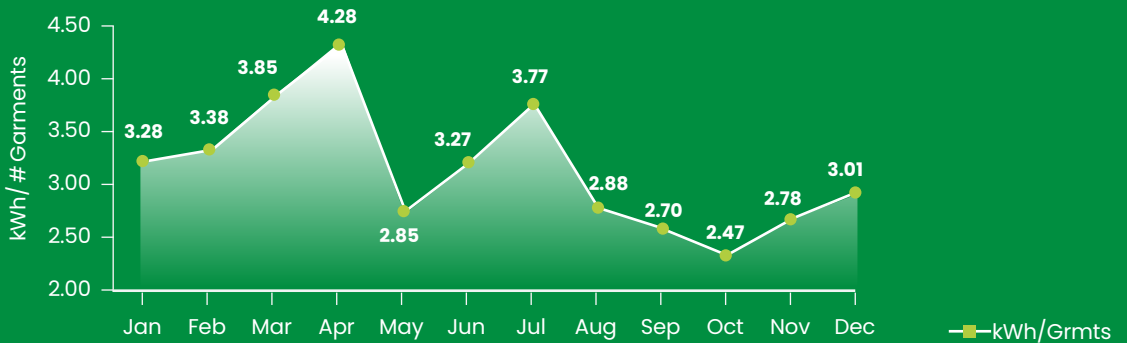
Regarding our electricity consumption, we operate three 10 kV electrical substations supplying energy to all our production processes. Internal meters are used for precise control of each equipment's consumption, and we assess unitbased indicators to enhance efficiency across all company processes.

This approach enables us to maintain a detailed record and conduct analyses to identify areas



for improvement and take corrective actions as necessary. (GRI 3-3) (GRI 302-1)

Energy consumption per garments produced in 2022



Upcoming projects



For 2023, we have planned the modernization of water pumping systems used for sanitation services and the supply of soft water to textile machinery. Installing speed variators in the water pumps and maintaining constant pressure in the water pipes will help reduce current spikes during pump starts, and electricity consumption will be adjusted according to demand in the plant. This transition will result in a 30% reduction in electricity consumption compared to the old system.



For 2023, we have projected to replace 100% of conventional lighting fixtures with LED fixtures. Currently, we have progressed 80% in the transition from traditional lighting to LEDs, successfully reducing our electricity consumption by 50%. For instance, in offices, traditional fluorescent lights consume 72 W, whereas LED fluorescents consume only 36 W.



We are implementing a project to measure energy per production process, which will enable us to identify the highest energy-consuming processes within the company. We will prioritize energy consumption by areas and implement eco-efficient actions. As part of this project, we also plan to install servo motors in garment-making machines with the goal of reducing energy consumption by 50% compared to machines using three-phase electric motors with clutches.



In the long term, we aim to pursue the Solar Panel Project. We are currently evaluating the feasibility of installing solar panels on the factory roofs and requesting feasibility studies and corresponding quotations from specialized suppliers.

Energy consumption (in kWh) (GRI 302-1)

Energy consumption	Measurement unit	Lima	
		2021	2022
Consumption of non-renewable fuel sources			
Natural gas	kWh	6 706 826.10	7 115 670.90
Luz del Sur supply 724845 (electricity)	kWh	572 919.00	610 638.00
Total	kWh	7 279 745.10	7 726 308.90
Total consumption of fuels from renewable sources			
ATRIA Supply 1448476 (electricity)	kWh	3 142 628.20	3 190 066.20
ATRIA Supply 324286 (electricity)	kWh	3 876 576.00	4 103 352.50
Total	kWh	7 019 204.20	7 293 418.70
Energy consumption	kWh	14 298 949.3	15 019 727.6

5.2.

Water management

In line with our IMS (SIG in Spanish) policy, we have set commitments for environmental protection and efficient management of water resources within our company. Moreover, we pledge to comply with all environmental requirements associated with water resource management. Our water supply for production processes comprises a license underground well issued by the National Water Authority (ANA in Spanish) and seven connections from the public network.

The water used in the wet processes of our textile segment originates from both the underground well and two connections from the public network. It is crucial to note that these waters undergo a comprehensive treatment process before being utilized in our operations.

This process begins by storing water in the company's tanks, then proceeds with softening and settling in the designated soft water tank, and finishes by pumping the water through a pressure system to meet production needs. To promote eco-efficient practices and responsible water management, we regularly measure and monitor the water recovery rate.

Similarly, water allocated for our domestic use comes from five public network sources and is utilized in sanitary services and the cafeteria. Additionally, our SSOMA department conducts talks and training sessions for our employees to encourage proper water usage both within and outside the organization. (GRI 3-3) (GRI 303-1) (GRI 303-3)

Wastewater management



We effectively manage domestic effluents through a grease trap and implement subsequent bacterial treatment to ensure compliance with the maximum allowable values (MAV) established by regulations. To manage our industrial effluents, we have an on-site Wastewater Treatment Plant (WWTP) that has been operational for eight years and is dedicated to treating water from the dyeing and printing areas.

Before discharging, industrial waters undergo a rigorous treatment to ensure compliance with MAVs (Supreme Decree N.º 010-2019-Housing), supervised by SEDAPAL, and to meet the parameters of the ZDHC program. The sludge generated by the WWTP, as well as industrial wastewater, is analyzed twice a year according to ZDHC criteria and managed appropriately to prevent risks to human health and the environment.

It is worth noting that our WWTP serves a dual purpose, as we recover approximately 50% of the treated waters and reuse them for dyeing processes. This allows us to save water from public networks and wells. (GRI 303-2) (GRI 303-4)

In our WWTP, we implement a physico-chemical treatment comprising the following processes:

Electrocoagulation



Sand filter



DAF



Reverse osmosis

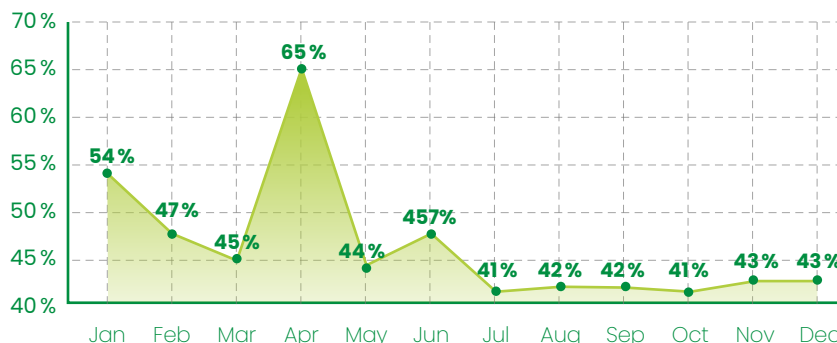


Ultrafiltration



The water recovery rate is the primary internal indicator linked to water and effluent management.

Recovery %



In 2022, we set a goal to achieve a 60% recovery of treated water. Despite reaching an average recovery rate of 46%, these results have motivated us to implement corrective measures. Consequently, we have taken specific actions, such as scheduling the replacement of ultrafiltration membranes, with the aim of enhancing our recovery rate. Additionally, we have strengthened initiatives related to preventive maintenance of the WWTP to further optimize our performance in water and effluent management.



Water consumption (303-5)

Water consumption	Unit of measurement	2022
Total water extraction	m ³	117 305
Water obtained from the municipal network	m ³	68 441
Groundwater	m ³	48 864
Total water recovery	m ³	34 388
Produced (recovered) water	m ³	34 388
Total water discharge	m ³	63 352.72
Water discharged to public or private services, etc.	m ³	63 352.72
Total water consumption	m³	19 564.28

5.3.

Waste and circular economy

We carry out our solid waste management in strict compliance with the current legal regulations in Peru. To achieve this, we have a Solid Waste Minimization and Management Plan (SWMMP) that includes actions aimed at reducing the generation of solid waste, as well as efficiently managing and handling the generated waste. It is important to note that our plan prioritizes the waste recovery process over its final disposal.

The SWMMP enables us to carry out precise segregation of our waste, following the guidelines established in the Peruvian Technical Standard (NTP in Spanish) N.º 900.058:2019, which defines color codes for the proper storage of both municipal and non-municipal solid waste. This approach

has yielded positive effects by allowing us to reuse materials such as plastic, paper, cardboard, and textile waste.

For the final disposal of non-recyclable waste, we exclusively collaborate with authorized solid waste management companies (EO-RS in Spanish). These companies are responsible for conducting comprehensive waste management, carrying out final disposal in properly established and legally authorized landfills. Additionally, as part of the 'Recycle to Help' program, we donate WEEE to the NGO Aniquem. Through this initiative, we make a significant contribution to the comprehensive rehabilitation of children who have suffered burns.

As part of our current waste management framework, we have established a series of objectives to ensure proper handling. These objectives include:



Reduce the generation of solid waste resulting from our activities.



Train and raise awareness among employees regarding the management of solid waste generated within our company.



Promote continuous improvement within the organization concerning proper solid waste management.



Prevent and protect the environment by minimizing environmental impacts in the course of our activities.



Increase the segregation of plastics by at least 20% compared to the previous year.



Increase the segregation of paper and cardboard by at least 30% compared to the previous year.

Among our most notable achievements is the successful implementation of the 5s Project. This methodology, based on five principles (seiri, seiton, seiso, seiketsu, and shitsuke), has brought about a significant cultural shift in our organization, enhancing efficiency in waste segregation systematically.

These initiatives are meticulously planned and overseen by the SSOMA department and monitoring them involves the ongoing analysis of management indicators specifically related to waste reduction. Additionally, we conduct internal audits, along with training and environmental awareness programs tailored to our employees. (GRI 3-3) (GRI 306-1) (GRI 306-2) (GRI 306-3)

Upcoming projects for 2023

✓ We will expand the scope of textile waste management within the organization, including scraps, selvages, fabric remnants, garments, cut pieces, etc., which were not previously considered for valorization in the production of alternative products.

✓ We will initiate collaborations with new business partners with the aim of transforming our textile waste into other products, marking the beginning of circular economy projects for the waste we generate.

✓ We will establish an agreement with NGO Aniquem to continue working on the responsible management of WEEE, in compliance with Supreme Decree No. 009-2019-MINAM. The purpose of this agreement is to contribute to environmental conservation and support social programs, such as 'Recycle to Help'.

✓ We will conduct awareness campaigns on the proper segregation of solid waste at all levels of our organization.

Waste generation

Throughout 2022, we generated a total of 768.7 tons of waste, of which 631.5 tons were classified as non-hazardous waste, while 137.2 tons were hazardous waste. As an integral part of our sustainability strategy, 100% of our waste, both recyclable and non-recyclable, is properly managed until its final disposal. Additionally, we donated 100% of our WEEE to the NGO Aniquem, which operates under a duly authorized WEEE management system.



Composition of waste generated by type (in tons)

Waste generation	Waste type	Unit of measurement	2022
Non-hazardous waste	Paper	Tons	83.0
	Cardboard	Tons	95.8
	Plastic	Tons	452.7
	Scrap	Tons	26.2
Hazardous waste	Hazardous	Tons	108.1
	WWTP sludge	Tons	0.05
	Biologically contaminated	Tons	2.8
	Special regime (WEEE)	Tons	768.65
Total waste generation		Tons	768.65



5.4. Chemical products

We fully acknowledge that manufacturing our garments involves the use of dyes and chemicals, which are essential for achieving garments with optimal appearance and desired texture. However, our customers emphasize the need to meet high environmental and social standards when selecting products for our manufacturing processes.

To comply with European regulations, we are committed to acquiring certified chemicals and

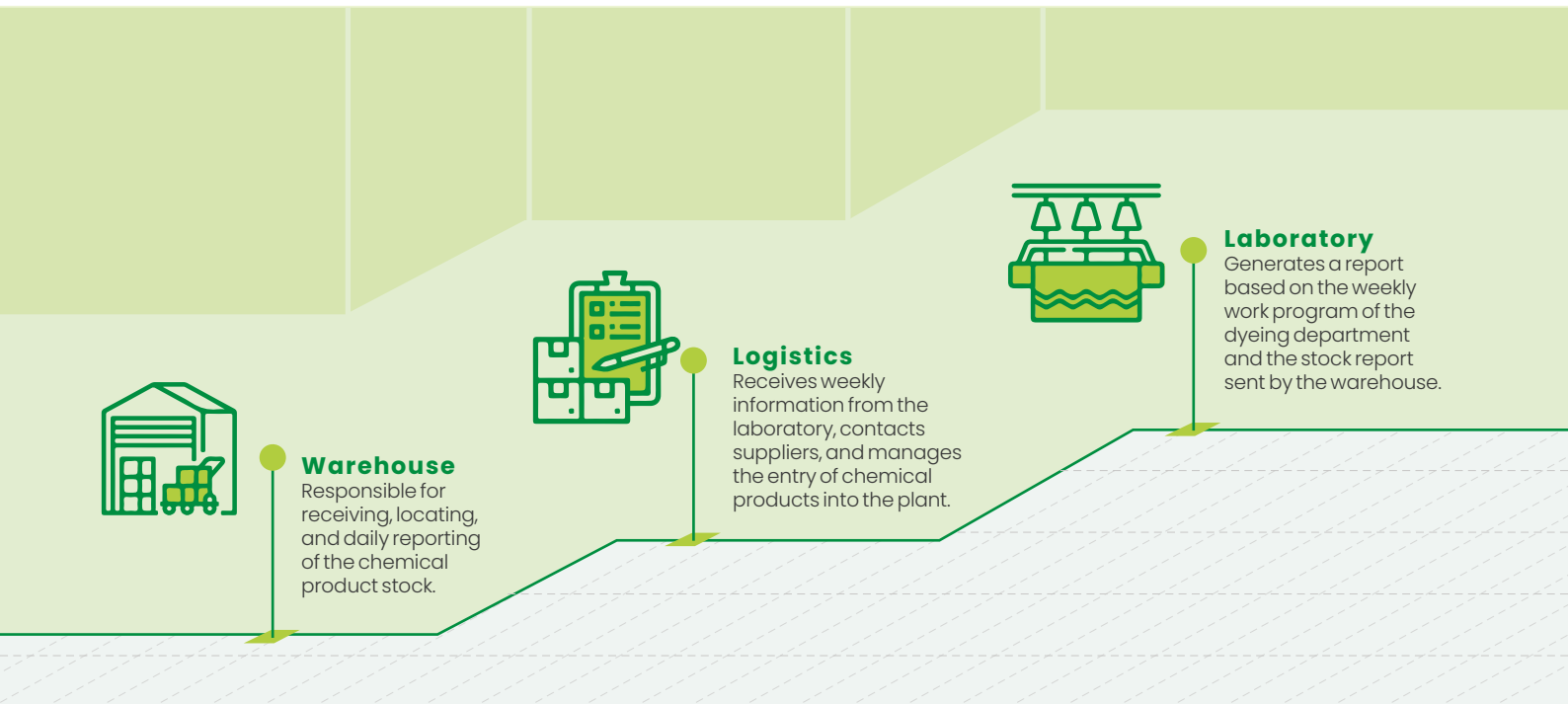




dyes that ensure the health and safety of our customers. In this context, Cotton Knit maintains a rigorous policy when selecting chemical suppliers supported by recognized certifications such as REACH, Bluesign, OEKO-TEX, and ZDHC. These certifications guarantee the absence of hazardous substances in our chemical inputs.

Additionally, we hold prestigious certifications such as GOTS and GRS. These certifications stand as a testament to our commitment to sustainability, indicating that our products are organic and have minimal environmental impact. (GRI 3-3) (NO GRI Management of chemical products)

For more rigorous control, we take into account the list of chemicals and dyes that meet the requirements of GOTS and GRS certifications. Below, we outline the process cycle we follow to manage chemical products within the company:

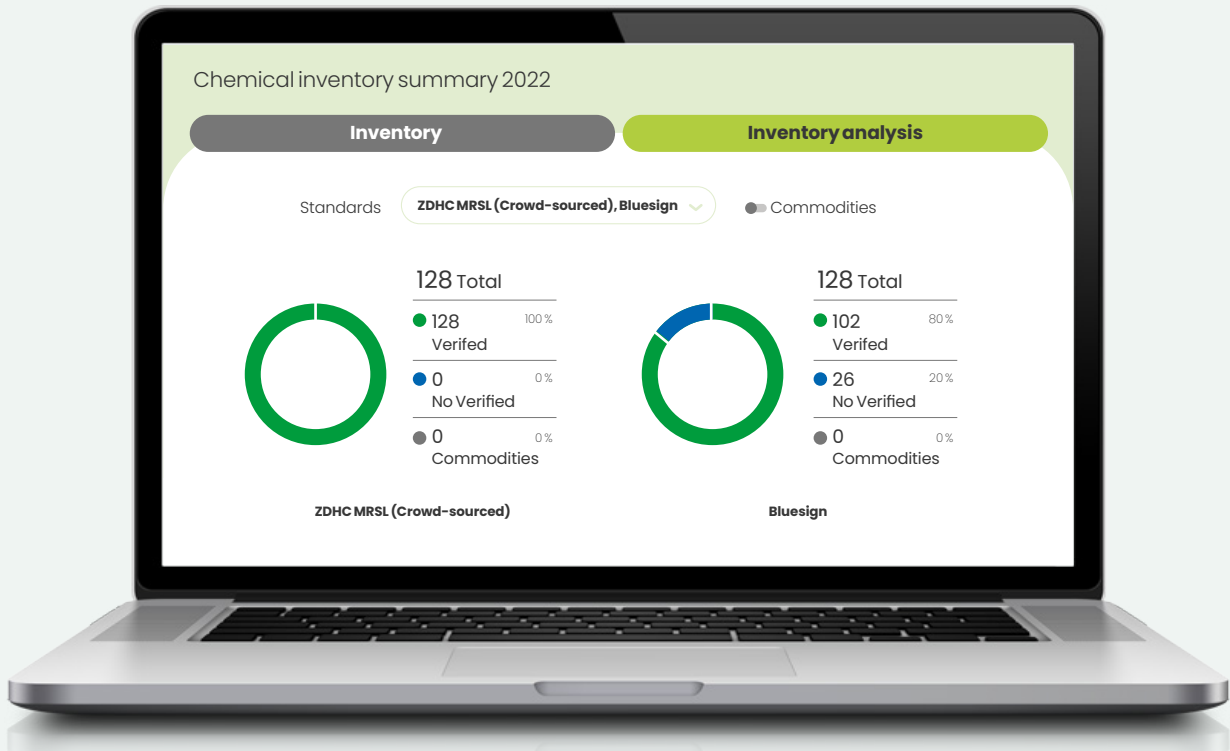


Software for chemical products management

The BHive software enables real-time validation of certifications for the chemical products used in dyeing and laundry processes. It is noteworthy that this software conforms to the ZDHC standard. Through its utilization, we achieve effective management of chemical products and keep our inventories consistently up-to-date. At Cotton Knit, we maintain a strict policy of zero products containing hazardous substances.



BHive web Platform





6

**WE CREATE
SHARE VALUE**

6.1. Our human capital

Since our foundation, we set out to establish ourselves as a modern, innovative, and people-centered company. Today, after 31 years, we proudly assert that our most valuable asset is our team, comprising over 1500 employees. Their effort, commitment, and dedication enable us to constantly challenge the impossible, contributing not only to building a better company but also to forging a stronger community.

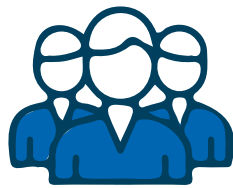
It is important to note that all employees at Cotton Knit are entitled to all legal benefits in accordance with current regulations, along with a range of additional benefits that promote their growth and well-being. This commitment creates a safe and diverse working environment that provides equal opportunities and fully respects human rights. (GRI 3-3) (GRI 2-7) (GRI 401-1)

Regarding subcontracted personnel, they provide us with security and food services. Throughout 2022, we had the support of 14 workers dedicated to security across all our operations, while 22 workers handled food preparation services at the company's facilities.



To ensure compliance with the company's requirements, we continually assess the performance of the services they provide. (GRI 2-8)

We present the composition of our workforce during 2022:

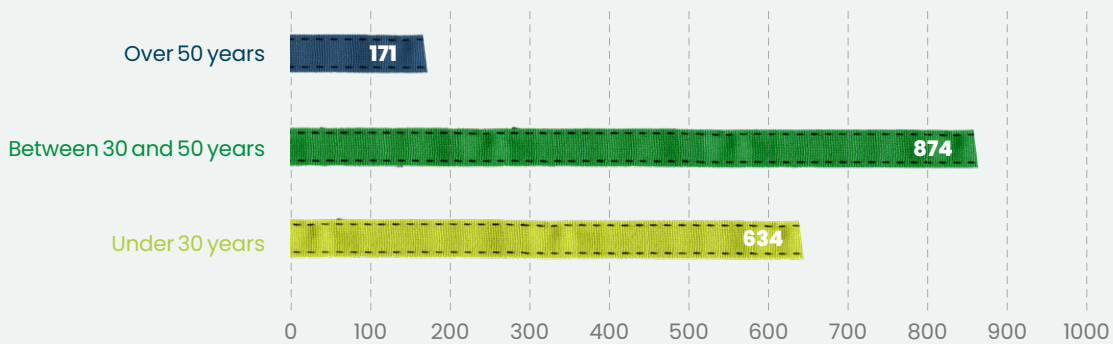


1679
Employees

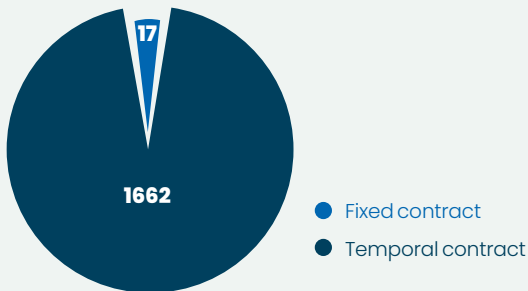
Distribution by gender:



Distribution by age (yo):



Distribution by contract type:



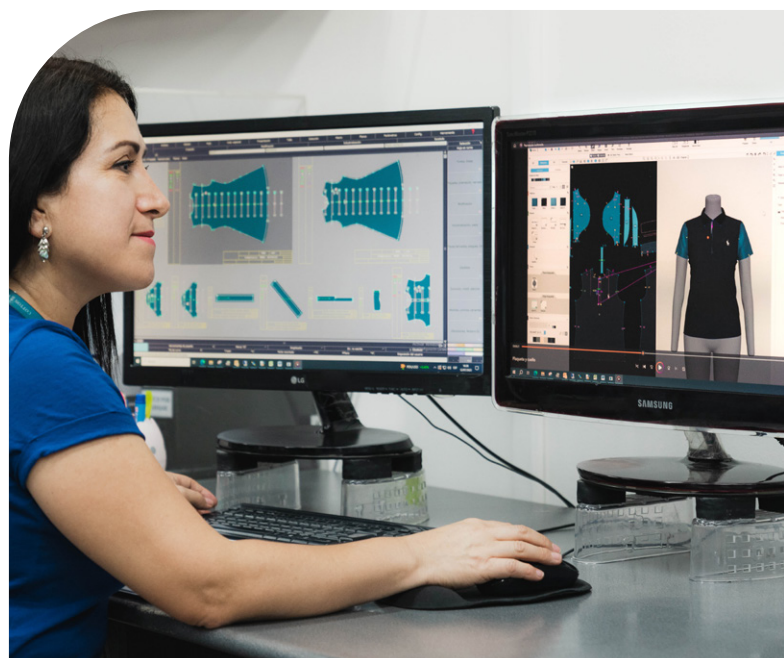
Distribution by length of service with the company:

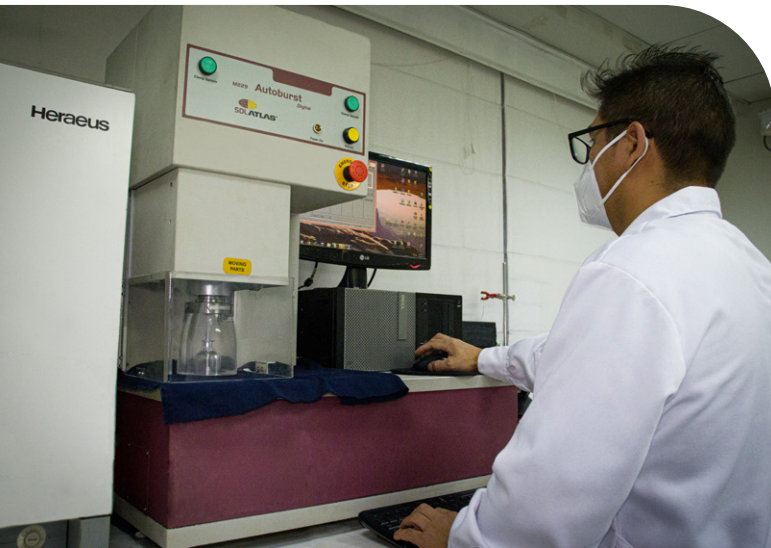
Length of service	Total
Under 1 year	642
From 1 to 4 years	594
Over 5 years	443
Total general	1679

Employability

The textile sector in Peru is a significant source of employment for thousands of individuals. Given the sector's dynamics, it is important to note that the industry faces a high turnover rate, influenced by the competitive nature of the field and the employees' professional aspirations. In this context, Cotton Knit is committed to enhancing its employability management to curb personnel turnover rates. Our goal for 2022 is to keep this rate below 3.5% per month.

As part of our strategy to strengthen employment management, we have implemented initiatives such as job fairs and inter-institutional cooperation agreements in collaboration with the Municipalities of Santa Anita, Independencia, and San Juan





de Miraflores, as well as with some NGOs. These initiatives are designed to create formal job positions and enhance our employees' engagement and retention.

Finally, we highlight the continuity of the Apprentice School Program, a long-term initiative aimed at providing job opportunities to individuals with limited experience in specific production areas. This program not only improves the skills of apprentices but also fosters employability in the sector. (GRI 3-3) (GRI 401-1)

New personnel hires by age, gender, and job category in 2022 (GRI 401-1)

New hires by age (monthly)	Number of new hires	Rate of new hires
Under 30 years	31	10 %
Between 30 to 50 years	21	6 %
Over 50 years	2	1 %
Total	54	17%

New hires by gender	Number of new hires	Rate of new hires
Men	28	9 %
Women	26	8 %
Total	54	17%

New hires by job category	Number of new hires	Rate of new hires
Employees	11	3 %
Operators	43	14 %
Total	54	17%

Personnel turnover by age, gender, and job category in 2022 (GRI 401-1)

Employees' age	Number of employee turnover	Turnover rate
Under 30 years	29	5 %
Between 30 to 50 years	22	3 %
Over 50 years	3	2 %
Total	54	3.3%

New hires by gender	Number of employee turnover	Turnover rate
Men	26	3 %
Women	28	3 %
Total	54	3%

New hires by job category	Number of employee turnover	Turnover rate
Employees	10	2 %
Operators	44	4 %
Total	54	3%

Professional development

At Cotton Knit, our organizational culture is firmly committed to the professional development of all our employees, without distinction of gender. We have entered into agreements with universities and institutes of higher educations as an integral part of our strategy to strengthen the growth and development of our workforce. These agreements enable our employees to continue enhancing their education, talent, and professional growth within the company.

To ensure a structured approach to skill development, we implemented an Annual Training Plan that outlines training requirements by area, budget allocation for courses, responsibilities, and other relevant aspects. The management of these requirements falls under the purview of the Human Development department. During 2022, we achieved significant advancements in our Training and Talent Development Program.



189
trainings



90%
of compliance with the
Annual Training Plan.



4
educational agreements
signed with universities
and institutes.



5.21
training hours per
employee.

In 2022, we invested a total of S./18,740 (Peruvian soles) in training programs. This reflects Cotton Knit's strong commitment to the realization of the dreams of thousands of Peruvians who see us as a company that values the professional development of its employees. (GRI 404-2)

APPRENTICE SCHOOL

Through this initiative, we encourage the growth and development of our human team by providing training to those with limited experience and enabling them to acquire skills in various productive areas of the company. Subsequently, we assess their learning process and promote them to a specific line of work.

BREAKFAST AMONG LEADERS

We promote opportunities to practice attentive listening and effective communication to strengthen the soft skills of our employees overseeing staff. These encounters have improved bonds, empathy, and interpersonal relationships.

SPONSORSHIP WITH SENATI

We support the enhancement of our collaborators' knowledge through an agreement with the SENATI Technological Higher Education Institute. We provide a series of training courses through an interactive platform to enhance their technical skills.

Distribution of average training hours by job category and gender in 2022 (GRI 404-1)

Job category	Number of training hours	Average training hours per worker
 Employees	922.3	7.6
 Operators	2498.7	2.81
Total	3421	5.205

Gender	Number of training hours	Average training hours per worker
 Men	1701	4.09
 Women	1720	4.05
Total	3421	4.07

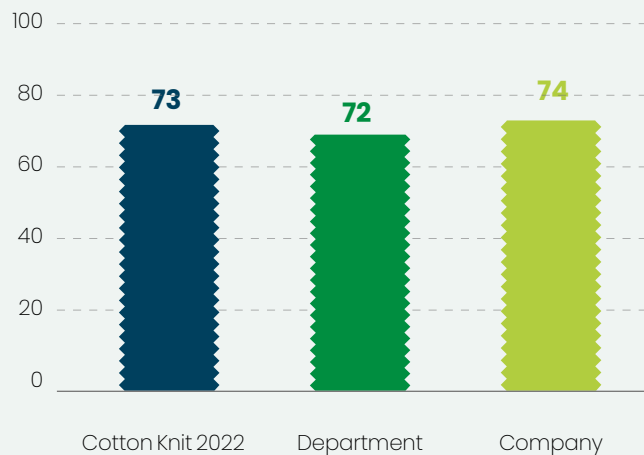
Work environment

We strive to build an employer brand committed through the company, where our employees become our ambassadors. We maintain active listening to identify improvement opportunities that allow us to attract and retain the best talent in the market. The measurement of workplace satisfaction at Cotton Knit covers the dimensions of respect, fairness, credibility, camaraderie, and pride. Based on the results obtained in these dimensions, the Human Resources department develops improvement plans to reinforce the satisfaction of our collaborators and our corporate reputation.

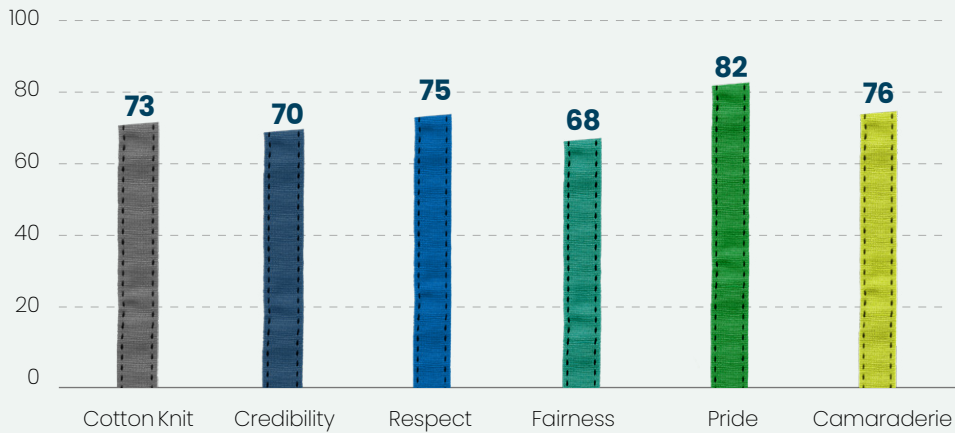


Here are the results obtained in the 2022 work environment survey:

Overall Satisfaction Index



Dimensions



Benefits for full-time employees

We provide all our collaborators with a range of comprehensive benefits designed to ensure their health, well-being, development, and professional growth. These benefits include legal provisions, as well as additional benefits related to maternity and paternity. (GRI 401-2)

Employee benefits in accordance with national regulations

 <p>Mandatory life insurance</p>	 <p>Health insurance (includes dependents)</p>	 <p>SCTR</p>	 <p>SENATI Sponsorship program</p>
 <p>Overtime hours</p>	 <p>Bonuses in July and December</p>	 <p>Food card</p>	 <p>Education loans</p>
 <p>Christmas bonus</p>	 <p>Free transport</p>	 <p>Bereavement leave</p>	

Maternity and paternity benefits



Maternity and paternity leave



Nursing hours for female employees



Family allowance



Mother's day and father's day celebration



Children's Christmas celebration

Performance management

We conduct annual performance evaluations, considering the competencies of our employees, which are categorized into both transversal and specific competencies. Transversal competencies include aspects such as adaptability, initiative, quality orientation, safety awareness, and environmental awareness, applicable to all positions. Specific competencies are defined according to the profile of each position, with the aim of ensuring efficiency and good performance in position-specific responsibilities.

This performance evaluation is applied throughout and at all levels of the organization. This allows us to assess the potential of our employees and identify opportunities for training and development. (GRI 404-3)

Percentage of employees who received regular performance evaluations in 2022

Job category	Number		Percentage	
	Men	Women	Men	Women
Employees	835	844	49.73 %	50.27 %

Type of performance evaluation	% of employees
Competency assessment	100 %

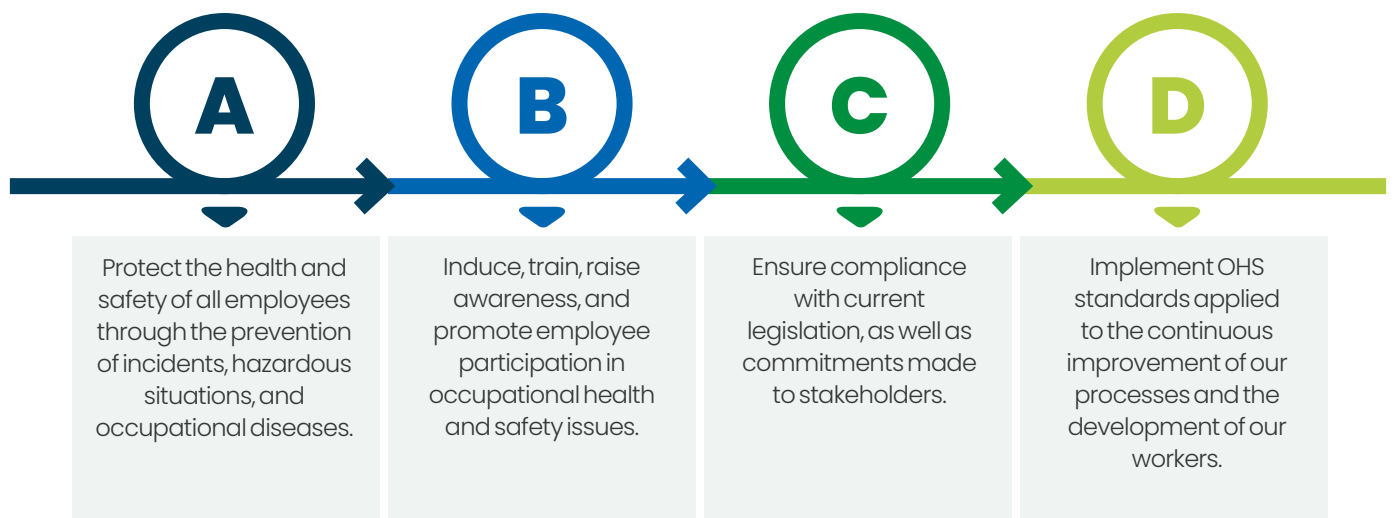
6.2. Occupational health and safety management (OHS)

The management of OHS is governed by the guidelines of our integrated management system policy, which outlines our commitments to employee safety. We strive to provide healthy and safe working conditions, preventing injuries and other health-related issues.

In accordance with Law No. 29783 and its Regulation D.S. 005-2012 TR, this occupational health and safety management system applies to all our employees (1716), including those linked through temporary employment contracts, apprenticeship contracts, and others established by law, whether directly or indirectly. This system encompasses a wide range of positions and areas of operation in the processes of manufacturing and selling knitwear. Additionally, we consider within our scope, third parties and contractors with whom we maintain any kind of business relationship. (GRI 3-3) (GRI 403-1) (GRI 403-7) (GRI 403-8)



Objectives of our OHS system



To ensure the effective functioning of our system, we conduct internal and external audits to identify strengths and areas for improvement that require

our focus. This is undertaken to ensure that Cotton Knit complies with regulations and adheres to best practices in OHS.

Identification and Evaluation of Occupational Hazards

We have a procedure and a matrix for the identification of hazards, risk assessment, and control measures (HIRAC). The identification of hazards allows us to understand the conditions or situations that can cause injuries, illnesses, or other harm to people in various processes.

This process is carried out comprehensively, considering all possible sources and taking

The SSOMA department carry out the process of hazard identification, risk assessment, and control determination annually and/or in the following circumstances:

into account the current conditions of the work environment. The control measures we apply follow the hierarchy of controls, prioritizing the elimination of the hazard as the first measure, followed by its substitution, then engineering controls, administrative controls, and finally, the use of personal protective equipment. (GRI 403-2)

- ✔ Changes to the physical infrastructure of the facilities.
- ✔ Changes or modifications in processes and operations.
- ✔ Introduction of new activities, processes, or projects.
- ✔ Occurrence of accidents or incidents.
- ✔ Acquisition of new equipment.
- ✔ New legislation and/or applicable regulations.
- ✔ Other circumstances that may affect the occupational health, safety, and environment.







Committee on Occupational Health, Safety, and Environment

We encourage the participation of all our employees in OHS. Additionally, in compliance with national regulations, we have established a Committee on Occupational Health, Safety, and Environment, which is composed of representatives from employees of the company and is constituted in a joint manner.

On a monthly basis, they supervise, report, and take measures to prevent occupational accidents and diseases. Here are some additional complementary functions of the committee: (GRI 403-4)

- ✔ Approve the internal policy for the employee's health and safety.
- ✔ Participate in the development, approval, implementation, and evaluation of policies, plans, and programs to promote health and safety at work, as well as the prevention of occupational accidents and diseases.
- ✔ Approve the annual training plan for employees on occupational health and safety issues.
- ✔ Ensure that employees are informed about regulations, technical specifications for work, notices, and other written or graphic materials related to the prevention of risks in the workplace.
- ✔ Conduct periodic inspections in administrative areas, operational areas, facilities, machinery, and equipment to strengthen preventive management.
- ✔ Meet monthly in an ordinary manner to analyze and evaluate the progress of the objectives established in the annual program, and meet extraordinarily to analyze serious accidents or when circumstances demand it.

Channels for communicating and/or reporting incidents and accidents in OHS

<p>1</p>  <p>Email</p>	<p>2</p>  <p>Suggestion box</p>	<p>3</p>  <p>Monthly bulletin</p>
<p>4</p>  <p>Wall board</p>	<p>5</p>  <p>Megaphone</p>	<p>6</p>  <p>WhatsApp with Managers and Supervisors</p>

OHS Training



We ensure training in OHS for all our employees and outsourced personnel, following the guidelines outlined in our Annual Training Plan. This practice aligns with the legal provisions required by Law No. 29783, the Occupational Health and Safety Law. (GRI 403-5)

Below are the training courses offered to our employees in 2022:

✓ Hazard Identification, Risk Assessment, and Control Measures (HIRAC)

✓ Use and Maintenance of Personal Protective Equipment (PPE)

✓ OHS Inspections

✓ Investigation of Accidents at Work	✓ High-Risk Work Safety	✓ Firefighting / Use of Fire Extinguishers
✓ Emergency Response for Earthquakes and Fires	✓ Response to Emergencies Due to Spills, Leaks, and Unstable Chemicals	✓ Equipment Supply and Cleaning
✓ Safe Use of Stacking and Loaders	✓ Safe Use of Cargo Elevators	✓ Safe Use of Forklifts
✓ Hazardous Materials	✓ First Aid	✓ Ergonomic Risks
✓ Prolonged Exposure to Solar Radiation	✓ Surveillance, Prevention, and Control for COVID-19	✓ Occupational Stress and Psychosocial Risk Factors

These training courses are essential to maintain a healthy and safe work environment, ensuring compliance with current regulations and promoting the well-being of our team.

Occupational health

At Cotton Knit, we are committed to ensuring and promoting a healthy and safe work environment for our employees. To achieve this goal, we implement effective strategies aimed at controlling and mitigating the occupational risks to which our employees may be exposed.

As an integral part of our services, we have a medical department staffed with a specialized occupational health doctor and nurse. This team is responsible for monitoring the health of our employees, conducting scheduled medical examinations for each worker following the guidelines established by the SSOMA department.

In addition to medical examinations, our occupational health staff conducts evaluations and audits to identify potential risks related to occupational or other diseases. This approach allows us to continuously improve the quality of our services and minimize occupational risks.

We have developed training courses and occupational health campaigns with the purpose



of strengthening our culture of preventing occupational risks and diseases. These initiatives are essential to promote greater awareness and responsibility regarding occupational health and safety among our employees.

Health programs offered by Cotton Knit

We provide various health services for the benefit of all our employees, aiming to prevent and address various occupational diseases. (GRI 403-3) (GRI 403-6)

Annual preventive health campaign

We carry out an annual preventive health campaign in strategic collaboration with EsSalud, using its Flexible Offers Program. This program involves conducting annual preventive check-ups for all our employees, aiming to prevent diseases and promote

healthy lifestyles. In 2022, over 600 employees participated in this initiative, receiving attention in various medical specialties over a period of one and a half months.

Below are the medical specialties included:



This program offers significant advantages, as the results of our employee's medical examinations, including medical specifications, are uploaded onto an EsSalud platform. This allows other doctors in the original healthcare centers to access these results, facilitating prompt care in case of complex diagnoses.

Regarding gynecological care, nine issues were identified and promptly addressed, with referrals made to the main EsSalud facility for the corresponding treatments.

Finally, in the category of chronic diseases, 88 of our employees were diagnosed with conditions such as diabetes, elevated triglycerides, high cholesterol, overweight, among others.

As an integral part of their treatment, they received nutritional counseling and were incorporated into



the My Health, My Life Program. This program is designed to provide a comprehensive approach and continuous support to those employees facing chronic diseases, thus contributing to improving their quality of life and overall well-being.

My Health, My Life Program

In strategic collaboration with the EsSalud San Luis branch, we have implemented the My Health, My Life program with the aim of promoting healthy lifestyles among employees facing chronic diseases associated with metabolic syndrome. This program has a duration of 3 months, with a total of 12 sessions. Each session, spanning 2 hours, combines theoretical and practical approaches

weekly, addressing various topics such as health and hygiene, breathing and exercise, human relationships, inner well-being, among others.

Through this initiative, we have successfully reduced cardiovascular risks, improved dietary habits, and promoted healthy lifestyles among our employees.

Results

My Health, My Life Program

Some testimonials from those who have participated in the program:

ALICIA JANET HUAMANZUTA (39 years old)

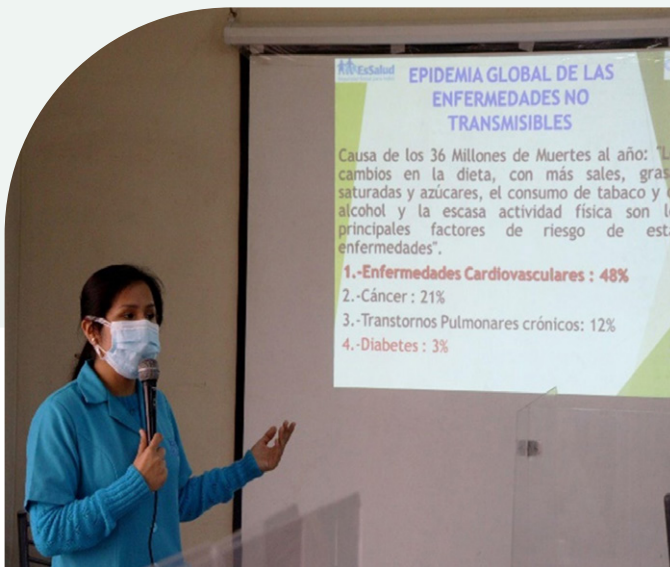
Weight 2021: 93.8 Kg / BMI: 36.64
Weight 2022: 69.5 Kg / BMI: 27.14

"Based on my personal experience, I can say it has been a total transformation. I had to adjust my budget, but in the end, I realized it was an investment in myself, acknowledging my worth and taking care of myself".

LILIANA ELENA PALENCIA (52 years old)

Weight 2021: 93.8 Kg / BMI: 38.19
Weight 2022: 69.9 Kg / BMI: 32.36

"I am grateful that they care so much about us. I made all the changes based on a healthy lifestyle, and I am very motivated to continue improving".



Vaccination campaigns

We carry out annual vaccination campaigns in coordination with Minsa and EsSalud. In 2022, we conducted these campaigns to prevent diseases such as COVID-19 (5 campaigns), tetanus (3 campaigns), hepatitis (2 campaigns), and influenza (2 campaigns).

This program has benefited over 600 employees, helping reduce absenteeism rates due to diseases and ensuring the protection of our workforce against occupational risks.



Similarly, we have additional programs focused on the care and prevention of occupational diseases:



We offer support and treatment for our employees' vision health. To achieve this, we conduct eye screenings, measure vision, perform optometry, and undertake other related activities within our company's premises.



We conduct deworming campaigns, coordinated by the Social Welfare department, to reduce infections caused by tapeworms and other parasites.



We conduct screenings for HIV and syphilis to decrease risks related to sexually transmitted infections (STIs). This enables us to detect these types of diseases early on.

Work-related accident injuries

At Cotton Knit, we encourage our employees to report any incidents that may pose a potential risk or harm to health or facilities, aiming to prevent them from turning into accidents.

In the event of an accident, the company has a first aid brigade ready to provide initial assistance, along with the Social Welfare department and/or the occupational physician. If necessary, we also have the Medical Alert service, which responds to provide assistance to the injured party or transport them to the nearest clinic or hospital. It is important to note that if the worker's life is at risk,

as per protocol, they will be transferred to the San Juan de Dios Clinic, located two minutes from the company.

All accidents are investigated to take measures to prevent them from happening again. Additionally, we maintain records of accidents and incidents, enabling the OHS Committee and the SSOMA Department to conduct a thorough analysis and propose measures to decrease our accident rate. Subsequently, these proposals are presented to the General Management. (GRI 403-9) (GRI 403-10)

Indicators in occupational health and safety among employees - 2022

Employees	Unit of measurement	Year
		2022
Number of hours worked	Number	4120 800
Number of fatalities resulting from a work-related injury	Number	0
Number of injuries from work-related accidents with significant consequences (excluding fatalities)	Number	-
Number of recordable work-related injuries	Number	39
Fatality rate resulting from a work-related injury	Index	0
Rate of injuries from work-related accidents with significant consequences (excluding fatalities)	Index	-
Rate of recordable work-related injuries	Index	0.18

Glossary

- 1. ANA**
National Water Authority. Governmental organization that manages, conserves, and sustainably protects water resources at the national level.
- 2. ISO14000**
International standards for environmental management in companies, aiming to reduce environmental footprint and minimize pollution and waste.
- 3. ISO9001**
International standard specifying the requirements for implementing a quality management system in companies.
- 4. MINAM**
Ministry of the Environment. Government entity that formulates and oversees environmental policies, promoting conservation and sustainable use of natural resources in the country.
- 5. WRAP**
Standard that monitors and certifies ethical and responsible manufacturing in the supply chain.
- 6. SDG**
Sustainable Development Goals. Goals adopted globally and established by the United Nations to address social and environmental challenges.
- 7. OEKOTEX**
Certification system ensuring that the textile product has been tested for toxic substances that could affect human health.
- 8. ILO**
International Labour Organization. United Nations agency responsible for developing and overseeing compliance with international labor standards, promoting social justice.
- 9. SASB**
Sustainability Accounting Standards Board. Standards for disclosing sustainability-related financial information.
- 10. SENATI**
National Service for Training in Industrial Work. Educational institution providing technical and technological training in various industrial sectors.
- 11. Bhive**
Software that validates certifications for the chemicals used in dyeing and laundry processes in real-time.
- 12. BASC**
Business Alliance for Secure Commerce. An international business alliance that promotes security standards in the supply chain.
- 13. ZDHC**
Zero Discharge of Hazardous Chemicals. Certification to eliminate hazardous chemicals from the textile and footwear value chain, promoting more sustainable manufacturing.

- 14. Browzwear**
3D design and modeling software for clothing and enhanced visualization of garments.
- 15. GHG**
Greenhouse Gas Emissions. Gases that accumulate in Earth's atmosphere and contribute to the global increase in temperature.
- 16. GOTS**
Global Organic Textile Standard. A global standard that ensures the organic status of textiles, from raw material collection to manufacturing and labeling.
- 17. GRI**
Global Reporting Initiative. An organization that promotes sustainability reporting, providing guidelines for transparent disclosure of sustainable business practices.
- 18. GRS**
Global Recycled Standard. An international standard that certifies products with recycled content, promoting circularity and responsible resource management.
- 19. Index HIGG**
A social and environmental assessment tool that measures, manages, and shares data on supply chain performance in the fashion industry.
- 20. ISC**
Customer Satisfaction Index. Indicator that measures the level of customer satisfaction with a company's products or services.

Table of GRI Content

Statement of use	Cotton Knit S.A.C. has reported in accordance with GRI standards for the period January 01, 2022 to December 31, 2022.
GRI used	GRI 1: Foundation 2021

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	9	-	-	-	-
	2-2 Entities included in the organization's sustainability reporting	6	-	-	-	-
	2-3 Reporting period, frequency and contact point	6	-	-	-	-
	2-4 Restatements of information	6	-	-	-	-
	2-5 External assurance	6	-	-	-	-
	2-6 Activities, value chain and other business relationships	41	-	-	-	-
	2-7 Employees	68	-	-	-	-
	2-8 Workers who are not employees	68	-	-	-	-
	2-9 Governance structure and composition	19	-	-	-	-
	2-10 Nomination and selection of the highest governance body	19	-	-	-	-
	2-11 Chair of the highest governance body	19	-	-	-	-
	2-12 Role of the highest governance body in overseeing the management of impacts	19	-	-	-	-
	2-13 Delegation of responsibility for managing impacts	22	-	-	-	-
	2-14 Role of the highest governance body in sustainability reporting	19	-	-	-	-
	2-15 Conflicts of interest	20	-	-	-	-
	2-16 Communication of critical concerns	22	-	-	-	-
	2-17 Collective knowledge of the highest governance body	20	-	-	-	-

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-18 Evaluation of the performance of the highest governance body	20	-	-	-	-
	2-19 Remuneration policies	21	-	-	-	-
	2-20 Process to determine remuneration	21	-	-	-	-
	2-21 Annual total compensation ratio	21	-	2- 21	Confidentiality Restrictions	It is sensitive information for the market competitiveness of our industry. The application of standards to estimate competitive compensation is guaranteed.
	2-22 Statement on sustainable development strategy	5	-	-	-	-
	2-23 Policy commitments	31	-	-	-	-
	2-24 Embedding policy commitments	31	-	-	-	-
	2-25 Processes to remediate negative impacts	25	-	-	-	-
	2-26 Mechanisms for seeking advice and raising concerns	25	-	-	-	-
	2-27 Compliance with laws and regulations	54	-	-	-	-
	2-28 Membership associations	14	-	-	-	-
	2-29 Approach to stakeholder engagement	39	-	-	-	-
	2-30 Collective bargaining agreements	36	-	-	-	-
Material Topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	36	-	-	-	-
	3-2 List of material topics	36	-	-	-	-
Economic Performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	16	-	-	-	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	16	8,9	-	-	-

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
Good Corporate Governance, Ethics, and Anti-Corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	27	-	-	-	-
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	29	16	-	-	-
	205-2 Communication and training about anti-corruption policies and procedures	29	16	-	-	-
	205-3 Confirmed incidents of corruption and actions taken	29	16	-	-	-
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			-	-	-
Operational Efficiency						
GRI 3: Material Topics 2021	3-3 Management of material topics	42	-	-	-	-
This material topic has no specific associated GRI Standard	No GRI Operational Efficiency	42	-	-	-	-
Responsible supply chain management and traceability						
GRI 3: Material Topics 2021	3-3 Management of material topics	51	-	-	-	-
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	51	8	-	-	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	52	-	-	-	-
	308-2 Negative environmental impacts in the supply chain and actions taken	52	-	-	-	-
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	52	5, 8, 16	-	-	-
	414-2 Negative social impacts in the supply chain and actions taken	52	5, 8, 16	-	-	-

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
Technology, innovation, and product development						
GRI 3: Material Topics 2021	3-3 Management of material topics	43	-	-	-	-
This material topic has no specific associated GRI Standard	No GRI Technology, innovation, and product development	43	-	-	-	-
Customer Relationship Management						
GRI 3: Material Topics 2021	3-3 Management of material topics	49	-	-	-	-
This material topic has no specific associated GRI Standard	No GRI Customer Relationship Management	49	-	-	-	-
Water management eco-efficiency						
GRI 3: Material Topics 2021	3-3 Management of material topics	59	-	-	-	-
GRI 303 Water and Effluents 2018	303-1 Interactions with water as a shared resource	59	6,12	-	-	-
	303-2 Management of water discharge - related impacts	60	6	-	-	-
	303-3 Water withdrawal	59	6	-	-	-
	303-4 Water discharge	60	6	-	-	-
	303-5 Water consumption	61	6	-	-	-
Climate Change Strategy and Mitigation						
GRI 3: Material Topics 2021	3-3 Management of material topics	57	-	-	-	-
GRI 302 Energy 2016	302-1 Energy consumption within the organization	57	7,8,12,13	-	-	-
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	57	3,12,13,14,15	-	-	-
	305-2 Energy indirect (Scope 2) GHG emissions	57	3,12,13,14,15	-	-	-
	305-3 Other indirect (Scope 3) GHG emissions	57	3,12,13,14,15	-	-	-
Waste Management						
GRI 3: Material Topics 2021	3-3 Management of material topics	63	-	-	-	-
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	63	3,6,11,12	-	-	-
	306-2 Management of significant wasterelated impacts	63	3,6,8,11,12	-	-	-
	306-3 Waste generated	63	3,6,11,12,15	-	-	-

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
Chemical management						
GRI 3: Material Topics 2021	3-3 Management of material topics	65	-	-	-	-
This material topic has no specific associated GRI Standard	No GRI Chemical management	65	-	-	-	-
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	76	-	-	-	-
403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	76	3, 8, 16	-	-	-
	403-2 Hazard identification, risk assessment, and incident investigation	77	8	-	-	-
	403-3 Occupational health services	80	8	-	-	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	77	8, 16	-	-	-
	403-5 Worker training on occupational health and safety	78	8	-	-	-
	403-6 Promotion of worker health	80	3	-	-	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	76	8	-	-	-
	403-8 Workers covered by an occupational health and safety management system	76	8	-	-	-
	403-9 Work-related injuries	83	3, 8, 16	-	-	-
	403-10 Work-related ill health	83	3, 8, 16	-	-	-
Job creation, employee well-being, and human rights						
GRI 3: Material Topics 2021	3-3 Management of material topics	70	-	-	-	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	68	5, 8, 10	-	-	-
	401-2 Benefits provided to fulltime employees that are not provided to temporary or parttime employees	74	3, 5, 8	-	-	-

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	72	4, 5, 8, 10	-	-	-
	404-2 Programs for upgrading employee skills and transition assistance programs	72	8	-	-	-
	404-3 Percentage of employees receiving regular performance and career development reviews	75	5, 8, 10	-	-	-
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	36	5, 8	-	-	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	36	8	-	-	-
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	36	5, 8, 16	-	-	-
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	36	5, 8	-	-	-

(GRI2-1) (GRI2-3)

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