



Sustainability Report 2022



TDV
Textil del Valle

Index

4 **1 Letter from the CEO Manager**

1



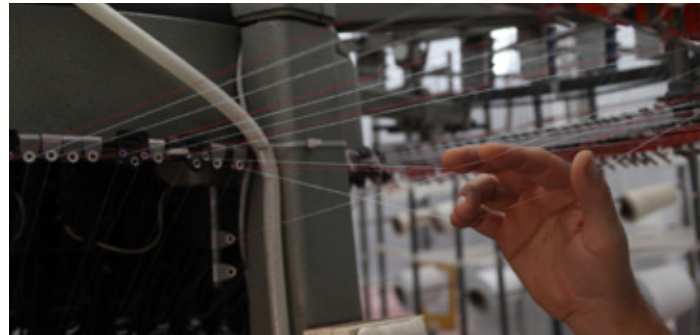
7 **2 ESG Performance 2022**
8 ESG Significant Figures 2022

2



9 **3 Peruvian hands dress the world with sustainability**
10 About Us
11 Our operations in Peru
11 Our corporate values
12 TDV value chain
13 Our products and services
15 Our clients
16 Supplier management
18 Operational excellence
19 Innovation and product development

3



26 **4 Governance for sustainability**
27 Corporate governance
30 Ethics and anti-corruption management
35 Commitment to Human Rights

4



37 **5 Our strategy and risk management**
38 Our triple impact strategy
39 Our contribution as B Corporation
40 Contribution to the Sustainable Development Goals
41 Relationship with stakeholders
42 Materiality
44 Main affiliations and recognitions
45 Risk and crisis management

5



Index

	6	Creating value
47		Integrated management system
48		Vertical factory
49		Economic performance



	7	We care for the planet
51		Climate action
53		Eco-efficiency in water management
57		Waste and chemical products management
61		



	8	Our people first
65		People management
67		Making the best of you: professional development and training
71		Occupational Health & Safety
73		OHS Committee
75		Occupational health at TDV
77		Contribution to the development of peruvian communities
81		Partnerships and contributions to community development
82		



	9	About this Report
85		



	10	Table of GRI Content
87		





1. Letter from the CEO Manager



Letter from the CEO Manager

Textil del Valle (TDV) is proud and pleased to present our second sustainability report to all our stakeholders. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, following the updated universal standards of 2021. Within this document, we highlight the progress and achievements in our environmental, social, and governance management.

The year 2022, marked TDV's 35th anniversary, and it was a diverse year of significant challenges. Throughout the year, we have witnessed a gradual recovery from the Covid-19 pandemic. At our company, we have successfully mitigated the pandemic's impact through ongoing vaccination campaigns, making our employees aware that without health there is no life. As personal, social, and economic impacts gradually subsided, we are observing a resurgence in economic activity as we strive to regain pre-Covid levels. This overall improvement has led to a surge in demand, resulting in market-driven increases in raw material and energy prices. Consequently, an inflationary trend has emerged, affecting the broader economy. Furthermore, supply chains have faced significant strains, leading to heightened uncertainty and prolonged delays in industry operations.

Lastly, the ongoing conflict between Russia and Ukraine, which is causing immense suffering on the Ukrainian people and whose long-term consequences are still unfolding, is further exacerbating the existing price and supply crisis.

Since its inception in 2021, our practice of reporting on TDV's sustainable management has evolved in line with society. As a result, this Report, prepared in accordance with the Global Reporting Initiative (GRI) methodology and drawing upon the Sustainability Accounting Standards Board (SASB), now covers a wider range of aspects. It extends beyond creating shared value and contributing to the United Nations Sustainable Development Goals, incorporating the

global consensus on new financial transparency metrics that sustainability currently demands.

Employees, shareholders, customers, suppliers, and citizens all expect companies to play a role in finding solutions to today's immense challenges. It is increasingly important that we establish meaningful relationships with the environment and communities, and that we embrace appropriate governance for sustainable management. We firmly believe that sustainability lies at the core of creating long-term value for all our stakeholders.

Today, humanity is confronted with major crises on multiple fronts: health, social, political, economic, and the most complex of all, climate change.

At TDV, we recognize that sustainable management requires comprehensive governance. It requires an integrated vision that not only understands and addresses the interests and needs of each stakeholder but also aligns various strategies toward a long-term purpose that lies at the core of our work. In recent years, we have diligently enhanced our standards of transparency and diversity in decision-making. In terms of transparency, we made significant strides in the past fiscal year. For instance, we developed various policies within our Integrated Management System (IMS) that outline the necessary actions for the smooth functioning of the company.

On the other hand, in 2022 TDV joined the Global Compact initiative, as a signatory, which was established by the United Nations to promote sustainability practices in companies. We made a commitment to implementing principles, plans, and concrete programs focused on human rights, labor relations, environmental stewardship, and anti-corruption practices.

This year, we have also received recognition from our major customers (Lacoste, Lululemon, Polo, and Greyson) for leading the way in sustainability initiatives



within the industry. We have become an exemplary model and a source of inspiration for other companies. These achievements compel us to continue our transformational journey and fully embrace our purpose of inspiring change in order to provide the world with quality and sustainable apparel.

Our company have consistently maintained a high level of environmental performance in its operations. We remain committed to implementing our sustainability strategy and are making progress in establishing medium- and long-term goals in three key areas that represent the most significant environmental challenges and opportunities our company faces: water, energy, and climate change.

We take great pride in being a triple bottom line B corporation. In this report, you will find comprehensive information on all our initiatives (people, planet, profit). These efforts are aimed at driving positive transformation within our industry, our local community, and our nation. Looking ahead to 2023, our plans include:

- Continuing our commitment to utilize 100% renewable energy throughout all our operations.
- Initiating an engineering project to expand our microfiltration and reverse osmosis plant, which currently operates at a capacity of 400m³/day. This expansion will enable us to reuse over 60% of our water consumption.
- Expanding the “Cotton for Life” project and establishing partnerships with leading brands to ensure a sustainable supply of organic cotton. This initiative will benefit the 200 impact communities associated with the project.
- Driving innovation by exploring new raw materials (blends), natural dyes, and environmentally friendly processes.
- Nurturing a textile community that actively contributes to society and creates value for the environment.
- Creating 300 new formal jobs, both internally and externally, to empower more Peruvians and support their personal growth.

I want to express my gratitude and admiration to the more than 3,000 employees of TDV who, through their daily dedication and talent, help us achieve our ambitious goals. It is their united efforts and shared purpose that drive us towards a more sustainable future. At TDV, we understand that in order to thrive, we must reaffirm our commitment to sustainability. In the midst of the changes occurring in Peru, we believe that progress can be achieved through gradualness, cooperation, and stability. By listening to one another and engaging in meaningful dialogue, we can foster continuity and rebuild trust. Now is the time to move forward with a sense of urgency, guided by our core principles of resilience, innovation, and collaboration. Together we can strive for a more inclusive and sustainable world. We owe it to future generations.



Juan José Córdova Benavides
CEO

(GRI 2-22)



2. ESG Performance



ESG Performance 2022



US\$ 77 MM
net sales



100%
electricity from
renewable sources



80%
of compliance with
the Annual Training
Plan



US\$ 28 MM
paid to suppliers



100%
of industrial effluent
treated at the WWTP



55%
of our workforce are
women



13
business customers



81 991 m³
of water consumed



0
fatal accidents



N° 29
countries are our
export destinations



**19 990 Ton
CO₂eq**
offset with carbon
credits



15 000
blankets donated
to Peruvian
communities



1
R+D Center



**22 667 Ton
CO₂eq**
of emissions
generated



630 m³
of treated water
donated to the
Municipality of
Chincha Baja
for cleaning and
irrigation



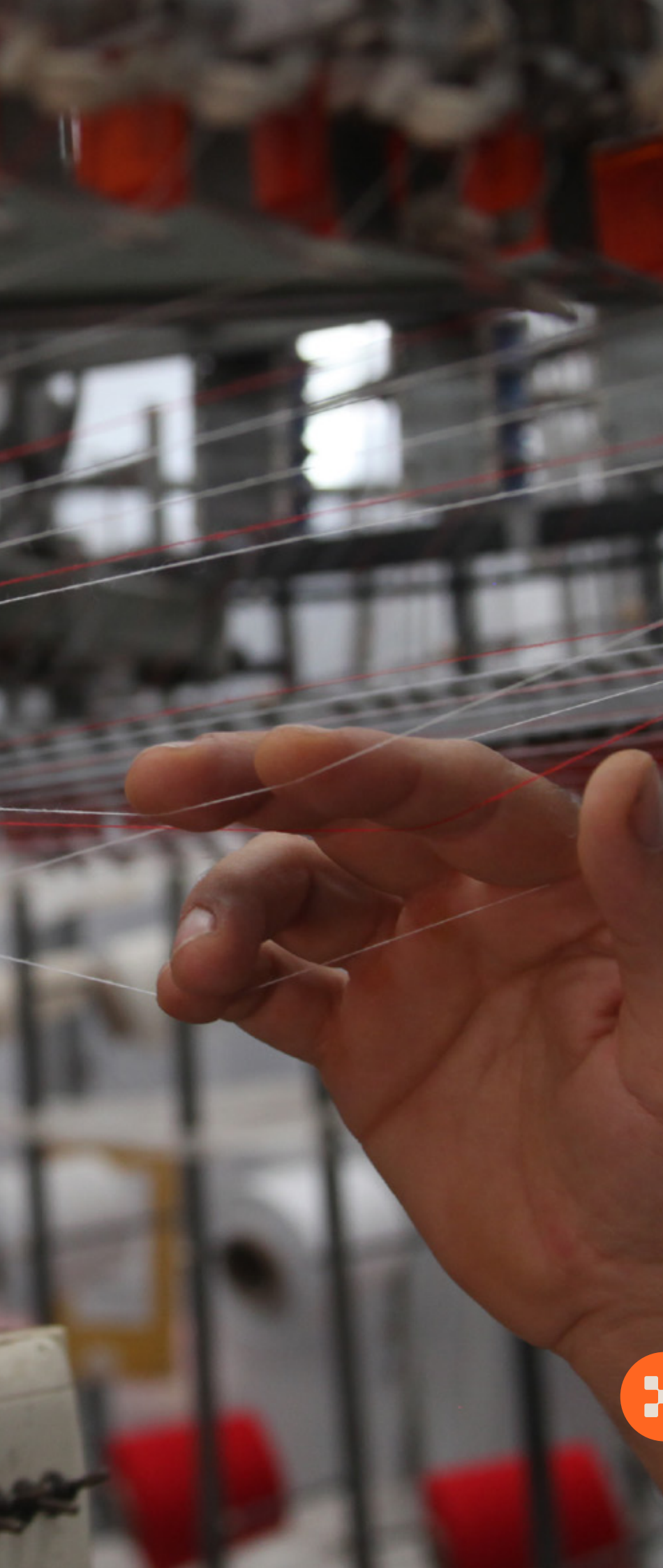
75%
customer
satisfaction



759 000 Kgs
of recycled textile
waste



71 290
residents of
Chincha Baja were
sensitized about
the importance of
recycling



**3.
Peruvian
hands dress
the world with
sustainability**





3.1

About Us

We are Textil del Valle S.A. BIC, a leading Peruvian company in the textile industry. For over three decades, we have been manufacturing fabrics and garments for prestigious international brands, known for their exclusivity, sustainability, and quality. Behind our designs, we actively promote actions that contribute to sustainable development. This commitment is evident in the fair work opportunities we provide to our employees and stakeholders. Moreover, we prioritize the protection of the environment and the planet throughout our operations. Welcome to the most sustainable factory in Peru and the world. (GRI 2-1).

Our aim is to be the foremost sustainable company in the apparel manufacturing industry worldwide. With this in mind, our actions are driven by a strong belief that Peru has the potential to set a global standard for sustainable garment design and manufacturing.



3.2

Our operations in Peru



Administrative Office

Located at Pasaje Los Delfines N°159 - third floor, district of Santiago de Surco, province and department of Lima, Peru.

Lima Factory

Located at Av. Argentina 2743, Cercado de Lima district, province and department of Lima, Peru.

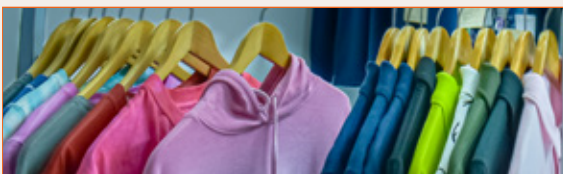
Chincha Factory

Located on the Antigua Carretera Panamericana Sur Km. 200, district of Chincha Baja, province of Chincha, department of Ica, Peru.

3.3

Our corporate values

Our purpose



“At Textil del Valle we inspire transformation to dress the world with quality and sustainability”

TDV Principles



We develop relationships with our clients



We take care of our environment



We build teams



We take care



We are driving change



We value and recognize our people

3.4

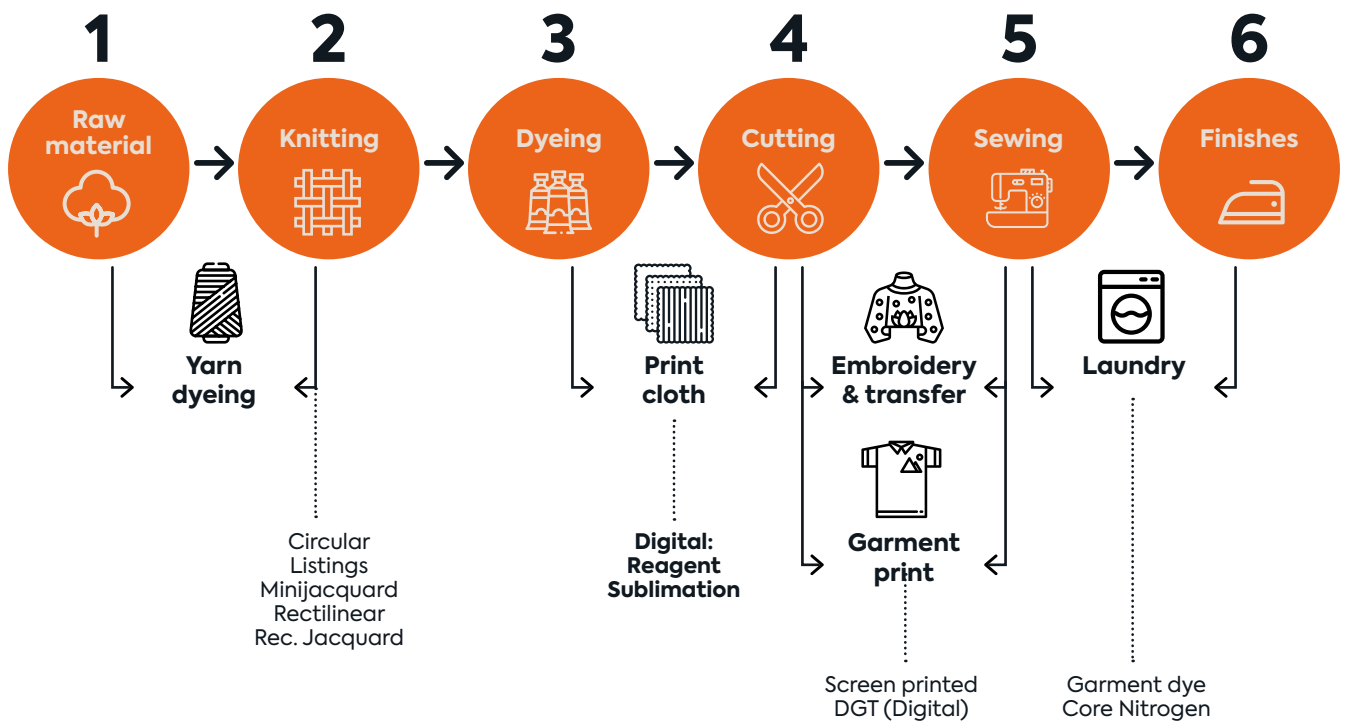
TDV value chain

Vertical factory

Our value chain consists of six primary processes, with raw materials marking the beginning of TDV's production cycle, followed by knitting, dyeing, cutting, sewing, and finishing processes. These macro processes are further enhanced by various sub-processes.

our stakeholders. This commitment attracts conscious clients and consumers who choose our garments, embodying our motto: "Peruvian hands dress the world with sustainability". (GRI 2-6)

We want to highlight that as a B Corporation, our impact extends beyond profitability. We actively generate positive environmental and social impacts that benefit





3.5

Our products and services

Knitted garments

We offer the services of knitted garment manufacturing. We emphasize that this is the main business activity carried out by TDV. Our business follows a vertically integrated production process, covering the transformation of yarn into fabrics and, subsequently,

into garments. In this way, we manufacture polo shirts, T-shirts, tank tops, henleys, knitted dresses, jackets and pants, among others.



The raw materials we use include:

Long Staple (LS) fibers, such as Tanguis and Upland cotton.

Extra Long Staple (ELS) fibers, such as Pima cotton.

Cotton blends with modal, polyester, recycled polyester, tencel, alpaca, among others.

100% cotton heather in long staple cotton (LS) and extra long staple cotton (ELS).



Our range of fabrics includes: Jersey, Pique, Interlock, Ribs, Waffles, Jacquards, Stripes, Flat Knit with Jacquard, among others. We also have an excellent experience in finishing done in our dyeing facilities, which includes fabric mercerization, brushing and chamois.

Fabrics

In 2022, we expanded our business into fabric sales, utilizing the same compositions and materials that we already use in the production of knitted garments. We introduced this new commercial activity in response to the increasing demands of our clients who sought to procure intermediate products for further processing in their respective operational units.



Design and development services

We have a highly skilled team dedicated to providing comprehensive design and development support for our clients. Our Development team operates independently from production and is equipped with cutting-edge tools for sample and product development. This includes specialized cutting areas, sewing machines, embroidery machines, and steam ironing stations. Furthermore, our Product Development facility is equipped with a Gerber Accumark system (version 9.0.0.245), featuring

8 PDS stations, 5 GMS stations, 5 PDS + GMS stations, and 1 Accunest station. We also utilize Lectra Modaris 2 (version V6R1) and 4 (version V7R2) stations for pattern making. To enhance our modeling capabilities, we employ BrowzWear 3D software, an advanced tool that utilizes artificial intelligence for the design and development of 3D garment samples.

Our main markets



We are committed to meeting the requirements of our clients by delivering superior quality, attention to detail, agility, and on-time delivery. Throughout these endeavors, we uphold the utmost integrity and compliance in all aspects.

Domestic market



While the majority of our production caters to the international market, we responded to the health emergency in 2021 by offering cotton masks for the local market. The product, known as CoolMask masks, remained available for sale in 2022 until the manufactured batches were depleted.

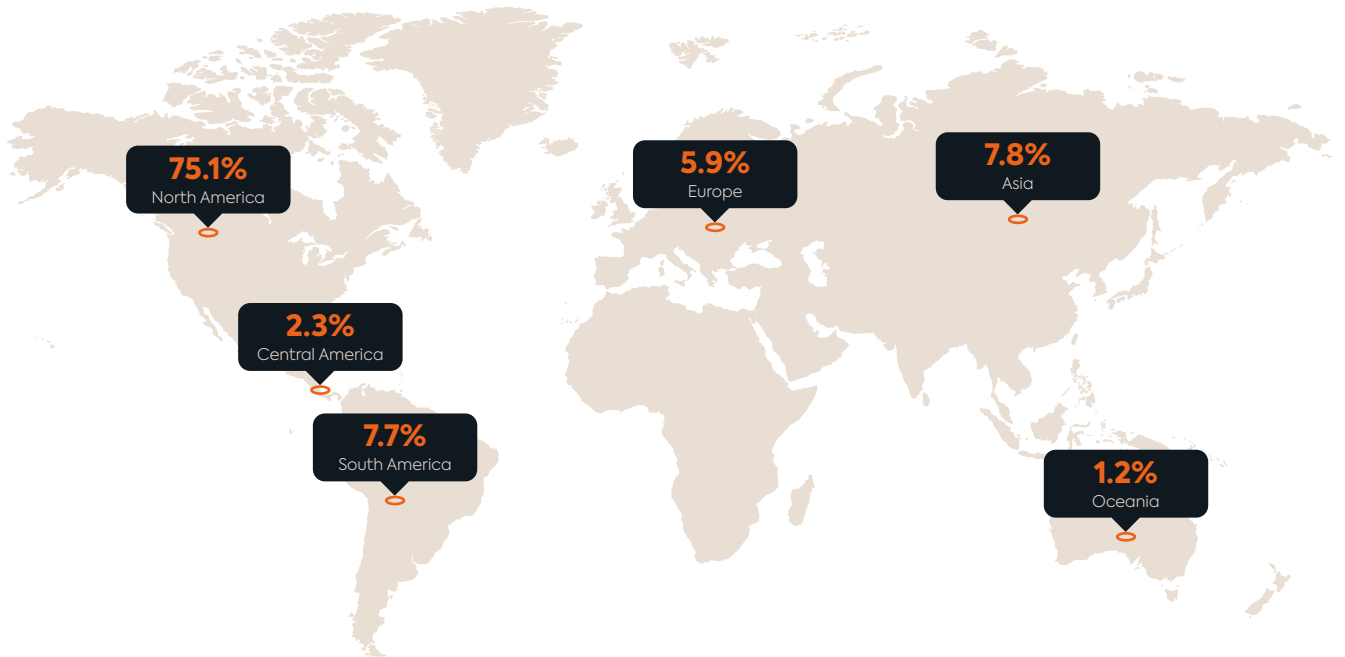
Cool Clothing Company:

We launched an innovative mask made of cotton, polyester and spandex, coated with an antimicrobial and antilfluidic finish. We kept this product on sale during the first months of 2022.



International Market

We hold a strategic position in the global market, allowing our products to be present on four out of the five continents. In 2022, we capitalized on this advantageous position to maintain our global presence. The following is a breakdown of our sales distribution by region for the year 2022 :



3.6

Our Clients

We cater to discerning clients in global markets and aim to establish partnerships with brands that align with our business philosophy. This entails conducting their operations in adherence to the highest quality standards while promoting community well-being and environmental harmony. Here are some of the renowned brands we proudly collaborate with:



3.7

Supplier Management

We maintain business relationships with global companies that integrate sustainability across all aspects of their business models, including Environmental, Social, Economic, and Governance (ESG) factors. These companies manage and recommend suppliers with whom we collaborate. This approach ensures that evaluation and compliance with

environmental and social standards are maintained at the client level, guaranteeing adherence to all technical and sustainability requirements.

Currently, TDV is developing a comprehensive policy for evaluating and directly managing suppliers. Our goal is to implement this initiative by 2023. In the meantime,

we have a Purchase Procedure in place where we establish minimum quality criteria for companies working with us. As mentioned before, the majority of TDV's supply comes from international purchases.

Local purchases



We procure our supplies from local suppliers by acquiring various products and services, including yarns, chemicals, dyes, and trims. It's important to highlight that the majority of our local purchases consist of yarns, accounting for 40% of our acquisitions from the local market. We want to emphasize that the international brands we collaborate with ensure that local suppliers in Peru adhere to quality and supply standards while also respecting ESG criteria.

When it comes to chemicals and dyes, we carefully select products based on a recipe developed by our dry-cleaning department. All the products we use are certified and meet international standards such as Oeko Tex, Bluesign, or ZDHC MRSL. To ensure quality assurance and compliance with environmental and social criteria, we request our suppliers to provide letters confirming that the chemicals comply with the required standards.

As for the supply of trims, at TDV, we are a made-to-order company; therefore, it is our customers who develop their trims with foreign suppliers, primarily. Locally, we purchase sewing threads from our supplier, Textil El Amazonas. All these changes and trends we observe today further reinforce TDV's commitment to sustainability. GRI 3-3) (GRI 204-1).

Local suppliers	Local purchases in USD	%
Yarn	\$ 21 819 840	78%
Chemicals and dyes	\$ 3 322 347	12%
Trims	\$ 2 902 268	10%
Total	\$ 28 044 455	100%



Supplier evaluation

Evaluation of technical criteria



Evaluation of technical criteria

We take into account three evaluation criteria when selecting a supplier: delivery date, quantity delivered, and product quality control. To evaluate compliance with these criteria, we utilize evaluation percentages. It is important to note that if a supplier scores 50% or below, we terminate their contract as they fail to meet our company's requirements.

We would like to highlight that our Integrated Management System (IMS) department is responsible for ensuring adherence to the mentioned criteria and indicators. Starting in 2023, we will conduct more thorough follow-ups, as we plan to implement homologation processes.



Evaluation of environmental and social criteria

While we do not conduct direct performance evaluations of our suppliers, we do require that their products hold international certifications to ensure compliance with environmental and social criteria, particularly regarding raw materials such as yarn. We prioritize certifications like the Global Recycling Standard (GRS), Global Organic Textile Standard (GOTS), and Organic Content Standard (OCS). These certifications serve as proof that suppliers' production and processing procedures meet the necessary requirements for environmental responsibility, labor conditions, among others (GRI 308-1) (GRI 308-2) (GRI 414-1) (GRI 414-2)



Upcoming projects to 2023

Since mid-2022, the purchase and sustainability department have been collaborating on a comprehensive mapping and evaluation of our suppliers. As part of this initiative, we have proposed the development of a survey to assess their performance in ESG criteria. This survey will enable us to establish specific goals and actions aimed at enhancing sustainability criteria across our supplier base. Additionally, the actions to be implemented for each supplier will vary based on their level of risk and significance.

3.8

Operational excellence



At TDV, we strive for operational excellence by fostering a business culture focused on risk reduction, process improvement, and cost reduction. Our aim is to achieve the highest level of efficiency in process management. To facilitate this, we have implemented a strategic approach led by highly skilled professionals and supported by an Integrated Management System. This system enables us to anticipate clients' needs with speed and agility.

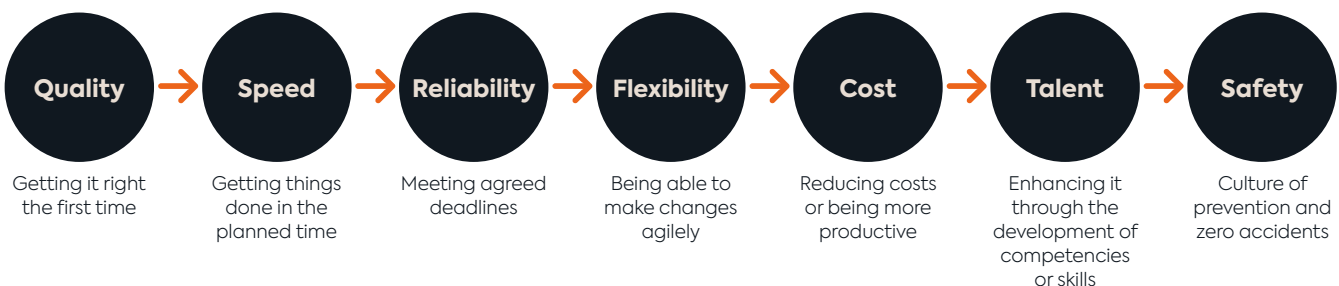
Additionally, we have an Integrated Management Policy where we explicitly commit to upholding high-quality standards, ensuring the improvement of our processes with a focus on sustainability and productivity. (GRI 3-3) (NO GRI Operational Efficiency).

We utilize the Balance Scorecard (BSC) as a framework for assessing the effectiveness of TDV's operational processes. When evaluating these processes,

We follow the following steps:

- 1 Identifying critical operational processes: Firstly, we identify the operational processes that have a direct impact on product or service delivery and are of utmost importance.
- 2 Defining key performance indicators (KPIs): Once the critical processes are identified, we define the KPIs that will be used to evaluate the performance of each process.
- 3 Setting objectives and targets: Clear objectives and specific, measurable, achievable, relevant, and timely targets are established for each KPI..
- 4 Measuring and monitoring performance: Mechanisms are established to measure and monitor the performance of operational processes and the identified KPIs.
- 5 Analyzing and continuously improving: Lastly, we analyze the measurement results to identify areas for improvement and take necessary actions to continuously enhance the performance of operational processes.

The criteria used to evaluate improved operational efficiency at TDV are as follows:





3.9

Innovation and product development

As a leading company in the textile industry, we constantly strive to explore new raw materials, technologies, and upgrade our industrial infrastructure. We want our clients to remain at the forefront of textile advancements. Our core value lies in delivering high-quality products and services.

At TDV, we approach innovation and product development through three key pillars. Firstly, we carefully consider our clients' requirements to develop tailored products that meet their specific needs. Secondly, we conduct our own research by leveraging technological information sources. Lastly, we foster a culture of continuous improvement, actively integrating process and product innovations

within our team. We develop, evaluate, and validate proposals for products and services based on the criteria of innovation, quality, and sustainability. Furthermore, we ensure that these criteria align with our solution providers.

The leadership of this division rests with our development team, which is responsible for proposing, assessing, approving, and launching new products. We closely collaborate with the Technical and Quality Management department, engaging in weekly discussions to consider proposals and take into account the perspectives of each process. At the conclusion of these work sessions, we document the agreements in meeting minutes.

For the year 2023, we have set a target of developing six textile products that we will offer to our clients. Additionally, we aim to make significant progress in

finalizing innovation projects, aiming for a 50% completion rate by the end of the year. Drawing from the lessons learned in 2022, our team has made a proposal to close any remaining unfinished project processes. The Innovation team has also acknowledged the need to review additional criteria to meet client requirements. This includes ensuring that suppliers adhere to sustainability, origin, capacity, and lead time criteria, as well as guaranteeing that the materials align with commercial conditions, among other considerations. (GRI 3-3) (NO GRI IDP)



Management achievements in 2022

GOTS PRINTING:

Printing is a fabric preparation process utilized for full coverage digital reactive printing. In line with our commitment to becoming the most sustainable company in the world, we continuously explore new technologies and products that allow us to incorporate sustainability into our final products.

Research was conducted on the use of Anti Migration paste for printing. As the current paste does not meet the requirements of the Global Organic Textile Standard (GOTS), three alternative options, including Digitex 110, were tested simultaneously in a comprehensive process. These alternatives were then applied to various items, colors, and levels of printing coverage. Finally, the results of each option are evaluated.

Achievements:



Optimal color quality results and durability in use, even better than the current one in production.



We were able to incorporate our organic cotton and digital reactive printing fabrics to the GOTS certification.



The cost of the product is 40% less than the current cost.



The list of products to be applied in production is incorporated after current stock is depleted.

HeiQ Fresh MINT:

For TDV and the Textile Development Department, it is of utmost importance to employ a sustainable, natural, and renewable technology for odor management in garments. We aim to utilize a globally impactful product for this purpose, as the achievement of this functionality has thus far relied solely on mineral-based products.



Achievements:



Optimal functionality results evaluated with certified standards.



Potential possibilities to offer to other clients, such as replacement of antimicrobial agents that are bactericidal products.



Fabrics approved by our client Patagonia, with production projection from Spring 25.



Global impact on the use of a natural and renewable product, in comparison with bactericidal agents having potential social and environmental damage.



General innovation projects 2022

Project	Objective	Main achievements
Anti Odor Botanic Control HeiQ Fresh - MINT	By employing chemical agents derived from peppermint oil, a renewable and natural resource, our goal is to eliminate odors present in garments that are caused by the natural reproduction of bacteria on the human body. Unique odor capture and release technology.	<ul style="list-style-type: none"> Concluded developments in different types of fabrics with cellulosic and synthetic fibers. Functionality testing reports with excellent results and certified standards. Fabrics sent to clients: Patagonia and Lululemon, awaiting approval. No biocide declaration required on product labels.
Kipa" Project - Technology applied to cotton fiber	Cotton fabrics with fiber pre-treatments that offer a unique dyeing process, allowing for rapid dye absorption while conserving a minimum of 60% of water and 60% of energy during the process.	<ul style="list-style-type: none"> Purchase of fabric in items aligned to our main clients: Lacoste / Patagonia / RL Manufacture of garments to offer to these clients and others, highlighting the sustainable elements of the product
GOTS Printing - DIGITEX 110 - For digital printing	Fabric preparation with better dye penetration efficiency and quality, with GOTS certification and also a better cost in production than the current one.	<ul style="list-style-type: none"> Development and comparative evaluation of three pasta qualities, including the current one in production. Better quality results in color, wash durability and fastness. Next purchase at the end of the current stock for production.
Brrr° technology applied to polyester fiber	Technology that gives the garment three unique cooling effects that combine to immediately and continuously reduce skin temperature: Cooling Minerals, Active Wicking and Rapid Drying.	<ul style="list-style-type: none"> Development of fabrics in 100% and blends of yarns alternated with cotton. Functionality testing under certified standards having excellent results. Offering to most of our clients, a fabric chosen by Lululemon to be introduced soon for sports and casual wear.

Fiber and yarn product line projects

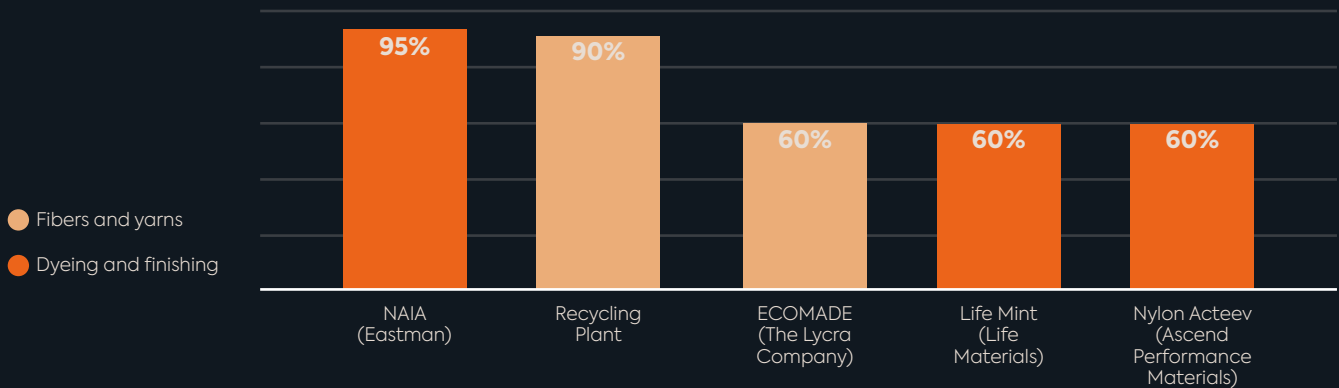
Fibers / yarns		
Project	Objective	Main achievements 2022
Recycling plant and fiber preparation	Selecting and processing 100% cotton fabric waste from the cutting department, then converting it back into fiber and manufacturing yarns for the production of recycled cotton fabrics (Circular Economy).	Development of fabric varieties that have been offered to different clients such as: <ul style="list-style-type: none"> Lacoste, the product has been presented in its classic style L1212 and we are awaiting response. Patagonia, a request for sales samples has been made for Summer 2023.
ECOMADE (The Lycra Company)	Developing fabrics with recycled spandex with 20% content, offering the same performance as conventional spandex.	Worked at development level - offered to different clients (awaiting placement of requirements) Consider that the origin is Brazilian, which does not apply to the FTA (Free Trade Agreement) with the U.S. (there is no progress due to a commercial issue).



Dyeing and finishing product line projects

Dyeing and finishing products		
Project	Objective	Main achievements
Antimicrobial - Life Mint (Life Materials)	Add to our fabrics a product of natural and renewable origin, antimicrobial finish produced from natural peppermint oil, offering the same performance and durability.	Developed for the client ITOCHU, the functional results are in the process of improvement (due to a patent change to HeiQ Laboratories, the product was discontinued and will be replaced with HeiQ Fresh MnT).
NAIA Yarn (Eastman):	Obtaining a fabric with differentiated quality in glossy and smooth appearance, with natural fiber from sustainable forest wood and diluted with recycled acetone.	In the process of development, the textile process of the fabric is under evaluation and the styles are already in pre-production. A pilot production has been worked on, with good feedback from the client. More production is planned, but still to be received.
NylonActeev (Ascend Performance Materials):	Use nylon yarn with antimicrobial properties incorporated in the fiber, based on zinc ions.	The results we have received from Intertek are totally satisfactory. Even though the price is high, it is an excellent alternative for an antimicrobial finish, offered to clients such as Lacoste. Progress has been halted due to the issue of product origin, it does not apply to TPDA as it is a trade restriction.

Percentage of project progress 2022



Circular economy

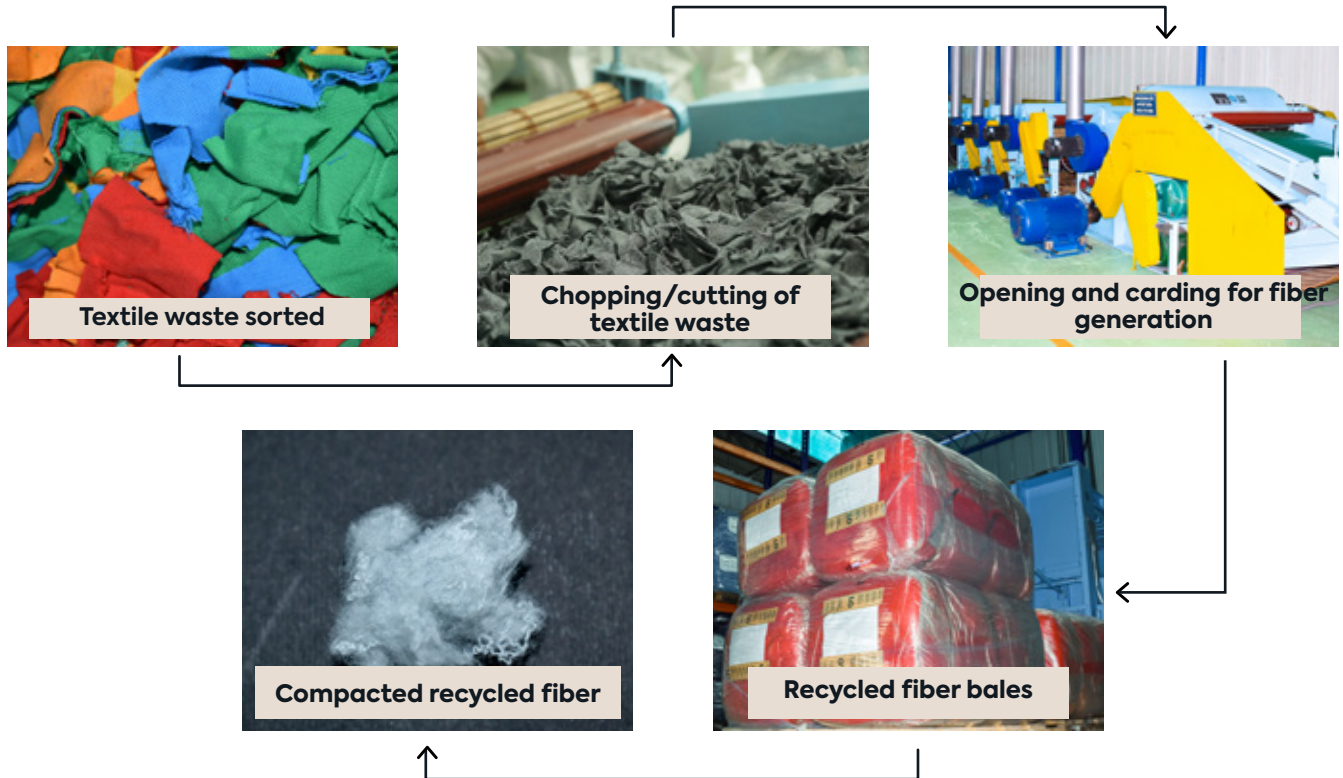
At TDV, we have adopted a circular economy model for two key resources within our company. The first focuses on waste management, where our goal is to maximize the utilization of textile waste from various materials such as cotton, polyester, nylon, and blends. The second aspect of our circularity approach pertains to water management. We have implemented treatment processes to enhance the reuse of wastewater generated within our operations. We actively engage our stakeholders, encouraging their participation in these initiatives, which have both direct and indirect positive impacts on our area of influence. (NO GRI Circular Economy).

To assess the effectiveness of our circularity management, we have established measurable objectives and indicators aligned with responsible production and consumption. These objectives reflect our commitments as a Benefit Corporation Interest company:



Recycling plant

In 2020, we established a recycling plant to process our cutting waste into textile fibers. We have partnered with Filasur spinning company, which takes the recycled fibers and transforms them into yarn. Once the yarn is produced, we purchase it from Filasur to use in the manufacturing of new garments. Below, we present the process of internal treatment of the fibers:



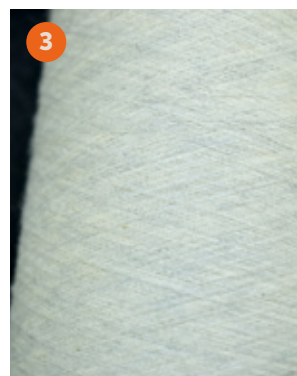
Recycled garments



1
Classification of 100% cotton waste.



2
Recycling of waste materials.
(Cutting, shredding, fiber separation, and compacting)



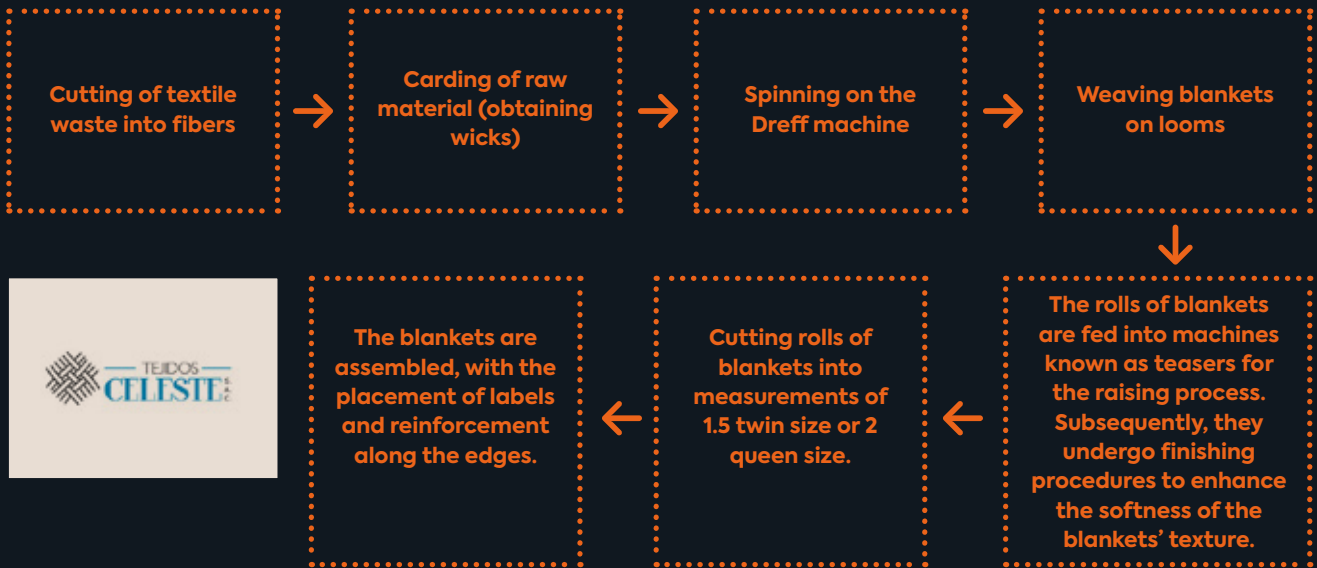
3
Spinning of recycled fiber
(Partner: Filasur)



4
Manufacturing of fabric and garment production for sale.

Blanket manufacturing and donation

For over two years, we've been developing the Abrígate Perú program, where we produce high-density blankets from recycled materials. These blankets are then donated to communities in the highlands of Peru, as part of our commitment to supporting the most vulnerable communities in the country. It's worth noting that these communities are heavily impacted by the cold and frost. In this regard, we've ensured the continuity of this program by collaborating closely with Tejidos Celeste company, which handles the entire transformation process. **Now, let's take a look at the process of creating blankets from textile waste:**



For the distribution of the blankets, we have established a partnership with the NGO Juguete Pendiente, with whom we've had a collaboration since 2021. They are in charge of managing the aid by coordinating the deliveries through lists and monitoring donations. They provide us with this information, which serve as a verification mechanism for TDV.

Process of the Abrígate Perú Program



Classification of waste made from blends

(Cotton, polyester, nylon, etc.)

Recycling and manufacturing of recycled

(Partner: Profitec)

Donation of blankets to vulnerable highland communities

(20,000 units per year).





Wastewater circularity

In alignment with our commitments as Benefit Corporation Interest (BIC) company, TDV strives to maximize water use and consumption efficiency within our organization. As part of this effort, in 2020 we installed an Ultrafiltration & Reverse Osmosis Plant at our Chinchá facility. The plant is operated and maintained by RWL Water, a dedicated company responsible for its control and functionality. This advanced technology allows us to remove remaining salts from the water obtained from our Wastewater Treatment Plant (WWTP). The end result is the production of high-quality water, which we primarily reintegrate into our production processes. Additionally, a portion of the water is donated to the Municipality of Chinchá Baja to support the maintenance of green areas, as well as the cleaning of parks and sidewalks.

Management achievements:

We achieved a 33% recirculation of our wastewater through the circular economy process.

Ultrafiltration & Reverse Osmosis Plant





4. Governance for sustainability





Our governance framework is focused on responsible decision-making, which means taking accountability for managing our environmental and social impacts while generating shared value with our stakeholders. We highlight that, due to the dedication and strong belief in sustainability by our senior management, this issue has become ingrained in our organization's DNA. This enables us to undertake actions that go beyond compliance.

4.1

Corporate governance

TDV's highest governing body is the Annual General Meeting (AGM), which convenes on an annual basis or as needed to review the company's overall performance and accountability processes, among other crucial aspects.

Additionally, we have a Board of Directors composed of individuals appointed and approved by TDV's AGM. The Board of Directors holds monthly meetings, totaling twelve meetings per year, to discuss various aspects of the company. These discussions include approving the annual budget, monitoring progress towards strategic and sustainability objectives, and ensuring compliance with social and environmental regulations.

In recent years, TDV has dedicated significant efforts to adopt a sustainable development approach, aiming to integrate sustainability into the fashion and textile industry. For this reason, we are proud to be a member of the United Nations Global Compact since 2022. To ensure the implementation of the Compact's ten principles within our company, our board members have received training under the guidance of our CEO, Juan José Córdova. This underscores our firm belief in aligning our decision-making processes with our business philosophy of becoming the world's most sustainable factory. (GRI 2-9) (GRI 2-17).



Number	Name and Last Name	Independency (YES/NO)	Position: executive or non-executive	Time of permanence	Significant positions and commitments
1	Diego Ricardo Briceño Clemens	Yes	non-executive	2 months	Director
2	Fernando Garibaldi Sánchez Moreno	Yes	non-executive	8 years	Director
3	José Ricardo Martín Briceño Villena	Yes	non-executive	8 years	Chairman of the Board
4	Luis Felipe Pinillos Casabonne	Yes	non-executive	8 years	Vice Chairman of the Board
5	Pedro Enrique González Orbezo Sanguinetti	Yes	non-executive	2 months	Director
6	Roberto Leigh Raffo	Yes	non-executive	2 months	Director



Nomination and performance evaluation of the TDV Board of Directors

The members of TDV’s Board of Directors are elected or re-elected by the Annual General Meeting (AGM) for a term of three years. Currently, the Board of Directors consists of three independent members and three dependent members. Mr. Ricardo Briceño currently serves as the Chairman of TDV’s Board of Directors.

Furthermore, based on our business’s annual performance, the AGM decides whether to ratify or remove members of the Board of Directors. This evaluation process is conducted independently.

Given that our Good Corporate Governance information and results are communicated during the Board of Directors’ Meeting and the Annual General Meeting, we are not required to produce a specific report, and therefore we do not have a code. (GRI 2-10) (GRI 2-11) (GRI 2-18)

Conflict of interest

In compliance with the national regulatory framework, which we strictly adhere to, it is important to highlight that we conduct our operations ethically and transparently, ensuring no harm is caused to others. Moreover, we have an internal Code of Ethics and Conduct, a comprehensive document that outlines the expectations for all members of our Senior Management and employees. It explicitly states that they must refrain from engaging in negotiations or processes that could result in personal benefits for themselves or their family members.

To further prevent conflicts of interest, we have implemented mechanisms and provide training on this matter. The Ethics Committee, composed of designated members, is responsible for addressing, managing, and resolving such issues if they arise. Additionally, TDV maintains an Ethics Hotline, a channel for reporting conflicts of interest (GRI 2-15).

Functions of our Board of Directors, management and TDV committees

In general, our Board of Directors provides oversight and control over our business management, ensuring that the company's decisions are made with utmost care. It is important to highlight that within TDV, we have eight central management offices operating under the highest governing bodies. These offices are led by a General Management team, with Mr. Juan José Córdova Benavides at the helm. The mission of this team is to guide our company in adhering to strategic guidelines, building trust among stakeholders, and enhancing our economic efficiency and sustainability. This approach ensures the creation of long-term value for our organization.

Additionally, it is part of the responsibilities of the General Management to oversee and ensure compliance with indicators related to economic, environmental, and social matters. To achieve sustainability goals and indicators, we rely on our Corporate Sustainability Committee, which monitors the progress and implementation of sustainability initiatives, including human rights due diligence efforts. We emphasize that, through the involvement of the General Management in the Committee, they stay informed about the progress of the set objectives. (GRI 2-12) (GRI 2-13) (GRI 2-14)

TDV Committees

At TDV, we have six committees within the company that focus on strategic planning, finance, administration, and project monitoring and evaluation. This strengthens our continuous improvement in environmental, social, and governance matters. It's important to highlight that each committee addresses issues specifically related to their respective teams. (GRI 2-12) (GRI 2-14)



Administration and Finance Committee

This committee is responsible for dealing with matters related to the company's economic performance.



Operations Committee

It is responsible for overseeing and coordinating daily operations to ensure the efficiency, effectiveness and quality of production processes.



Corporate Sustainability Committee

It oversees compliance with the objectives and actions of the company's sustainability strategy. It includes the review and approval of the contents of the sustainability report.



Audit Committee

It oversees and ensures the integrity and transparency of reporting within the organization.



Ethics Committee

It oversees compliance with the Code of Ethics in the company, follows up on cases and sanctions non-compliance and misconduct within the organization.



Environment and CSR Committee

It identifies and assesses environmental impacts within operations, including greenhouse gas emissions, water and air pollution, and energy and natural resource use.



Remuneration policies and salary increases



Textil del Valle has implemented a Remuneration Policy that outlines the general guidelines for managing salary proposals. This policy ensures adherence to principles of competitiveness within the market and internal equity, thus promoting employee retention and motivation. It is important to note that this policy applies to both administrative and operational staff.

The Human Development and Corporate Social Responsibility (HD&CSR) department establishes salary ranges based on market rates, taking into consideration government labor regulations as a reference. The Compensation department is responsible for evaluating and approving requests for salary increases. A manager within this department conducts a thorough review and analysis of the salary ranges before approving proposals for salary increases or promotions.

Regarding the compensation of senior executives, we have a system in place that consists of a fixed and variable monthly salary. However, for the purpose of this report and due to confidentiality reasons, we are unable to provide detailed quantitative information regarding the remuneration and expenses of the Board of Directors and General Management. This sensitive information directly relates to the competitiveness of our industry. (GRI 2-19) (GRI 2-20) (GRI 2-21) (GRI 2-21)

4.2

Ethics and anti-corruption management



At TDV, we are dedicated to fostering a corporate culture rooted in integrity and transparency. Therefore, we have established a robust ethical framework comprising guidelines, policies, procedures, and audits that govern our business operations in alignment with the desired culture. It is important to highlight that each of our employees has been actively involved as relevant actors in this collective endeavor. As a result, we can state that our employees share, understand, and uphold the values and principles we project as an organization.

Code of Conduct and Ethics

This document serves as a guide outlining the principles, corporate values, and code of conduct to be adhered to by our executives, employees, suppliers, and strategic partners. It is important to highlight that we provide training to the new employees on our Code of Conduct and Ethics when they join our company. Subsequently, they engage in a mutual agreement by signing the document, demonstrating their commitment to conduct themselves in a manner consistent with our corporate principles and values.



Ethics Committee

To ensure the safety of our operations and uphold compliance with TDV’s Code of Conduct and Ethics, we have established a committee responsible for investigating and monitoring cases of code violations and enforcing appropriate sanctions based on the severity of the infractions. Currently, Mr. Juan José Córdova, along with other members of the company, leads this committee.



Juan José Córdova Benavides
General Manager



Javier Landázuri
Manager of Administration, Finance & Sustainability



Diego Ricardo Briceño Clemens
Director




Christian Cunyas
Internal Auditor


Functions of the Ethics Committee


- Proposing updates to the Code of Conduct and Ethics.
- Responding to inquiries regarding the scope of the code.
- Providing advice to those responsible for deciding whether a situation constitutes a violation, as well as applying the corresponding sanctions.
- Promoting the values and conduct fostered in the code.


TDV Ethical Line


As a company, we adhere to rigorous ethical standards within the country. We actively encourage our employees, customers, shareholders, suppliers, and other stakeholders to utilize both our internal and external channels to report any concerns they may have regarding potential violations of our Code of Conduct and Ethics. These reporting mechanisms are secure and ensure confidentiality. Presently, we manage our Ethics Hotline in collaboration with the consulting firm EY (Ernst & Young). We make these channels readily accessible to all stakeholders, enabling them to submit inquiries, suggestions, and complaints: (GRI 3-3) (GRI 2-26) (GRI 406-1)


 **Electronic mailbox:** complaints can be sent by e-mail to the following address: casos@tdvt-escucha.com

 **Web form:** www.tdvt-escucha.com

 **Telephone line:** 0-800-1-8106 or 01 219-7106

 **Voicemail:** 0-800-1-8106 (option 2)

 **Postal Code:** Complaints should be sent to the Conduct and Ethics Committee at the following address: Av. Víctor Andrés Belaunde, 171 San Isidro. Reference Ethics Hotline

 **In person:** Complaints may be received in person by any member of the committee.

 **Personal interview:** To be attended by an EY advisor, please go to:

- Address: Av. Víctor Andrés Belaunde 171, San Isidro, Lima 27, Lima - Peru.
- Ask for: Mr. Rafael Huamán
- Schedule: Monday to Friday from 8:30 a.m. to 6:30 p.m. or outside these hours by appointment.



Reporting critical concerns

In addressing the company’s significant concerns related to impact management, these matters are thoroughly reviewed and addressed by various management committees, depending on the nature of the impact. Primarily, the Management Committee, under the leadership of Mr. Juan José Benavides, takes responsibility for overseeing the company’s triple bottom line performance and monitoring the management of negative impacts. Board meetings play a crucial role in making decisions to tackle the challenges faced within our industry.

In 2022, our critical concerns revolved around the indirect economic impacts stemming from the international price hikes, which resulted in increased raw material costs. Additionally, we closely monitored the national socio-political landscape as it had implications for our business operations. Furthermore, the high turnover of operational staff in Chinchá due to attractive job offers from agricultural companies posed a significant concern, prompting us to implement effective strategies to retain our workforce. Moreover, addressing the environmental impacts associated with our industry is of utmost importance. In line with this, TDV is actively transitioning towards an energy transition process to mitigate our environmental footprint, ensuring the long-term sustainability and continuity of our business. (GRI 2-16)

Ethics Hotline



As per the records of our Ethics Hotline for 2022, a total of **106 complaints were received**. These complaints were addressed and resolved by the Internal Audit Department. (GRI 406-1)

- The first group of complaints received are related to how personnel are treated, and this represents 41 cases (39% of the total). Of these complaints, 23 are related to “Inadequate Communication”, 8 to “Lack of Respect”, 7 to “Work Overload”, 2 to “Preferential Treatment” and 1 to “Indisposing Personnel”. These classifications mainly refer to the way superiors or department managers instruct their staff.
- In the second group of complaints, classified as “Unethical Conduct”, we had 35 cases representing (33%) of the total number of cases received.
- The third group of complaints covered cases of “Discrimination” and had 21 cases, representing 20% of the total number of cases received.

Based on the findings from the 2022 ethics hotline report, which identified incidents of inappropriate treatment of personnel as having the greatest impact, we have taken proactive measures to investigate the root causes of these complaints. Collaborating with other departments within the company, we have initiated activities aimed at addressing these concerns. Furthermore, we have developed an intervention plan in partnership with the Human Development team to enhance the soft skills of our managers, coordinators, and supervisors, with the ultimate goal of improving the overall work environment within the company.

In response to cases of discrimination, we have implemented corrective measures involving the parties involved. Additionally, we have conducted awareness-raising sessions on the topic. To mitigate the negative impacts associated with such issues, we have proposed several initiatives which include conducting human rights due diligence in the upcoming year, as well as providing training and raising awareness about human rights and responsible business conduct for all employees.



Anti-corruption management

We uphold integrity and remain dedicated to preventing and combating corruption. We have a zero-tolerance policy towards the acceptance or giving of bribes, whether through direct or indirect means. Additionally, we maintain a strong stance against activities associated with money laundering, terrorist financing, and other unlawful practices.

We have an Anti-Corruption Policy that sets forth the overall guidelines and directives to be adhered to by our employees, directors, suppliers, and contractors. The purpose is to prevent and promptly identify the aforementioned activities. By doing so, we ensure

compliance with both Peruvian anti-corruption laws and international standards. (GRI 3-3).

Our Internal Audit department plays a crucial role in analyzing and investigating potential instances of fraud and misconduct, particularly in sensitive departments and operations. As part of our anti-corruption efforts, we utilize a fraud and corruption risk matrix, a management tool that enables us to control and mitigate the risks mentioned above.

Operations assessed for corruption-related risks

In 2022, we conducted evaluations of the operations conducted at our company’s two locations, following the protocols set by TDV’s Internal Audit Department. As part of this process, we conducted a total of 15 reviews and 23 audits, with a particular focus on the Production and Support Departments. Through these evaluations, we identified various risks, including the falsification of third-party work hour reports, attempted theft of garments and company equipment, and other related cases.

Furthermore, we received a complaint through the Ethics Hotline regarding the improper use of company resources. This case was categorized as theft, and after conducting the necessary investigations, appropriate administrative sanctions were imposed. (GRI 205-1) (GRI 205-3).



38 Number of operations evaluated
100% of operations evaluated

Total number of confirmed cases of corruption at TDV

Cases of corruption	2021	2022
Total number of confirmed cases of corruption	2	5
Total number of confirmed cases in which employees were dismissed or disciplined for corruption	2	5
Total number of confirmed incidents where contracts with business partners were terminated or not renewed due to corruption-related violations.	0	0
Total	2	5



Training of personnel on unethical behavior issues

In 2022, as part of our ongoing efforts to promote ethics and combat corruption, we launched a campaign aimed at disseminating the Ethics Hotline among all employees across the company. For the training sessions associated with this campaign, we partnered with the consulting firm EY (Ernst & Young) to conduct the initial session. Subsequently, with the support and commitment of the Internal Audit, Communications, and Human Development departments, we conducted the remaining sessions. The campaign spanned 19 training days, with morning and afternoon shifts to accommodate the schedules of our employees. We are proud to share that approximately 2,663 employees from both company sites actively participated in these sessions. We take great pride in this achievement. (GRI 205-2)

Number and percentage of employees participating in the Ethics Hotline publicity campaign			
Facility	Number of employees per site	Attendance	%
Chincha	2 462	2 259	92%
Lima	525	404	77%
Total	2 987	2 663	89%

Personnel trained in anti-corruption policies by labor category

Labor category	Lima		Chincha	
	Number	%	Number	%
Management and submanagement	2	100%	9	100%
Head Offices	7	63%	31	97%
Technicians	13	68%	99	94%
Total	22	77%	139	97%



4.3

Commitment to Human Rights



As part of our dedication to upholding human rights, we became signatory members of the United Nations Global Compact in 2022. Through this voluntary initiative, we have made a commitment to align our business practices with the ten principles encompassing human rights, labor standards, environmental, and anti-corruption. Furthermore, we pledge to communicate our progress in implementing these principles annually to our stakeholders.

At TDV, we have established robust mechanisms that reflect our commitment to human rights. We have updated the scope of our Integrated Management Policy to incorporate Social Responsibility criteria, with a specific focus on Human Rights and Occupational Health and Safety policies. Additionally, we have implemented the Child Labor Remediation Policy, affirming that our operations are free from any form of child labor. (GRI 2-23) (GRI 2-24).



WRAP Certification

At TDV, we uphold and adhere to the 12 principles of the WorldWide Responsible Accredited Production (WRAP) standard. These principles are crucial in promoting responsible and ethical production practices, as well as demonstrating our dedication to sustainability and the protection of human rights. The 12 principles of the WRAP standard include:

 Compliance with laws and workplace regulations	 Prohibition of forced labor	 Prohibition of child labor	 Prohibition of harassment or abuse	 Compensation and benefits	 Hours of work
 Prohibition of discrimination	 Health and safety	 Freedom of association and collective bargaining	 Environment	 Customs compliance	 Security

Code of Conduct and Ethics

In regard to human rights, our Code of Conduct and Ethics strongly emphasizes the importance of respecting Universal Human Rights. We have a zero-tolerance approach towards any violations or non-compliance. This commitment extends not only to our own actions but also to those of our suppliers and contractors.

Our Code is mandatory for all members of the Board, employees, and contractors. Furthermore, the international brands with whom we conduct business have set high standards for human rights, and as a result, we affirm that our operations are conducted without the use of child labor or forced labor. We also strictly condemn all forms of discrimination.



Code of Conduct and Ethics



Integrating human rights in the value chain

In accordance with our certifications and our dedication as a B Corporation, we actively promote responsible and transparent business practices, ensuring that they are upheld and complied with by all individuals and organizations we work with. We also encourage our stakeholders to adopt similar practices within their own organizations. We are fully committed to adhering to these principles across all aspects of our company.

Regarding collective bargaining processes, we fully respect the rights of unions and recognize them as legitimate, in accordance with the WorldWide Responsible Accredited Production (WRAP) certification. However, it should be noted that TDV does not currently have a workers' union. Instead, we have established various committees that focus on ensuring and safeguarding the labor rights of our employees. (GRI 3-3) (GRI 2-30) (GRI 407-1)

At TDV, we have implemented a comprehensive Child Labor Remediation Policy, which outlines the guidelines for identifying and addressing any instances of underage employment within our company. We are fully committed to respecting and adhering to national laws and regulations regarding the employment of minors. In strict compliance with these regulations, we ensure that no child labor is employed in any position within our company. In 2022, we did not identify any operations

or suppliers that posed a risk of employing child labor. For our suppliers, we require international certifications such as BASC (Business Alliance for Secure Commerce) or WRAP, among others, to ensure that their operations are free from child labor and human rights violations (GRI 3-3) (GRI 408-1).

Regarding forced labor, we have established rules, rights, and obligations that regulate the relationship between the company and its employees. Our Internal Labor Regulations explicitly condemn any form of forced or involuntary labor. We conduct our activities in alignment with the guidelines and recommendations set forth by the International Labour Organization (ILO) regarding forced labor (C. 29 and 105). In 2022, we have been recertified in the WRAP standard, which certifies our compliance with legally permitted labor practices in our operations, ensuring that our employees are not subjected to forced labor or any form of coercion that restricts their capabilities. Furthermore, we require our contracting companies to adhere to the same provisions (GRI 3-3) (GRI 409-1).





5. Our strategy and risk management



5.1

Our triple impact strategy



In 2018, we embarked on a transformative journey towards sustainability, recognizing that as a company, our profitability is interconnected with generating social and environmental value for our stakeholders. This realization, and as a sign of our actions and commitments, has driven us to work on a cultural transformation process at TDV, aiming to minimize our environmental impacts while maximizing the generation of economic, environmental, and social value.

As part of our Sustainability strategy, we have adopted the Triple Impact model, encompassing Planet, People, and Profit. This model serves as a guiding principle for our operations, ensuring that we operate in harmony with the community, creating value for both them and ourselves, while also


taking care of and respecting the environment in which we operate. We have aligned our business model with the United Nations' Sustainable Development Goals (SDGs). Consequently, we have implemented various initiatives with our stakeholders, with a particular focus on nine of the seventeen SDGs. Each of these goals represents an area closely linked to the value that our company can generate.

Since 2020, TDV has established itself as a B Corporation, recognizing that many of our actions have contributed positively to addressing environmental and social challenges. This mindset has become deeply ingrained in our employees and the community, thanks to the commitment of our Senior Management, who firmly believe that it is possible to be profitable while simultaneously

respecting the environment and communities.

In 2021, we became one of the pioneering companies to solidify our status as a BIC (Benefit Corporation and Collective Interest) company. As such, we now belong to the group of companies aligned with the BIC Law, which was enacted in Peru in 2020. This law establishes a legal and transparent framework that supports companies actively pursuing goals to promote sustainable development. This milestone has positioned TDV as a trailblazing textile company that adheres to this legal framework and serves as a catalyst for inspiring change within the industry.

People



We promote the social development of people, achieving optimal levels of quality of life, education and health. As part of this promotion, we emphasize the search for environments supporting equal access and opportunities.

Planet



We responsibly and rationally manage and use natural resources in our operations, mitigating their depletion and impact on the environment. We also promote waste disposal mechanisms that integrate a circular economy vision.

Profit



We generate economic growth and wealth for our employees and the community through mechanisms that promote environmental and social development, thus consolidating the business' sustainability.

5.2

Our contribution as B Corporation



Since 2020 we are constituted as a Certified B Corporation in Peru. Since then, we have actively participated in the activities of Sistema B Peru, where together with our allies and other stakeholders we work to promote a common agenda for new companies to carry out their operations beyond economic value; that is, integrating positive impacts in social and environmental departments to profitability. In this way, we will achieve the objective of doing business responsibly.

We present the activities we were in during 2022:



We kicked off the year 2022 by participating in B Corporations Month, including being a part of the organizing committee for the #BehindTheB (#DetrasdeLaB) campaign. Throughout March, we showcased our key impact initiatives and demonstrated our ongoing commitment to enhancing our environmental, economic, and social practices at TDV. As we look ahead to 2023, we invite you to continue exploring what lies behind the B.



In June 2022, we participated in the “Profitability of business with purpose” conference together with the University of Lima and other B Corporations. During the event, our CEO, Juan José Córdova, presented the successful experience behind TDV and how our sector develops initiatives that go beyond profitability. Since we have been part of this movement, we approach issues under a sustainability approach, with which we seek solutions with an impact on our people and the environment.



We attended the October gathering organized by Sistema B Latam, a significant event focused on fostering connections and cultivating strategic and commercial partnerships among B companies in the region. Apart from exploring potential synergies, we also exchanged insights on our sustainability practices in Peru and highlighted how we generate economic, environmental, and social value in collaboration with our key stakeholders in the country.



We concluded the year by actively participating in the annual meeting of B Corporations, which marked the 10th anniversary of Sistema B. Our Sustainability team, led by Javier Landázuri, Manager of Administration & Finance and Sustainability, along with Fernando Ruíz, Sustainability Coordinator, and Alex Hartley, Head of Communications, joined Flavio Pérez in representing our company at the event. This gathering provided us with a opportunity to reinforce our commitment to creating a triple impact with our stakeholders.



What challenges would we expect this 2023 as a B Corporation

We are thrilled to share that we will be undergoing the process of recertification as a B Corporation in Peru next year. Over the years, we have embraced the concept of the triple bottom line, recognizing that profitability is essential for creating a more inclusive and sustainable economy.



5.3

Contribution to the Sustainable Development Goals



Our actions for promoting sustainable development and contributing to the achievement of the 2030 Agenda goals are aligned with 9 SDGs:

Economics	Environment	Social
<p>8 DECENT WORK AND ECONOMIC GROWTH 1 Training Center for new collaborators with no textile experience (CENFOR)</p>	<p>6 CLEAN WATER AND SANITATION 100% of industrial effluents are treated at the Wastewater Treatment Plant (WWTP).</p> <p>33% of water processed in Ultrafiltration and Reverse Osmosis plant</p>	<p>3 GOOD HEALTH AND WELL-BEING 5 programs that contribute to the health and well-being of our employees (Yoga, Luluchakra, Life in Motion, TDV and Music for the Planet).</p>
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION 1 Textile recycling plant</p> <p>64% of recycled polyester following client requirements.</p>	<p>7 AFFORDABLE AND CLEAN ENERGY 100% electricity from renewable sources</p> <p>90% hydroelectric power</p> <p>10% solar energy (self-generated)</p>	<p>4 QUALITY EDUCATION 2 700 training hours provided to our employees</p>
	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION 100% of cutting waste is recycled to manufacture garments and blankets to be donated to communities in the Peruvian highlands</p>	<p>5 GENDER EQUALITY 45% is the proportion of male employees</p> <p>55% is the proportion of female employees</p>
	<p>13 CLIMATE ACTION 100% offsetting carbon footprint through the purchase of carbon credits</p> <p>50% of our carbon emissions to be reduced by 2025.</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES 630 m³ of water donated for irrigation to the Municipality of Chincha Baja.</p> <p>1 "Chincha Recycles" recycling program for Chincha's residents</p>



5.4

Relationship with stakeholders

At TDV, every stakeholder holds significance for our business, which is why we engage with each one of them and strive to understand their expectations and interests. We work closely with them, and with total willingness to dialogue.

To sustain our responsible approach, we are dedicated to fostering synergies with our diverse stakeholders. By doing so, we aim to strengthen our sustainable business model (GRI 2-29).

TDV Stakeholders



Board of Directors
Shareholders and directors



Clients
International companies



Employees
Personnel at Chincha and Lima plants, and Surco offices



State
Local governments, regulatory and supervisory agencies



Suppliers
Of raw materials and services



Competitors
Textile industry companies



Community
Residents of Chincha Baja (Chincha Plant) and Cercado de Lima (Lima Plant)

Stakeholders	Dialogue mechanism
<p>Directory</p>	<ul style="list-style-type: none"> Board Sessions Corporate mail
<p>Clients</p>	<ul style="list-style-type: none"> Regular meetings Emails Telephone calls Surveys Social Media Web page
<p>Employees</p>	<ul style="list-style-type: none"> Social Media Corporate mail Physical notices Web page Wall newspaper Direct communication Ethics Hotline
<p>State</p>	<ul style="list-style-type: none"> Mail / Letters Directorial Resolutions Monitoring Platforms

Stakeholders	Dialogue mechanism
<p>Suppliers</p>	<ul style="list-style-type: none"> Meetings Emails Phone calls Web page Dialogue mechanism
<p>Textile industry companies</p>	<ul style="list-style-type: none"> Instant messaging groups for coordination between alliances Meetings Telephone calls Forums, seminars and textile trade fairs
<p>Community</p>	<ul style="list-style-type: none"> Web page Social Media Complaints and claims mechanism Guided tours of the Chincha plant Signing of agreements

5.5

Materiality



The materiality analysis is a management tool which allows us to identify the strategic priorities for our sustainability management. Thus, following the recent changes to the Global Reporting Initiative (GRI) reporting standard, we have gone through a process of updating our material topics where the new evaluation criteria was included, and focuses on due diligence and human rights.

Accordingly, we develop our materiality with an impact materiality approach where we integrate the identification of actual and potential impacts for our stakeholders (environmental, social and human rights), as well as the risks and opportunities that could affect our ability to generate value with our stakeholders. For this analysis of material topics, we have not established a prioritization threshold, but we do have established a quadrant that allows us to visualize what the most significant topics for our organization are (GRI 3-1) (GRI 3-2).

We present the methodological steps we have followed to find our material topics 2022:

1

Understanding the organizational context

In order to understand the organizational context, we conducted an internal and external analysis of the environment where our company operates. For this purpose, we conducted a benchmarking at an external level of leading companies in the textile sector which we have commercial relations with. We also included a review of the main sustainability guidelines and standards, focusing on the review of the SASB standard through the clothing, accessories and footwear sector supplement. Similarly, we reviewed the sustainability context and main sector trends, as well as the country context and the risks that could affect us.

Internally, we reviewed our sustainability strategy and its impact on value generation, and reviewed the main policies and management documents to understand the sustainability issues we have been managing.

2

Identifying actual and potential impacts

Additionally, we conducted a workshop with the company's management, where we identified the impacts we generate and those we could cause through our operations and business relationships (positive, negative, actual and potential impacts). In addition, we included the application of other instruments such as surveys and focus groups with some stakeholders such as commercial customers, employees and suppliers, who were consulted on the most important aspects of TDV's impact, both positive and negative. The consultation also included issues that could affect our financial performance.

3

Assessing and prioritizing actual and potential impacts

After conducting a thorough analysis of the preceding stages, we have incorporated the following evaluation criteria to prioritize TDV's most significant impacts: For both actual and potential negative impacts, we assessed them based on variables such as scale, scope, probability, and severity. When evaluating actual and potential positive impacts, we considered variables such as scale, scope, and other relevant criteria. In summary, we have identified the impacts (positive, negative, actual, and potential), proceeded with their assessment, and ultimately prioritized the most significant ones for our sustainability management in 2022.

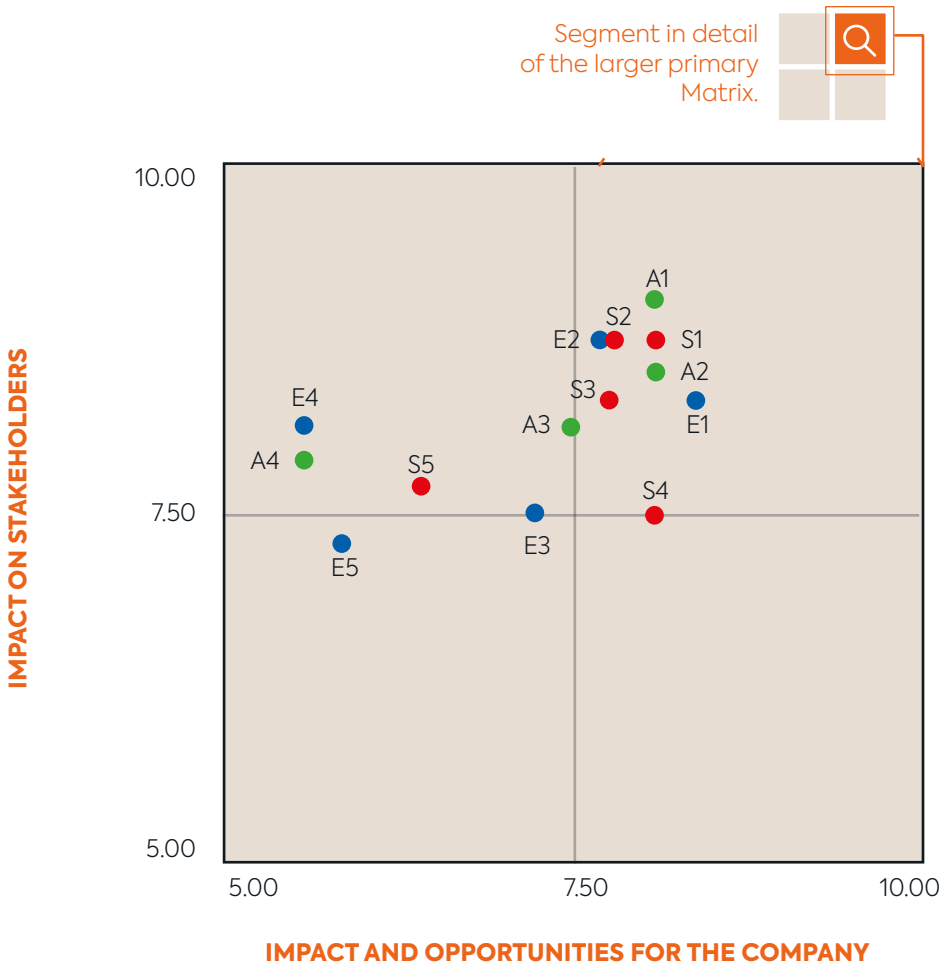
4

Validation of material topics

We submitted the list of material topics for our organization to the Sustainability Committee, and they approved the proposal. Here is the prioritization of our list of material topics:



TDV materiality matrix



ECONOMIC

- E1. Profitability and shared value creation
- E2. Corporate governance, ethics, and good business practices
- E3. Operational efficiency
- E4. Responsible supply chain sourcing
- E5. Risk management and crisis handling

ENVIRONMENTAL

- A1. Water management eco-efficiency
- A2. Climate change strategy and mitigation
- A3. Waste and chemical management
- A4. Product innovation and circular economy.

SOCIAL AND HUMAN RIGHTS

- S1. Human rights
- S2. Occupational health and safety
- S3. Job creation, employee well-being, and human capital development
- S4. Good community relations
- S5. Diversity, equity, inclusion, and fair treatment

Material topics		
Economics	Environment	Social
Profitability and creation of shared value	Eco-efficiency in water management	Human Rights
Corporate governance, ethics and good business practices	Climate change strategy and mitigation	Occupational health and safety
Operational efficiency	Waste and chemical management	Employment generation, labor welfare and human capital development
Responsible sourcing in the supply chain	Product innovation and circular economy	Good relations with the community
Risk and crisis management		Diversity, equity and inclusion and fair treatment



5.6

Main affiliations and recognitions

As a leading company in the Peruvian textile sector, we have voluntarily adhered to various sustainability frameworks, certifications and standards. These voluntary commitments serve as a testament to our dedication to sustainable management, which excels in the economic, environmental, and social dimensions (GRI 2-28).



We are part of different civil society organizations, private companies and guilds, which allow us to articulate our efforts for developing a more competitive and sustainable textile industry:



Non-profit association, which aims to mobilize the Peruvian business sector to be an agent of change in promoting sustainable development. It has management tools such as the Badge of Socially Responsible Company (DESR, as its Spanish acronym), which measures the performance of companies in economic and governance, environmental and social criteria.

Association of Peruvian companies dedicated to the export of high-quality garments. Our contribution is reflected in the fact that the products we export meet high standards of quality and sustainability. Under the PROMPERU leadership and technical support abroad, we promote garments under the concept of millenary tradition with contributions to sustainable development.

We are part of the leading business association of Peruvian foreign trade. Thanks to the services they provide us, we can be competitive at an international level.

We established the Sustainable Fashion Cluster of Peru, aiming to foster collaboration and synergies among companies and small to medium enterprises (SMEs) within the textile industry. By working together, our goal is to enhance the competitiveness of the sector in our country. Through our shared objectives, we have gained support and recognition from the State, enabling our brands and garments to achieve greater visibility and competitiveness both nationally and internationally.



We are part of the Chinchana Chamber of Commerce. Together with other local businessmen we work to boost the economy of the region and make Chinchana a competitive province, generating formal employment.

In 2022, we voluntarily joined the United Nations Global Compact. This global movement is made up of organizations and companies worldwide that are dedicated to creating a more equitable and sustainable world.

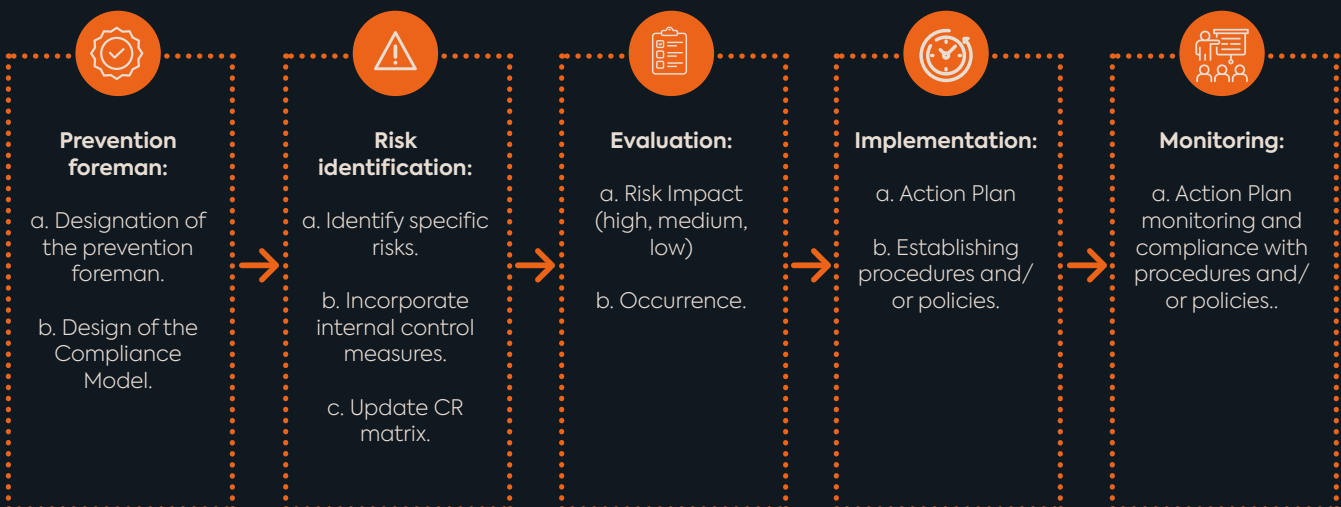
We contribute to the non-profit civil association Empresarios por la Educación, where we support initiatives that contribute to the improvement of national public education. This articulation adds synergies between the public sector, the private sector and civil society organizations.

We contribute to the Peruvian Institute of Cotton, a non-profit organization, through proposals and innovations for having a competitive, sustainable and high-quality raw material. Innovation in Peruvian cotton will be a decisive component that will make us attractive in the foreign market.

5.7

Risk and crisis management

Risk Management within TDV is of utmost importance, as this allows us to identify and mitigate the deficiencies each department could have, both at the level of Health and Safety as well as operational and financial processes, among others. For this purpose, we have an Internal Audit team, which is responsible for carrying out and managing the Audit Plan, focused on the most critical processes of the company, as well as extraordinary and unannounced reviews. Our system includes the management of the following stages:



Our Integrated Management System department is responsible for supervising the company's risk management, in order to ensure compliance with the strategic objectives. Additionally, we hold monthly meetings with the heads of each department to supervise the implementation of corrective actions and control measures.

In 2022, our Audit Plan conducted three inspections focused on determining financial risks, 14 on operational risks, 1 on information security risks and 5 related to the Health and Safety of the company's employees. Based on these inspections, we developed a Joint Action Plan for compliance, and by the end of the year, 90% of the corrective actions had been completed.

For 2023, we will continue to implement the same plan under the same guidelines. Thus, we have proposed to increase the processes department audits and reviews by 60% in order to more effectively reduce the company's risks. The follow-up of the implementation of the Action Plan is critical for the risks reduction, since these have been previously identified; however, due to the activities of the process itself, we fail to execute the implemented controls, which generates that these are not reduced. This will be one of the points we will reinforce with respect to TDV risk management. (GRI 3-3) (GRI 2-25) (NO GRI Risk Management and Crisis Management)

Risk classification by category:

 <p>Financial: we perform audits focused on the Accounting, Finance, Personnel Administration and Warehouse departments. In these audits we evaluate liquidity, profitability, inventory valuation and identification, credit and legal risks.</p>	 <p>Operational: these are carried out in the productive departments, verifying compliance with procedures and operational controls.</p>	 <p>Information Security: we focus on the systems managed by the company, which is in charge of the IT team.</p>	 <p>Health and Safety: we focus our work in the Human Development, SSOMA and Property Safety departments.</p>
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6. Creating value



6.1

Integrated management system

At TDV we have management tools that allow us to optimize the resources available to the company and, in turn, improve our business performance in economic, social and environmental aspects. Our customers value our products and our commitment to sustainability. For this reason, we have an Integrated Management Policy and an Integrated Management System (IMS), both certified to ISO 9001 and ISO 14001 standards.



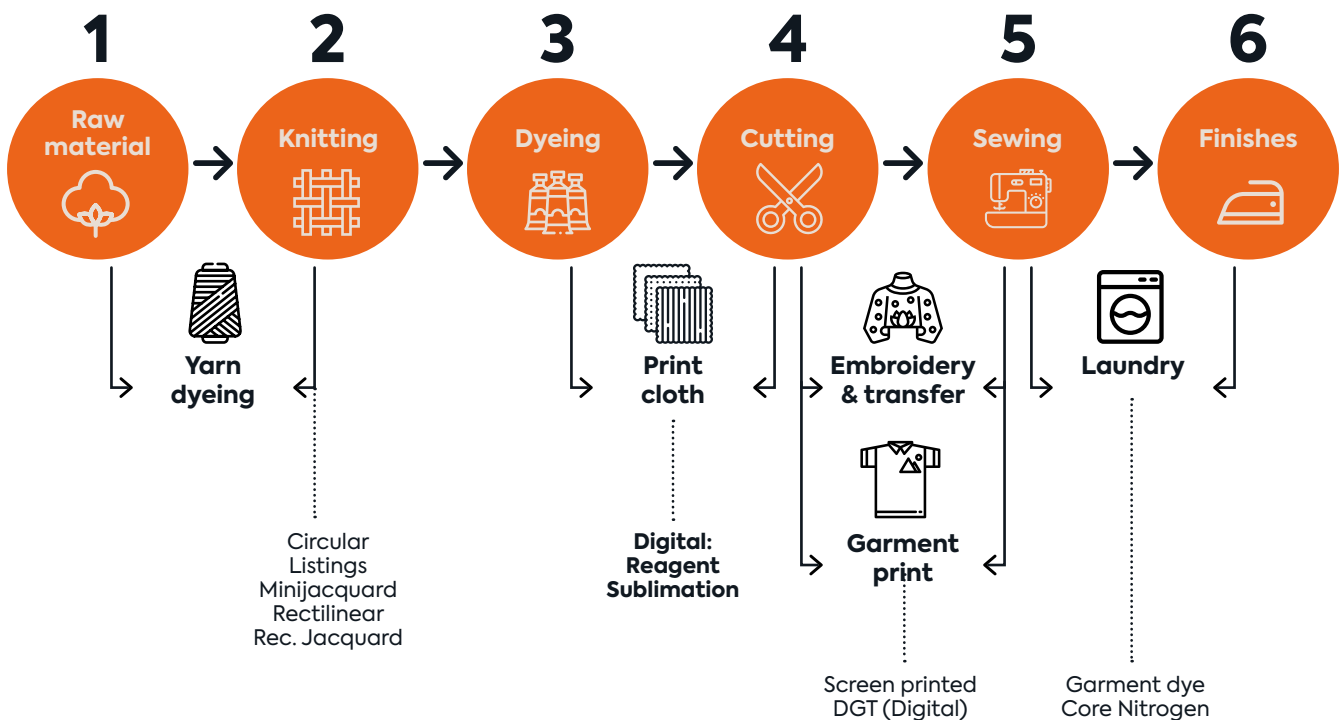
This enables us to achieve higher process quality, leading to increased productivity and consistency, resulting in cost reduction and ultimately enhancing our competitiveness.



We guarantee our clients that TDV maintains a robust environmental performance and exercises complete control over the impact of our activities, products, and service.

6.2

Vertical factory



As a vertical factory in the textile sector, TDV has all stages of production, from the knitting of the fabric to the garment making and finishing. This means we control the production process in-house, from raw material to finished product, making it more efficient. This results in lower production costs and a greater ability to quickly respond to market demands.





6.3

Economic Performance

The year 2022 was a year of economic uncertainty in Peru due to the external socio-political context, in addition to the internal political factors that resulted in an uncertain and changing outlook for the business. Despite this, we implemented our business philosophy to recover and achieved a positive sales and profitability record for TDV.

We also highlight the expansion of our operations in the city of Lima, as well as the increase in our range of services and products for our clients.

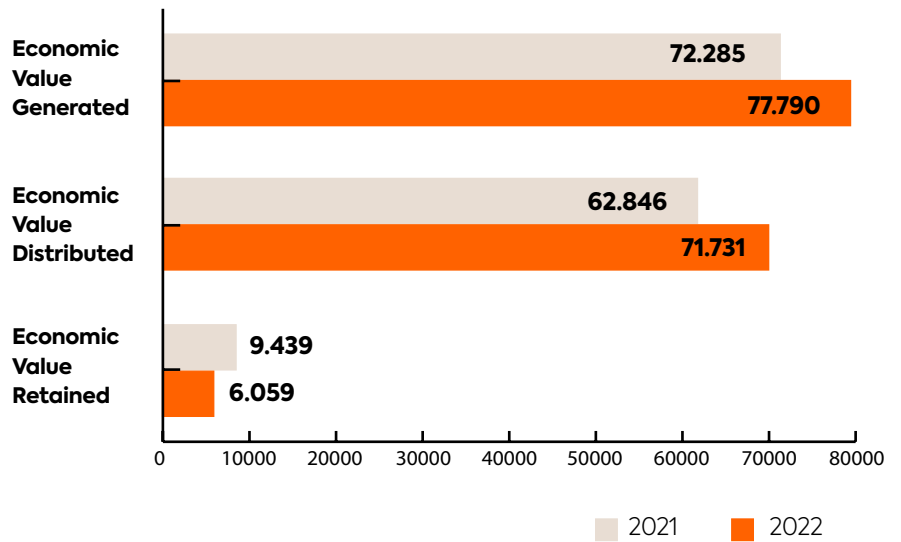
Our economic performance is measured through indicators such as EBITDA (Earnings Before Interest Taxes Depreciation and Amortization), cost of sales, fixed cost and the HIGG Index, a self-assessment standard for the apparel and footwear industry to evaluate environmental and social sustainability throughout the supply chain. These indicators are aligned with our strategic plan for the year. For the past 20 years our financial statements have been audited by external auditors. In 2022, we were audited by the firm PWC (PricewaterhouseCoopers), which gave conformity to our economic performance (GRI 3-3).



Economic performance 2022

In 2022 our Economic Value Generated (EVG) was US\$ 77 million. Our stakeholders benefit from the distributed economic value generated by TDV. Therefore, the Distributed Economic Value (DEV) amounted to US\$ 71 million, which included operating costs and was distributed among salaries and benefits for our workers, payment of taxes to the Peruvian State, as well as investments in our communities of influence, among others. Our Economic Value Retained (EVR) was US\$ 6 million (GRI 201-1).

Economic value generated, distributed and retained
(In million of dollars)





**7.
We care for
the planet**





“We want to transform the rules of the game in the fashion industry with garments that make sense, that represent our ideal of responsible change.”

At TDV we are committed to incorporate sustainability throughout our processes and activities, which implies taking measures to mitigate the effects and consequences of climate change. Aligned to our corporate vision of being the most sustainable textile factory in the world, we have implemented circular economy actions to increase the durability of our garments and promote their reusability and recyclability.

The current global context and in view of the fulfillment of the 2030 agenda requires us to take more rigorous measures and solutions to address the critical issues of climate change. At TDV, we focus on efficient resource utilization by implementing eco-efficiency actions in water, energy, circular economy and emissions management.

Therefore, being a Benefit Corporation and Collective Interest (BIC) Company, **we have set out to reduce our impacts based on three main objectives:**



Reusing water and improving efficiency in the consumption and quality of this resource generated in our processes.



Improving the efficiency of energy consumption and changing our energy matrix to one that uses renewable sources.



Implementing a circular economy approach and integrated solid waste management throughout the value chain.

Regarding environmental regulatory compliance, we emphasize that in order to prevent, mitigate and restore environmental damage, we have an Environmental Monitoring (PAMA, as its Spanish acronym), a management instrument that covers our Chincha facility. At the moment, this document has been updated and we have aligned it with ISO 14001 to improve environmental quality by taking advantage of existing opportunities.

It is important to note that we have not received any environmental sanctions for any of our Textil del Valle (TDV) operations (GRI 2-27).

Achievements in our Environmental Management System (EMS)

We recertified the **ISO 14001:2015**,[🌿] standard for all our operations. This positions us as a benchmark company in its industry that responsibly manages its environmental impacts.

62% of the areas of our Chincha plant have LED lighting. [🌿]

33% of water recovered in our Reverse Osmosis Plant [🌿]

100% recycled cutting waste. [🌿]

100% of our emissions were offset [🌿]

630 m³ of recycled water donated to the Municipality of Chincha Baja [🌿]



7.1

Climate action



TDV energy performance

We understand that, for the development of our industrial textile activities, we require the use and consumption of energy in all the processes of our value chain. This implies that departments such as logistics, production and merchandise transportation processes have a greater impact on the use of this resource.

Therefore, finding clean energy sources has become a strategic priority for companies to minimize their negative impacts. In this scenario, the transition to renewable energy is a necessary step in the fight against climate change. At TDV, we have joined these initiatives, which is why we have implemented renewable energy supply strategies.

For proper energy management and energy efficiency we have an Energy Saving Policy, where we expressly state our commitment for optimizing energy use in all our operations. In addition, we are committed to making rational and efficient use of it.

In 2022, we set two macro objectives for improving our energy performance. First, we seek to optimize energy use in processes within the <5.0-7.5> range, in addition to maintaining the use of self-generated energy from sustainable sources at 10%. Thanks to internal audits and supervisions we have achieved compliance with the proposed objectives. This will allow us to increase to 65% the HIGG Index FEM (Facility Environmental Module), an environmental evaluation indicator.

Regarding our energy management and in order to ensure the correct performance of the proposed indicators, the Maintenance department presents the objectives progress every two months to the Sustainability Committee, which jointly evaluates the departments performance and proposes initiatives and solutions to meet the annual indicators. In 2022 we surpassed the proposed indicators, achieving a good energy performance at TDV (GRI 3-3) (GRI 302-1).

Management achievements by 2022



Energy consumption

By 2022, we achieved an average energy consumption ratio of 1.88 kWh per kg of product, which is below the target range, i.e. less energy consumed per kilogram processed.

TDV energy consumption

Energy consumption	Unit of measure	Lima		Chincha	
		2021	2022	2021	2022
Fuel consumption from non-renewable sources	KWH	1 477 271 kWh	1 461 529 kWh	41 464 423 kWh	38 356 006 kWh
Natural gas	KWH	33 033 kWh	74 468 kWh	41 336 711 kWh	38 296 952 kWh
LPG	KWH	-	-	52 227 kWh	45 920 kWh
Gasoline	KWH	89 964 kWh	86 072 kWh	4 052 kWh	-
Diesel	KWH	672 434 kWh	576 801 kWh	41 433 kWh	13 134 kWh
Electricity (ENEL)	KWH	681 840 kWh	724 188 kWh		
Other fuels from non-renewable sources	KWH	-	-	-	-
Total fuel consumption from renewable sources		0 kWh	0 kWh	9 725 079 kWh	9 557 900 kWh
ATRIA 1 Supply [1](Electricity)	KWH	-	-	3 757 652 kWh	3 638 608 kWh
ATRIA 2 Supply (Electricity)	KWH	-	-	5 331 426 kWh	5 428 222 kWh
ATRIA 3 Supply (Electricity) SOLAR PANELS	KWH	-	-	636 001 kWh	491 070 kWh
Other fuels from renewable sources	KWH	-	-	-	-
Energy consumption from different types of energy purchased					
Electricity consumption	KWH	681 840 kWh	724 188 kWh	9 725 079 kWh	9 557 900 kWh
Heating consumption		-	-	-	-
Cooling consumption		-	-	-	-
Steam consumption		-	-	-	-
Tota energy consumption [2]		1 477 271 kWh	1 461 529 kWh	51 189 502 kWh	47 913 906 kWh

TDV at the forefront: using renewable energies

In alignment with our environmental goals, we have integrated renewable energies into our energy matrix by implementing self-generation of electricity through solar panels installed at our Chincha plant. The adoption of solar energy plays a crucial role in significantly reducing our organization's carbon footprint. By embracing this approach, we actively contribute to environmental preservation and the fight against climate change.

Currently, we have a total space of 5,000 m² that have been designated for the operation of 1,320 solar panels receiving solar energy, which supply various production departments of the company. We also have the advice of our strategic partner ATRIA, which provides us with all the support we need for a correct operation of the solar panels.





Our goal by 2025 is to have 30% self-generated renewable electricity. This commitment to innovation positions us as one of the most sustainable companies in the textile sector in Peru.

GHG emissions management

The global textile industry's activities contribute 10% of CO2 emissions. Aware of this impact and the effects of climate change on the earth, we offset our greenhouse gas (GHG) emissions by promoting the use of renewable energies and decontamination mechanisms through the acquisition of carbon credits. Our demanding international market clients and investors encourage us to take urgent measures to combat the effects of this global problem together.

In line with our Sustainability Policy, we have set ourselves the following targets for our emissions performance by 2025:



Reducing our carbon emissions by 50%.



Offset GHG emissions generated by the company.



Incorporating climate change measures into national policies, strategies and plans.

In 2022, methodological updates emerged for the calculation of the carbon footprint, which is why we adopted the 2018 version of ISO 14064-1:2018 as the basis for our calculations. This methodology considers the measurement with six scopes for all our operations. Due to the change in the methodological section for measuring the carbon footprint, our reduction goals and objectives could not be achieved during the current year, since there were increases due to the use of materials and inputs from suppliers at the time of the evaluation.

For the time being, following the presentation of annual results, the Sustainability Committee has taken control measures to continue reducing our emissions. Therefore, by 2023 we will present our annual reduction plan with objectives and metrics focused on the new methodology. Our mission will be to continue working to be the Peruvian carbon neutral textile company. (GRI 3-3) (GRI 305-1) (GRI 305-2) (GRI 305-3) (GRI 305-3)





TDV carbon footprint

In accordance with the commitments established in our Environmental Monitoring Plan (PAMA, as its Spanish acronym), we measure the impact we have on the air on an annual basis. Therefore, since the end of 2018, we started with carbon footprint measurements and established our commitment to measure it on an annual basis in order to follow up on its evolution.

In 2022, we included scopes 4, 5 and 6, following the change in measurement methodology.

2021 GHG gas emissions by scope type

Type of scope	Chincha facility	Lima facility	Administrative offices	Total	%
Scope 1 Emissions (ton CO2e)	514.28	143.16	49.9	707.34	3%
Scope 2 Emissions (ton CO2e)	1636.71	129.95	7.02	1773.68	8%
Scope 3 Emissions (ton CO2e)	9966.64	271.35	144.58	10382.57	46%
Scope 4 Emissions (ton CO2e)	9467.77	322.84	11.11	9801.72	43%
Scope 5 Emissions (ton CO2e)	-	-	-	-	-
Scope 6 Emissions (ton CO2e)	-	-	1.19	1.19	0%
Total	21585.4	867.3	213.8	22666.5	100%

Offset project

We are the first Carbon Neutral textile company in the southern hemisphere, achieving the milestone of the first offset of our 2019 carbon footprint in 2020, and for this purpose we partnered with AIDER, a non-profit organization which aims to conserve 127,000 hectares of threatened tropical forests in the Peruvian Amazon rainforest.

In 2022, we maintain our current goal to continue promoting these measures to offset our emissions annually. In this regard, we achieved our second offset for the 2021 period, and so we focused on projects based on renewable energy technologies. The decision was made for the MDL Yunnan Lincang Zhenai Hydropower project in Yunnan Province in the People’s Republic of China. This project utilizes the Nanting River’s hydrological resources which generates electricity for the South China Power Grid.

Projects for reducing our emissions



Life in Motion

We encourage our employees to use alternative means of transportation to reduce our emissions. For this reason, since 2021 we implemented the Life in Motion program, which we kept active until the first half of 2022.

7.2

Eco-efficiency in water management

We recognize water represents an essential element for production in the textile industry. Our operations use this resource in the sizing, mercerizing, cleaning, bleaching, printing and finishing processes. Therefore, at TDV we have assumed a high commitment to manage this resource with high standards through tools that allow us to optimize this resource, because we believe that without water there is no textile industry.

In order to have a better water resources management, and in accordance with our purpose of benefit as a BIC company (Benefit Corporation and Collective Interest), **we have set the following objectives for maximizing water management:**

- Reusing water and improving efficiency in the consumption and quality of water generated in our processes.
- Biological treatment of industrial wastewater, for eliminating any toxic component that may impact the environment.

Sources of water supply

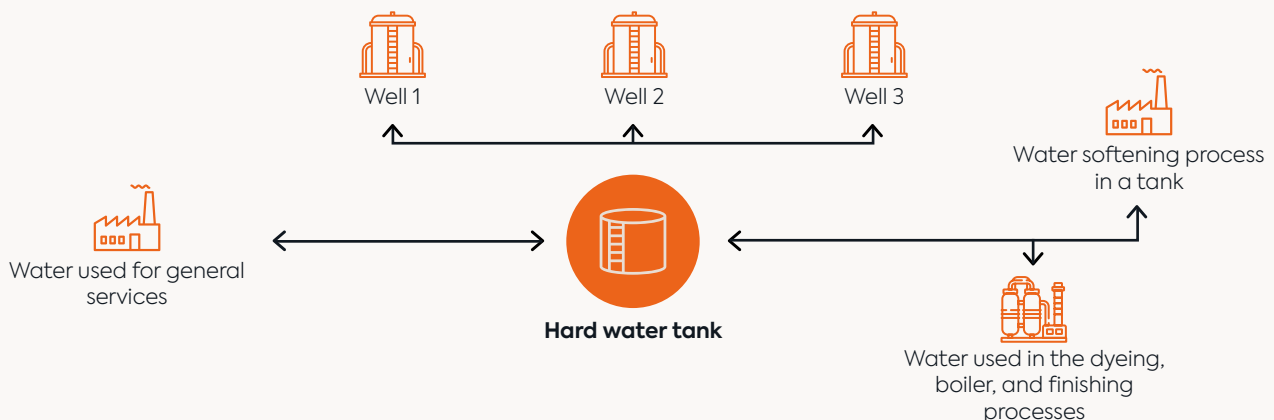


For our production processes in Chíncha operations, we supply ourselves with water from three underground wells. In order to use this resource, we have to treat it through a softening process using an ion exchange water softener. Once it is suitable for use, we incorporate it into the dyeing processes (fabrics, threads, and finishes), laundry departments, and the boiler to produce steam.

Furthermore, in order to monitor and ration the use of water resources at our Chíncha plant, we conduct daily readings on the three meters located at the extraction wells. We record this data in a routine format, which is then digitized into a spreadsheet for internal control; all of this will help us to evaluate our performance by measuring the company's water footprint. (GRI 303-1) (GRI 303-3)

Part of the extracted water volume is used for cleaning and general services, which includes sanitary services, irrigation, cleaning, and the canteen. It is important to note that these three underground wells are licensed and supervised by the National Water Authority (ANA), the regulatory entity responsible for the management and monitoring of water sources in Peru.

Water supply flow at our Chíncha plant



In the case of our Lima plant, we carry out our industrial activities by sourcing water through the company Sedapal's network, which issues monthly invoices for our consumption. (GRI 303-5)

Water extraction in 2022

Water extraction by type of source	Unit of measure	LIMA		CHINCHA	
		2021	2022	2021	2022
Surface water (total)	Thousands of m ³	6.3	8.1	-	-
Freshwater (total dissolved solids ≤ 1000 mg/l)	Thousands of m ³	6.3	8.1	-	-
Groundwater (total)	Thousands of m³	-	-	488.7	434.7
Freshwater (total dissolved solids ≤ 1000 mg/l)	Thousands of m ³	-	-	488.7	434.7
Total Water extraction	Thousands of m³	6.3	8.1	488.7	434.7

Regarding our water consumption, and according to the water footprint measurement analysis, in 2021, we consumed a total of 0.88 m³ at our Lima plant, while at the Chincha plant, the total water consumption from underground wells was 84.48 m³. In 2022, our consumption was 0.81 m³ at the Lima plant and 81.79 m³ at the Chincha plant.

Water consumption at TDV

Water consumption	Unit of measure	LIMA		CHINCHA	
		2021	2022	2021	2022
Total Water consumption	Thousands of m³	0.88	0.81	84.48	80.89



Water donation to the Municipality of Chincha Baja

We started our recycled water donation program for the benefit of the Municipality of Chincha Baja. In total we donated 630 m³, a resource that allowed the irrigation of parks and gardens.



Ultrafiltration and Reverse Osmosis Plant

Thanks to the installation of this company asset, we are able to recycle and reuse 33% of the effluents we generate.

Treatment of our effluents

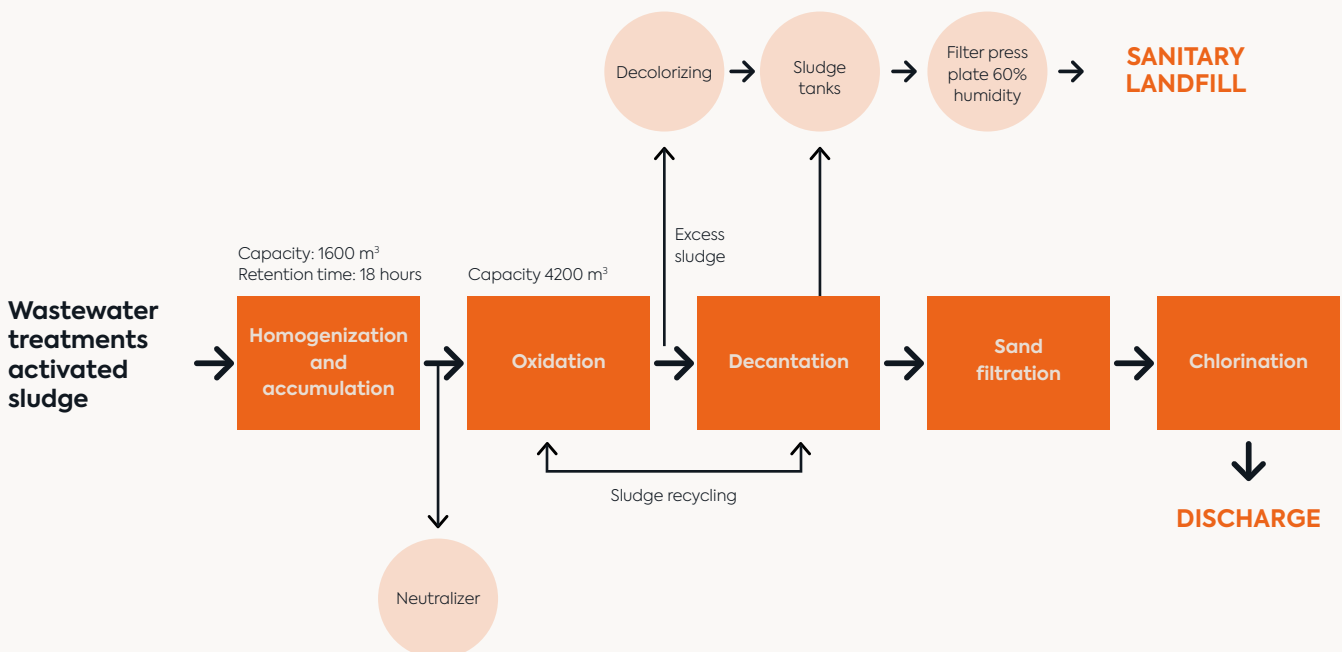


In recent years, at TDV we have made significant investments in modern equipment and assets for the treatment of the liquid effluents we generate. As a result, the wastewater we generate is collected and treated at our Wastewater Treatment Plant (WWTP). Through these actions, we carry out a proper biological treatment of these waters, allowing for the discharge of clean and non-toxic water into the environment.

Industrial Wastewater Treatment Plant (WWTP)

The industrial effluents or wastewater we generate are treated in modern treatment systems consisting of primary, secondary, and tertiary treatment processes.

During the primary treatment of effluents, we employ a physicochemical process that includes stages of homogenization and neutralization of organic matter. For the secondary treatment, we carry out biological processes such as activated sludge, wherein we first oxidize the organic matter and then proceed with sludge settling. Additionally, in the tertiary treatment, we perform granular media filtration and, finally, we conduct a chlorination stage to achieve cleaner water. **We present the operational flow diagram of the Wastewater Treatment Plant at our Chincha facility.**





Ultrafiltration and Reverse Osmosis Plant (UF/RO Plant)

The previously treated waters at the Wastewater Treatment Plant undergo an additional purification process, which we carry out at our Ultrafiltration and Reverse Osmosis Plant (UF/RO Plant). These recycled and recovered waters from the UF/RO Plant are reintroduced into our production processes and also donated to public institutions. The remaining portion of water that cannot be utilized is returned to the Wastewater Treatment Plant, where it undergoes processing and is discharged through either industrial water outlets or public sewage systems. For the disposal of these wastewater streams, we adhere to high standards approved by the World Bank and regulated by Supreme Decree N°004-2017 of the Ministry of Environment (MINAM as its Spanish acronym). (GRI 303-2) (GRI 303-4)

Thanks to the implementation of these purification processes in our WWTP, we have successfully recycled 30% of the water from effluents, effectively reducing our impact on water discharges. We are proud to emphasize that during this period, we have not incurred any environmental fines or sanctions as a result of this impact.

Water discharge by destination	Unit of measure	LIMA		CHINCHA	
		2021	2022	2021	2022
Surface water	Thousands of m ³	5.7	7.2	372.8	435.0
Total water discharge	Thousands of m³	5.7	7.2	372.8	435.0

7.3

Waste and chemicals products management

We understand that our industry has a significant environmental impact in waste generation. Recognizing this issue, we strive to maximize the value of what we produce by implementing circular processes throughout our company's value chain.

We manage our operations in accordance with the guidelines outlined in the Integrated Solid Waste Management Law, DL N° 1278. Along the same lines, we have implemented an Environmental Monitoring Plan (PAMA), which serves as a management tool to control our environmental impacts. Currently, at TDV, we generate waste primarily consisting of discarded materials, which hold market value and are valorized by third-party companies.

Similarly, we ensure regulatory compliance in our waste management through a Waste Minimization Plan. This plan establishes the minimum requirements for handling and tracking the various stages involved in the management of both hazardous and non-hazardous waste at TDV.

According to the operations phase of TDV waste, we established the following flows based on the classification according to NTP 900.058 -2019: segregation, storage, loading, transportation and disposal in authorized landfills. Subsequently, we receive documentation from the Solid Waste Operating Company (EO-RS, as its Spanish acronym), which certifies its correct disposal. The process culminates with the annual declaration we make to the Solid Waste Management Information System (SIGERSOL, as its Spanish acronym), where we state that we are responsible for our waste management and operation.

Operation flow of TDV waste



To ensure proper compliance with effective waste management, we have an Inspection Plan in place where our Internal Audit department oversees that actions are carried out in accordance with the proposed plans. Similarly, our major clients conduct periodic external audits to ensure our compliance with the actions outlined in our PAMA.

In line with the aforementioned, for improvement opportunities and enhanced safety, we have an Environmental Aspects and Impacts Matrix that enables us to implement stronger control measures for our environmental impacts. As part of this effort, TDV has provided training to our operational and administrative staff to ensure their assistance in fulfilling the eco-efficiency actions proposed by the company. (GRI 3-3) (GRI 306-2)

Waste generated

The waste generated at both our Chinchá and Lima facilities is classified, in accordance with the Peruvian Technical Standard NTP 900.058-2019, as hazardous (contaminated waste, used oils, contaminated empty containers, hydrocarbon-soaked rags, among others) and non-hazardous (general waste, production waste, non-hazardous WWTP sludge, plastic, paper, among others). In compliance with these regulations, we manage our waste following the protocols outlined in the Waste Minimization Plan. As part of our actions, we have implemented color-coded bins in all production departments of the company to facilitate proper waste segregation by employees.

For non-hazardous waste, the valorization management is carried out by certified companies that meet high environmental standards, known as Solid Waste Commercialization Companies (EC-RS as its Spanish acronym). Similarly, for the handling and disposal of hazardous waste, we have contracted qualified companies to dispose of these waste materials in authorized landfills.

In 2022, as a result of our activities, we generated a total of 31.88 tons of hazardous waste, while for non-hazardous waste, the total amounted to 908.15 tons. Within the accounting of non-hazardous waste, we include the sludge disposed of from the Wastewater Treatment Plants (WWTP).(GRI 306-1) (GRI 306-3)

Waste generated by type (TN) at Chinchá and Lima Facilities

Chinchá Plant		
Type of disposal	Hazardous waste (TON)	Non-hazardous waste (TON)
Landfill	30.39	663.83
WWTP sludge – Solid	-	408.50
WWTP sludge – Liquid	-	88.14
Non-reusable	-	166.29
Waste	-	0.90
Hazardous waste (obsolete luminaires, WEEE, solid materials, contaminated packaging, batteries, etc.)	30.39	-
Marketable	-	468.31
Paper	-	118.96
Cardboard	-	102.86
Plastic	-	4.25
Scrap	-	242.24
PET bag	-	0

Lima Plant		
Type of disposal	Hazardous waste (TON)	Non-hazardous waste (TON)
Landfill	1.49	13.11
Non-reusable	-	13.11
Hazardous waste (obsolete luminaires, WEEE, solid materials, empty containers)	1.49	-
Marketable	-	5.14
Paper	-	3.52
Cardboard	-	
Plastic	-	1.62

Total Waste (TN)

Operation site	Hazardous waste (TON)	Non-hazardous waste (TON)
Chincha Facility	30.39	889.90
Lima Facility	1.49	18.25
Total	31.88	908.15

As mentioned earlier, the valorization and disposal of both hazardous and non-hazardous waste are managed through certified EO-RS companies that adhere to high standards and local and international regulations..

Type of material	Certified company	Direct Disposal	Detail
Marketable	Corporación Napanga (Chincha) and HEPAR (Lima)	473.45 (TON)	Paper, Cardboard, Plastic, PET bags, Scrap
Non-reusable and waste	Napanga Corporation	180.30 (TON)	General waste
PTARI sludge (solid + liquid)	HEPAR	496.64 (TON)	Non-hazardous category
Hazardous waste	HEPAR	31.88 (TON)	It is sent to the landfill at PETRAMÁS
Shrinkage for blankets	Tejidos Celeste	759.87 (TON)	

Chemical products management



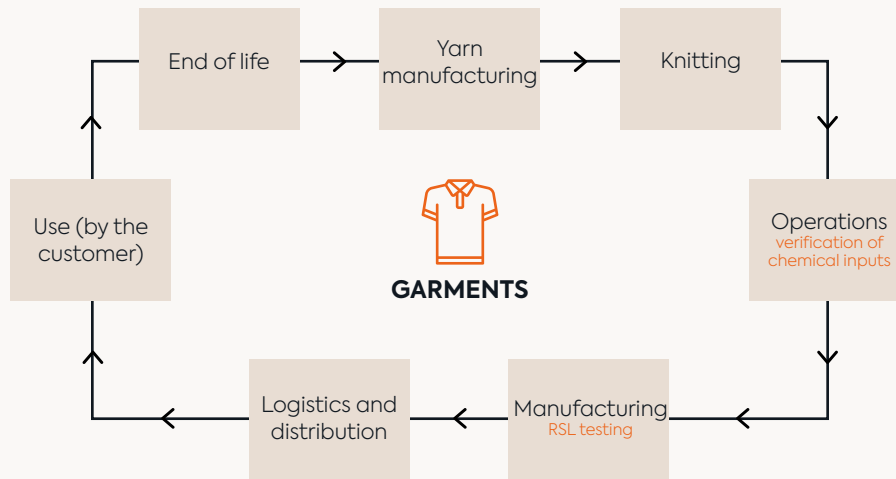
Chemical management at TDV is handled by the Logistics Department in conjunction with the Laboratory Department. The Logistics Department supports us in the transportation and placement of the product within the processing plant, while the overall consolidation of chemicals and dyes used in the production processes is managed by the Laboratory Department.

To process product requests, we have a Purchase Policy in place that outlines the workflows for handling these requirements, as well as the certifications demanded by our clients. Currently, our chemical management has the REACH, Bluesign, OekoTex, and ZDHC MRSL certifications, which ensure that our raw materials and processes are free from hazardous substances.



On the other hand, we would like to specify that for chemical management, we also utilize the BHive platform, which enables us to track the monthly chemical inventory and assess its compliance with the ZDHC MRSL standard. In the event of non-compliant chemicals, we establish a plan to transition to alternative products that meet the requirements. (GRI 3-3) (NO GRI Chemicals products).

Management flow in the use of chemical products




Regulation on the use of chemical substances

As mentioned earlier, at TDV we have implemented a chemical management software (BHive), which allows us to validate the certifications of the chemical products used in dyeing, printing, and laundry processes in real-time. It is important to note that each certification has an assigned Restricted Substance List (RSL) depending on the client's certification requirements.

In the case of RSL testing, we carry out these tests during the pre-production and/or production stages, following each client's protocols. These tests cover textile materials, prints, and trims. For this purpose, we send samples to a third-party laboratory designated by the client, where standards such as Bluesign or AFIRM RSL (Apparel and Footwear International RSL Management) are applied.

For the verification of the finished product, we conduct testing methods standardized by American and European organizations such as AATCC (American Association of Textile Chemists and Colorists), ASTM (American Society for Testing and Materials), and ISO (International Organization for Standardization). This is done in order to measure the performance of the textile material and, thus, meet the requirements of each client.

We present the certifications that ensure that the use of chemical products at TDV complies with environmental standards:



GOTS (Global Organic Textile Standard)
It certifies that our yarns are organic and have a transaction certificate. Additionally, it ensures that the chemical inputs used in their production do not harm health or the environment



GRS (Global Recycle Standard)
It certifies that our yarns are recycled or partially recycled, and they have a transaction certificate. Additionally, by verifying the inputs to meet standards such as Bluesign and ZDHC, the manufacturing of sustainable products is guaranteed.





8.
Our people
first





“The TDV family is the driving force behind all of our work. We are constantly focused on providing them with tools that contribute to their personal well-being, that of their families, and the community”.

We strive to enhance the quality of life for all our stakeholders by engaging in valuable and equitable activities. Our triple impact approach recognizes our people as a fundamental pillar; it is precisely them who shoulder the responsibility and help build the business model we currently embody, which is acknowledged by the prestigious brands we collaborate with. Being a B Corporation means fostering harmonious relationships with our employees to ensure maximum productivity throughout our value chain. It also signifies that we share this purpose with our communities, seeking their well-being and development.

In 2022, in terms of social performance, we aimed to make progress towards achieving the goals of our commitments as a Benefit Corporation and Collective Interest (BIC) company, based on the following objectives:

- Promoting healthy living for citizens and communities in Peru.
- Increasing participation and activities related to gender equality, valuing women.
- Driving the development of the city of Chíncha for the benefit of its residents, in coordination with local authorities.

Social performance achievements



1 gender policy implemented



15 000 blankets donated to rural communities in Peru



55% of our workforce are women



0 fatal accidents



2 400 man-hours training



50 children benefited from the Music for the Planet Program



8.1

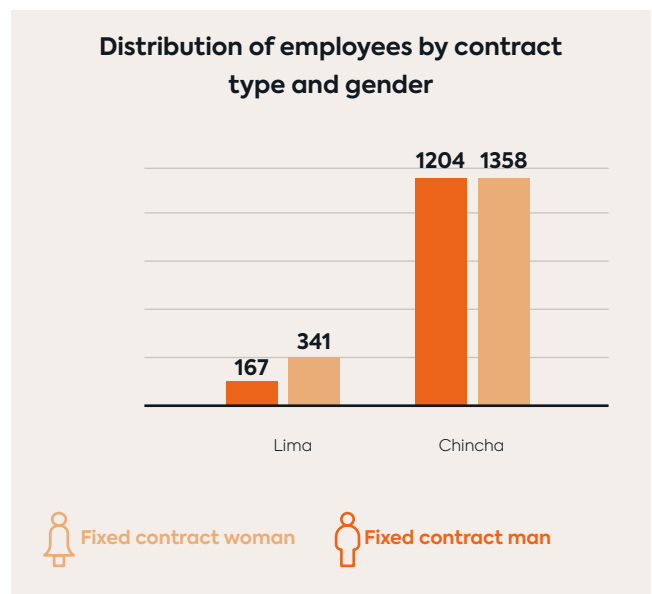
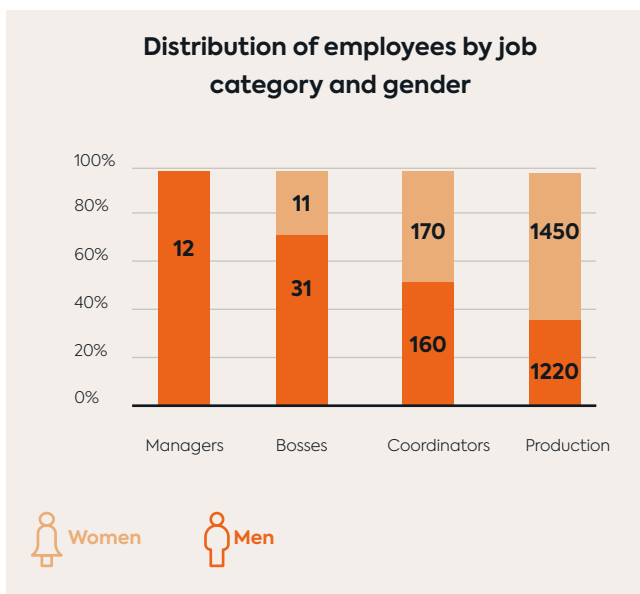
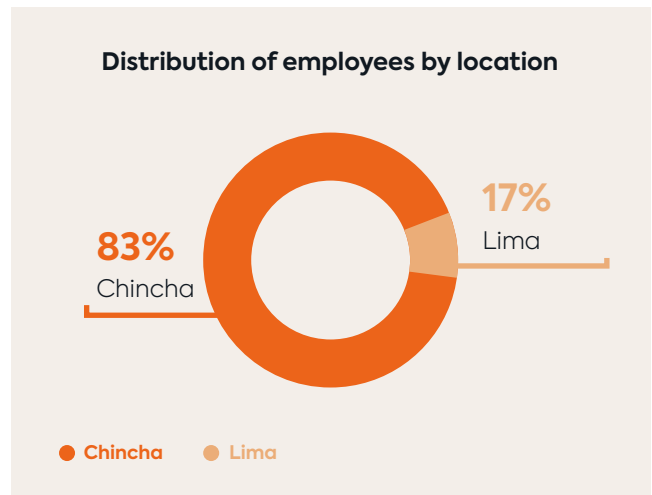
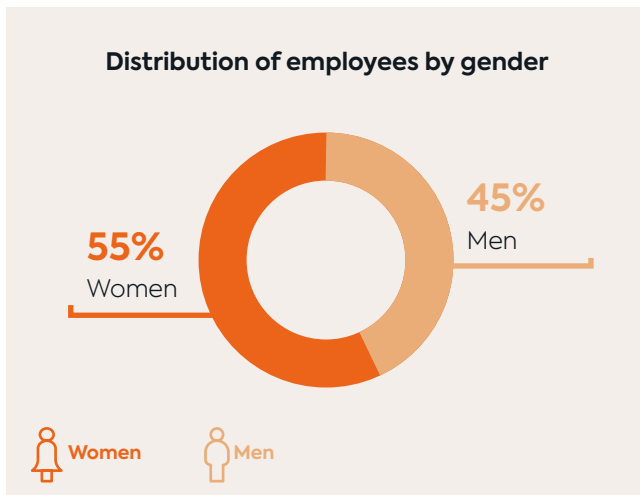
People Management

We contribute to the creation of formal direct and indirect employment opportunities and stimulate the economy in the country's textile sector. We are proud to be considered a world-class textile company by our clients due to our good social and environmental practices. We provide fair working conditions and benefits to all individuals working with us. Currently, over 7% of the Economically Active Population (EAP) in Chincha is formally employed in our company.

In 2022, our workforce consisted of 3,040 employees, with 55% being women and 45% men. In this way, we recognize and place women at the forefront as an important driving force for the growth of our industry and the Peruvian economy.

Additionally, we work with intermediary entities that provide us with various services for our two locations. In 2022, at our Chincha plant, we hired the services of three companies for the processes of food, security, and cleaning, employing 47 workers. Meanwhile, at our Lima plant, we outsourced the services of 17 subcontracted workers from the same mentioned processes. (GRI 2-7) (GRI 2-8)

We present the composition of our workforce:



Let's get to work: new hires and employee turnover



New hires

At TDV, we carry out personnel recruitment processes following the guidelines of our Recruitment and Selection Procedure. At all times, we seek individuals who are aligned with TDV's culture. In line with this, starting from 2022, we resumed promoting our job vacancies through the Ministry of Labor's Job Portal. We reaffirm our commitment to ensure that all candidates participate under the same conditions and have equal opportunities. (GRI 3-3) (GRI 401-1)

New hires of employees by age, gender, and place of origin.

Age of employees	LIMA				CHINCHA			
	Men		Women		Men		Women	
	Total number of new hires	Employment rate	Total number of new hires	Employment rate	Total number of new hires	Employment rate	Total number of new hires	Employment rate
Under 30	90	2%	130	3%	650	21%	700	11%
Between 30 to 50	60	2%	145	3%	350	11%	600	19%
Over 50	15	1%	15	1%	50	1%	70	2%

Staff turnover

In the textile sector, there is a high turnover of personnel, especially among operational workers. Due to their personal motivations, they choose to spend some time within the company and then migrate to other sectors or engage in entrepreneurship. Additionally, within the context of Chincha, there is a high demand for work in agricultural companies that hire seasonally. For this reason, we are working to implement strategies that allow for greater employee loyalty and retention. Furthermore, through our staff turnover reports, we have identified that during the months of July and December, there is a high turnover rate ranging from 5% to 6%.

Number and turnover rates of employees by age, gender, and place of origin

Age of employees	LIMA				CHINCHA			
	Men		Women		Men		Women	
	Total number of staff turnover	Turnover rate	Total number of staff turnover	Turnover rate	Total number of staff turnover	Turnover rate	Total number of staff turnover	Turnover rate
Under 30	80	11%	125	10%	700	13%	730	12%
Between 30 to 50	65	6%	135	6%	390	5%	500	6%
Over 50	15	4%	20	4%	60	3%	50	3%



Best practices and employment benefits

We value the effort and commitment that our employees put into their daily work with the company. For this reason, we have implemented a range of benefits that allow us to offer them a balance between their professional and personal lives. In doing so, we promote a performance culture based on flexibility, belonging, and trust in the company.

We highlight that our employees have labor benefits in accordance with the non-traditional export regime regulated by Law 22342. In 2022, our people management was focused on promoting COVID-19 vaccination doses to ensure safe operations. (GRI 401-2)

Legally mandated employment benefits available to our employees

-  Medical insurance with access to family coverage
-  Payment for overtime hours
-  Delivery of gifts and company products
-  Consumption vouchers and food services
-  Compensation for length of service (CTS)
-  Payment of bonuses in July and December
-  Payment of profits (share of profits)

Work benefits associated with maternity and paternity.

-  Maternity and paternity leave
-  Breastfeeding break for female employees
-  Family allowance for workers with 1 or more children under 18 years old
-  Christmas chocolate parties for the children of employees



Paternity and maternity leave

In compliance with the legal provisions of our country, all our employees are entitled to paternity and maternity leave benefits. The management of maternity leave for women is governed by Law 30367. As such, our female employees are granted the right to enjoy 49 days of prenatal rest and 49 days of postnatal rest. For men, we provide 10 days of leave in cases of natural childbirth. (GRI 401-3)

PARENTAL LEAVE	LIMA		CHINCHA	
	Men	Women	Men	Women
Employees who were entitled to parental leave.	7	8	67	65
Employees who exercised their right to parental leave.	6	8	67	65
Employees who returned to work after completing their parental leave.	7	5	67	58
Employees who returned to work after completing their parental leave and retained their employment beyond twelve months from their reintegration.	0	0	53	42
Return-to-work and employee retention rates for those who have taken parental leave.	0	0	0	0

Programs to enhance employability



Webinar: Soft Skill for Employability

In 2022, in alliance with the Center of Technical-Productive Education Alejandro Hernández Bonilla of Chincha, we dictated the “Soft Skills for Employability” webinar, aimed at young students of this technical house of studies. The presentation was led by Ali Paima, Head of Human Development at TDV, who provided valuable tools and recommendations for aspiring professionals to consider when entering the labor market. Paima concluded the session by informing the attendees about the job opportunities available at our company for local professionals.



Participation in MTPE Employability Fairs

As part of our labor supply, we actively participate in the employability fairs organized by the Ministry of Labour and Employment Promotion (MTPE, as its Spanish acronym), highlighting the job offers available within our organization across various areas of work.

8.2

Making the best of you: professional development and training

At TDV we are aware that our employees are the driving force behind our company success. For this reason, we seek to enhance their talent at all times, giving them the opportunity to make a career line in the company and grow with us. Our work approach develops productivity competencies in our collaborators through the generation of skills, attitudes, knowledge and business values, which will allow us to obtain optimal results.

As part of our training strategy, we have a Training and Development Procedure, which is aligned to our Annual Training Plan (PCA, as its Spanish acronym) where we propose the training topics we will work on with our teams. We carry out these activities focused on improving and developing technical competencies and soft skills in TDV's employees. By the end of 2022, we were able to meet more than 80% of the PCA, a milestone that encourages us to continue enhancing the skills of our employees.

In 2022, through our training offer, we were able to offer a 2,700-hour corporate training to our employees, surpassing the initial goal of 300 hours for the entire year.

Among the programs we offered, we highlight the training workshops for supervisors, where we had two internal promotions from this training. The first one was the "From seamstress to supervisor" workshop, and the second one "From instructor to supervisor", both aimed at the Lima Facility. After the completion of the proposed workshops, we obtained a better performance of the teams, for instance, our Cutting department improved its productivity after doing them.

The Leadership Workshop for middle management, which included five learning sessions, was one of the most important achievements of the year. We also raised awareness among our employees through experiential and face-to-face workshops on teamwork and recognition; the response was positive, so we scheduled more sessions. We closed the Training Plan by offering four modules on leadership and mindset development for our employees at the Cutting Plant (GRI 3-3) (GRI 404-1).



Training programs 2022

We implement specialized programs to develop competencies and enhance our employees' professional growth (GRI 404-2).



Training Center (CENFOR)

To ensure that our main workforce possesses the necessary knowledge and skills required by the textile sector, we have established the Training Center (CENFOR). This center offers our employees ongoing training opportunities in various work departments related to their roles.

TDV School of Auditors

Our School of Auditors takes responsibility for training the inspection personnel within the Quality Management department, enabling them to effectively inspect and audit our products. This training ensures that we meet the expectations and quality procedures set by our various clients with whom we maintain commercial relationships.

In 2022, we provided training to 30 employees, delivering a total of 140 hours of instruction over a period of 20 weeks.

Industrial Talent Program

We accelerate the growth of our future leaders. This program purpose is to provide the necessary tools to our young talents so they can renew and assume positions of supervisors and coordinators within the company, under an agile methodologies approach. As requirements, we ask for applicants to have at least one year of experience in the industrial sector and to demonstrate innovation competencies, rationality management and ambition for growth.

Performance management

We conduct performance evaluations of our employees to identify departments for improvement in their professional growth and leadership within TDV. Our Corporate Leadership Model defines the core competencies expected from leaders across the company. In 2022, the Planning Department developed an evaluation format aligned with the Objectives and Key Results (OKRs) framework. A total of 42 managers participated in this evaluation, achieving an impressive 93% participation rate. Furthermore, we have procured software to streamline the evaluation process, which will be implemented and operational starting in 2023.

Following the completion of the employee performance evaluations, we proceed with recognition and feedback workshops to provide our employees with opportunities to enhance their work performance. (GRI 404-3).



8.3

Occupational health & safety

At TDV, we are highly committed to our workers' health and well-being. For this reason, we guarantee a safe work environment throughout our value chain. We promote a culture of Occupational Health and Safety (OHS) based on the prevention and mitigation of occupational risks. Consequently, we align our internal policies with the OHS Law 29783' legal requirements and guidelines. Our approach aims to train and provide our employees with the necessary tools so they will be able to know how to act in case of occupational hazards and accidents. Likewise, we share OHS measures with our suppliers, which are based on the ISO 45001 international standard (GRI 3-3) (GRI 403-1) (GRI 403-8).

Objectives of our occupational health and safety plan in 2022

Objective	Level of compliance
Designing legal dossiers on security matters	100%
Complying with the Safety, Occupational Health and Environmental Corporate Program (SSOMA) >90%.	90%
Reducing the accident rate in relation to the previous 2021 period	90%

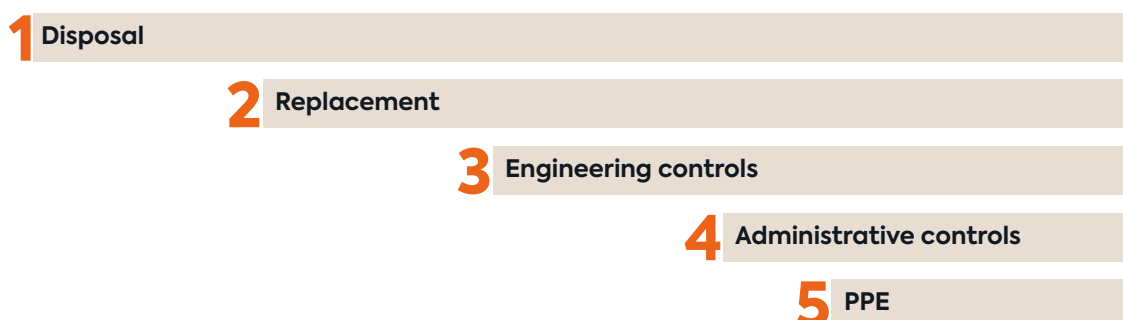
In terms of the Occupational Health and Safety System (OHS) coverage, it encompasses all our employees as well as contractors who provide specific services, including security and safety companies, as well as the concessionaire responsible for our food services.

Coverage of the Occupational Health and Safety Management System (403-8)

Employees covered by an Occupational Health and Safety management system				
	LIMA		CHINCHA	
	Number	Percentage	Number	Percentage
Employees	518	17%	2 592	83%
Contractors	13	21.6%	47	78.4%

Hazard identification, risk assessment and incident investigation

At TDV, we adhere to a procedure and utilize a Hazard Identification and Risk and Control Assessment (IPERC) matrix. Consequently, our primary occupational health and safety (OHS) control measures align with the risk control hierarchy outlined in ISO 45001. This standard strives to minimize, regulate, and eliminate occupational risks within the organization.





Likewise, our team of OHS professionals is accountable for conducting reviews of hazard identification and risk assessment, working in conjunction with the production departments. We meticulously examine the identification process and subsequently carry out a comprehensive evaluation to guarantee their widespread dissemination throughout the organization. (GRI 403-2).

Regarding the hazard notification process, at TDV we have an open-door policy, where any employee of the company can report any hazard, condition or unsafe act. Additionally, the operational departments hold operational meetings where they channel the deviations they may find with their direct leader, not only about quality processes but also in general safety and environmental matters.

In 2022, as part of our Occupational Health and Safety (OHS) activities, we implemented the Inspection Program at TDV. The purpose of this program is to ensure regular inspections and reports on unsafe conditions that may arise during workers' shifts. We also carry out the TDV Observation Report subprogram, which conducts weekly inspections of unsafe conditions and actions, notifying the SSOMA (Safety, Occupational Health & Environment) staff. These activities contribute to our culture of risk and incident prevention in OHS.

For the aforementioned reasons, the SSOMA department maintains an internal email where employees can report hazards for prompt implementation of corrective measures. Additionally, they can utilize the Ethics Hotline channel to report any concerns. Our utmost priority is to ensure a safe environment where workers feel secure.

To assess and investigate occupational accidents and incidents, we have an investigation procedure that outlines the process flow. Based on the findings, corrective actions are proposed with the involvement of the respective process departments.

Furthermore, our suppliers and contractors working with us are fully informed about our comprehensive health and safety measures and protocols implemented across the company. (GRI 403-2) (GRI 403-7).

8.4

OHS Committee

To enhance the effectiveness of our Occupational Health and Safety (OHS) system, we promote our employees' participation and consultation. This entails having a dedicated team responsible for providing guidance and monitoring compliance with OHS regulations, plans, and programs to ensure a conducive work environment. In 2022, we established a Central OHS Committee along with two subcommittees for our Lima and Surco offices. These committees feature equal participation from their respective members.

We present the OHS Committee's responsibilities and functions:

-  Reviewing and approving OHS plans and programs.
-  Reviewing and approving the Internal Occupational Health and Safety Regulations.
-  Participating in occupational accident investigations.
-  Participating in the Inspection Program.
-  Promoting a culture of prevention in the organization, in order to contribute to the objective of reducing the accident rate.

The Central Committee and the two subcommittees of Lima and Surco of our OHS committees convene on a monthly basis to discuss and review the agreements, commitments, and consensus reached on OSH matters throughout the month. These meetings are an integral component of our Health and Safety Program. (GRI 403-4).

OHS Training

As per our Training Program, our employees undergo OHS training activities to foster a culture of accident prevention, incident mitigation, and overall occupational hazard awareness within our organization.

In 2022, as part of this program's initiatives, we conducted a meeting with leaders from various production departments to gather insights into their needs, requirements, and suggestions regarding OHS topics. We implemented these actions to effectively minimize risks and reduce the occurrence of accidents throughout the organization.

In total, we conducted 13 training sessions focused on occupational health and safety. Five of these sessions were directed to all TDV employees, three were specifically tailored for the OHS Committee, and the remaining sessions were dedicated to the TDV Emergency Brigades. We are pleased to report that we successfully achieved the objectives set forth in our Training Program.

Additionally, we supplemented these training activities with two overarching campaigns. The first campaign took place in observance of the International Day for Safety and Health at Work, while the second campaign, known as the “Decalogue of Safety,” aimed to reinforce our employees’ understanding and awareness of OHS practices. (GRI 403-5)

Safety Decalogue Campaign

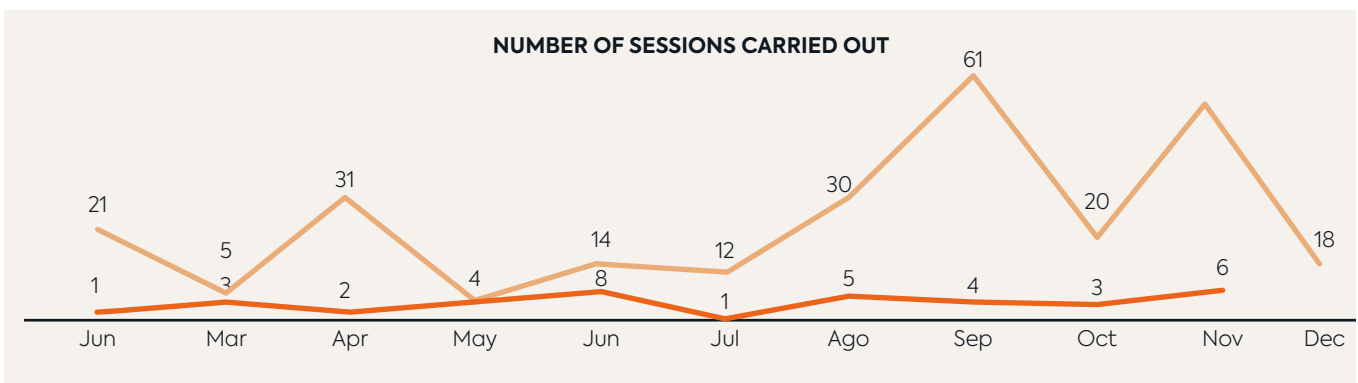
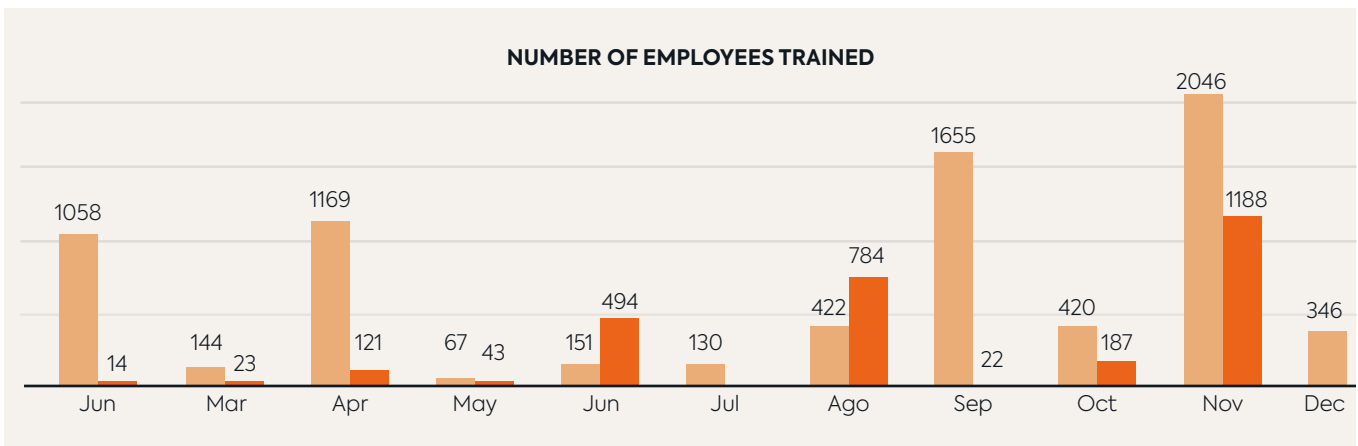
In this activity, we reinforced our employees’ knowledge of ten occupational safety guidelines, which are presented below:

- Your safety depends on you.
- Assess the risks in your work environment.
- Comply with work standards.
- Always use your PPE (Personal Protective Equipment).
- Keep your workplace tidy and clean.
- Use tools in good condition and correctly.
- Operate machines and equipment with authorization.
- Respect safety devices.
- Intervene equipment and machines without power.
- Report safe acts and conditions.



Additionally, we permanently send the SSOMA bulletin through the company’s internal channels, in order to encourage our employees to know how to act in case of occupational hazards and risks.

TDV Training indicators 2022



● Chincha ● Lima

8.5

Occupational health at TDV

At TDV, we prioritize the promotion of a healthy and safe environment for our employees. Consequently, we consistently identify and assess any potential risks that may jeopardize their well-being. To effectively manage occupational health, we offer guidance on safety, hygiene, ergonomics, and other relevant departments.

To ensure comprehensive support, we have a team of healthcare professionals, including occupational physicians and nurses, who are dedicated to assisting with accidents, incidents, surveillance, first aid, medical monitoring, and the ongoing monitoring of our employees' health.

Our occupational health program encompasses preventive measures and training initiatives for our staff. In 2022, we implemented the following actions:



COVID-19 prevention campaigns.



Handwashing campaigns.



Campaigns to reactivate the importance of active breaks in the workplace



Promotion of COVID 19 vaccination campaigns, so that workers complete their doses.



Vaccination campaigns against diseases such as hepatitis, tetanus and influenza.

Moreover, we have introduced Preventive Health and Healthy Lifestyle programs at TDV. These programs encompass a range of initiatives, including incorporating active breaks to reduce stress and alleviate joint tension. Additionally, we have introduced healthy food choices in our canteens to mitigate risks associated with diabetes.

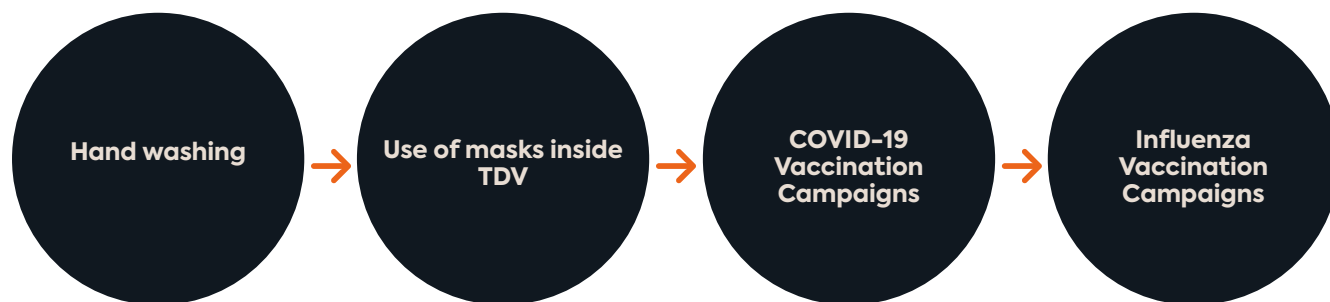
At TDV, we prioritize the confidentiality and strict handling of healthcare information by specialized medical personnel (GRI 403-3) (GRI 403-6).

We care about you: COVID-19 prevention strategy and vaccination.

Since the beginning of the COVID-19 pandemic, we swiftly implemented several strategies to mitigate fatalities. Simultaneously, we put in place various plans and measures to minimize the risk of contagion and maintain our operations. In 2022, our EHS (Environment, Health and Safety) department in alignment with our Occupational Health Program, will continue to reinforce preventive measures aimed at reducing COVID-19-related risks. Our primary strategic focus remains on promoting the completion of the recommended vaccination doses against the disease.



Actions deployed by TDV to reduce the risk of COVID-19 infection



COVID-19 Vaccination Campaigns

To ensure a safe working environment, TDV, in collaboration with the Ministry of Health, conducted the “Let’s continue protecting ourselves” campaign. The campaign aimed to promote the administration of the third and fourth doses of COVID-19 vaccines among our employees and contractors.

In response to an increase in infection cases, we intensified our efforts during November and December. By the end of the year, we observed a rise in mild COVID-19 cases. However, we would like to acknowledge the swift response of our EHS (Environment, Health and Safety) team and the implementation of our Occupational Health Plan, which effectively prevented and minimized the risk of contagion.

As an additional incentive for reinforcing COVID-19 vaccines, we conducted a raffle of consumption vouchers for free lunches. By the end of 2022, we successfully achieved our campaign objective of ensuring that 100% of the TDV population received the three doses required by the Ministry of Health (MINSA).

These milestones were only possible due to the dedicated efforts of our employees. Moving forward into 2023, we plan to update our COVID-19 Plan to align with any new changes introduced by health regulatory bodies.





Work-related injuries

In our operations within the textile sector, particularly in activities such as knitting, tailoring, dyeing, fiber finishing, and others, there are inherent risks that could lead to accidents and injuries. Among the most common hazards that individuals are exposed to are the handling of sharp objects, stocks, and the use of chemical products. To mitigate these risks, TDV has implemented a robust Health and Safety System that effectively controls and minimizes occupational health and safety (OHS) risks.

Our OHS system maintains a comprehensive record of occupational accidents and incidents, enabling us to identify trends and make assumptions for reducing accident rates within the company, by collecting and analyzing information. Additionally, we conduct regular internal inspections to assess the effectiveness of our OSH system. The information

gathered during these inspections is documented and evaluated independently to ensure compliance with inspection criteria and to implement necessary preventive and corrective measures.

Furthermore, we conduct monthly internal audits facilitated by a designated team from the Human Development and Corporate Social Responsibility (CSR) department. This team utilizes a checklist to inspect and verify compliance with essential aspects such as unobstructed exits and corridors, proper usage of personal protective equipment (PPE), availability and proper utilization of firefighting equipment, and adequate first aid supplies, among others. They also ensure that emergency lighting and evacuation route signage are in place (GRI 403-9).

Work-related injuries to TDV employees

Employees	Unit of measure	LIMA		CHINCHA	
		2021	2022	2021	2022
Number of hours worked	HH	927 696	1 121 480	5 735 776	5 862 456
Number of fatalities resulting from a work-related injury accident	UND	0	0	0	0
Number of injuries from work-related accidents with significant consequences (excluding fatalities)	UND	01	12	24	30
Number of recordable injuries from work-related accidents	UND	01	12	24	30
Rate of fatalities resulting from work-related injury accidents	UND	0	0	0	0
Rate of injuries from work-related accidents with significant consequences (excluding fatalities)	UND	01	12	24	30
Rate of recordable injuries from work-related accidents	UND	0.21	2.14	0.83	1.02

Inclusion, diversity and equality

We recognize that being a B Corporation entails adopting a business model that not only focuses on economic profitability but also fosters an inclusive, equitable, and regenerative development for all individuals working within our organization.

In 2022, our dedication to diversity and gender equality led us to establish a Diversity and Inclusion Policy. Through this policy, we affirm our commitment to creating and cultivating a TDV that provides safe environments and equal opportunities. We embrace the

value of diverse perspectives and inclusion, enabling us to engage empathetically with our employees, clients, and communities (GRI 3-3) (405-1).

Aligned with our commitment to equality, diversity, and inclusion, we present the following four pillars that form the foundation of TDV's cultural values and business philosophy on this matter:





Talent and development

- Encouraging diversity at all levels of recruitment.
- Promoting gender parity by encouraging women's participation in leadership roles.
- Ensuring compensation policies based on merit and individuals' abilities.



Awareness and learning

- Implementing training programs that foster women's professional growth and empowerment.
- Promoting a culture of respect for employees who identify as part of the LGBTQ+ community and individuals with disabilities.
- Raising awareness among male employees to become allies in combating sexism and gender discrimination.



Safety

- Providing ongoing training on the proper utilization of the Ethics Hotline.
- Taking firm disciplinary action against instances of discrimination, harassment, and mistreatment.
- Closing the infrastructure gap.



Communication

- Maintaining non-sexist or discriminatory communication by utilizing neutral and inclusive language in publications.

Management achievements in 2022



56 Women supervisors trained in leadership.



12 People with disabilities hired by TDV and Teamwork workshop.



57 Women took part in the Communication, Recognition and Teamwork workshop.



92% of our employees have received training on sexual harassment, workplace harassment and discrimination.

Women's Mentoring Program

The objective of the Women's Mentoring Program is training the future generation of women leaders. To achieve this, the team of women, ranging from assistants to analysts, specialists, and process engineers, will receive guidance, mentoring, and coaching from our group of female managers and coordinators. This program will provide them with training in both soft and management skills, in addition to the technical skills required for their roles. By implementing this program, we aim to make a lasting impact and contribute to closing the gender gap in business leadership positions.



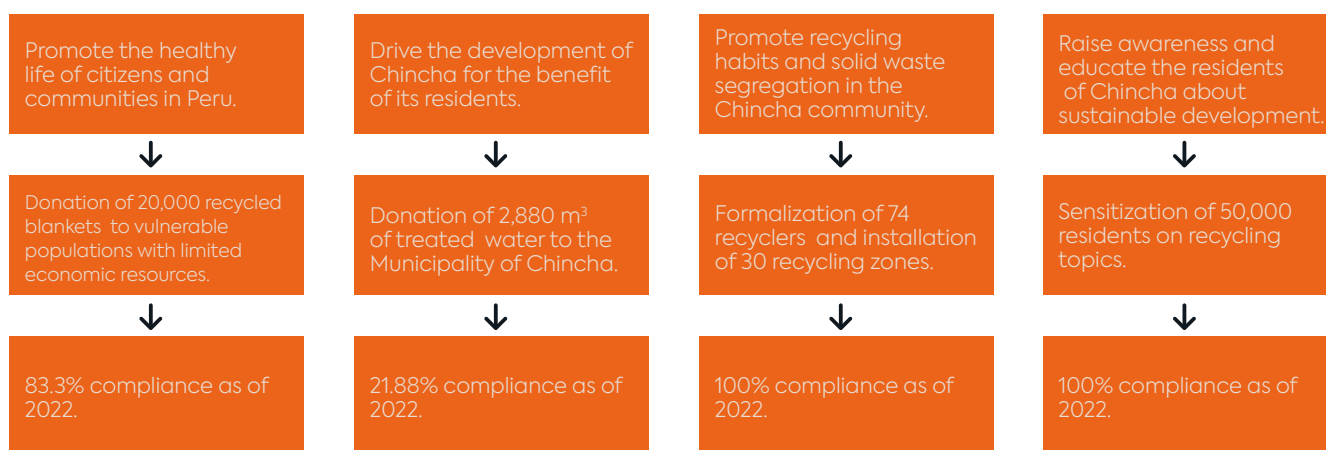
8.6

Contribution to the development of Peruvian communities

At TDV, we recognize the significant role that companies play in the development of Peru, as providers of formal employment and contributors to the well-being of our communities. Understanding the business logic of being profitable with our activities, we also contribute with positive social impacts that extend beyond our immediate sphere of influence.

Our community relations management is governed by the guidelines of the Human Rights & CSR Policy. In accordance with this policy, we foster strong relationships with our community, and address complaints and grievance mechanisms if any.

In 2021, as a certified Benefit Corporation, we made commitments to contribute towards closing gaps in the country and promoting sustainable development. Below, we present our objectives linked to our purpose of social benefit to 2025:



As part of our overarching goal to foster the development of the Chincha community for the betterment of its residents, we incorporated specific objectives in 2022 to promote recycling, solid waste segregation, and raise awareness about sustainable development. To accomplish these goals, we formed a partnership with the Lacoste Foundation, which provided financial support and resources for implementing the planned activities.

To ensure the effectiveness of the project outlined above, we rely on our Sustainability Committee, which is responsible for measuring and monitoring the performance indicators. The committee provides regular progress reports, typically on a monthly basis, or in some cases, every two months. (GRI 3-3) (GRI 203-1) (GRI 413-1) (NO GRI Healthy life of Peruvian citizens and communities)

Notable achievements in 2022

In May 2022, we initiated the process of donating recycled water to the Municipality of Chincha Baja. So far, we have successfully donated 630 m³ out of a total of 2,880 m³. We are committed to fulfilling the remaining goal by 2023.

Thanks to the contributions of our client Lacoste, we implemented the “Chincha Recycles” program, which aims to promote a culture of recycling within our community of direct influence





8.7

Partnerships and contributions to community development

We carry out projects with our communities of direct influence, as well as with vulnerable communities in Peru. These initiatives are part of our sustainability strategy for the People pillar, and by doing so, we help bridge gaps for our employees, families, and communities.

The initiatives we undertake for the People pillar are implemented based on two areas of intervention. The first area focuses on implementing actions to improve the health of our employees and enhance the well-being of our stakeholders. The second area focuses on promoting actions that contribute to the social and environmental development of the communities surrounding our operations.

Health and Wellness projects

The projects we carried out under the Health and Wellness axis have direct benefits for our employees and their families. We would like to emphasize that the actions implemented in 2022 received support and funding from our client, Lululemon, through their Here To Be program, which enabled the implementation of the proposed activities. We would like to present the programs included in the Health and Wellness axis: (NO GRI Healthy life of Peruvian citizens and communities).





TDV Contigo [With you] (Here to Be)

The program was designed to offer psychological support to all employees through 45-minute sessions. These sessions focused on addressing socioemotional issues such as self-esteem, resilience, assertiveness, and coping with family losses.

The provision of psychological assistance became crucial as we recognized the emotional impact experienced by employees in the aftermath of the COVID-19 pandemic.



Lulu-Chakra (Here to Be)

We introduced the Lulu-Chakra program in 2019 with the valuable support and funding from Lululemon. The objective of Lulu-Chakra is to cultivate and harvest organic vegetables within our Chincha facility, where we have dedicated two hectares of land for this purpose. Following the program's positive reception, we have taken on its financing going forward. Our employees participate in planting a variety of vegetables, including radish, beet, spinach, melon, watermelon, corn, cucumber, carrot, parsley, cilantro, and more.

Once the vegetables are ready for harvest, we distribute them to the canteen concessionaire's staff for their consumption. Additionally, we encourage our employees to bring home the produce for their personal use. In 2022, we will focus on cultivating radish and beet exclusively.



Music for the Planet

We initiated this program with the intention of providing an opportunity for our employees' children to learn to play musical instruments, such as the violin. Witnessing the positive impact it had, we decided to expand the program to include the children of the Chincha community. Notably, the prototype used for the classes was crafted from recycled materials and designed by Professor Jesús Peralta Chunga. Furthermore, the class curriculum was developed with a focus on highlighting the significance of environmental conservation.

Throughout 2022, we were able to extend the benefits of this program to over 50 children.





Socio-environmental development projects

We undertake these projects with the objective of preventing and addressing socio-environmental issues. Our environmental initiatives incorporate a social component, as we strive to promote sustainable development and bridge gaps through social actions within our direct and indirect communities of influence. (NO GRI Healthy life of the citizens and communities of Peru).



Donation of water to the Municipality of Chincha Baja

In 2022, we successfully initiated the operations of this project in collaboration with the Municipality of Chincha Baja. In May, we commenced the donation of treated water from our Wastewater Treatment Plant (WWTP). To ensure the delivery was official, we arranged for a tanker truck through the company's efforts. We continued these actions in the subsequent months, and starting from September, the municipality took charge of using their own tanker truck for water collection.

We managed to donate a total of 630 m3 towards our goal of 2,880 m3. The remaining 2,250 m3 will be delivered by mid-2023. As a result of the change in municipal authorities, we will be organizing meetings to ensure the continuation of our agreement. The clean and treated water donated was utilized for irrigation purposes in parks and gardens, as well as for various cleaning needs within the municipality.



Chincha Recycles

In a joint action with the Lacoste Foundation, and as part of its Livelihood program, in 2022 we launched the Chincha Recycles Project, where we promote the culture of recycling with our community of direct influence. The actions of the program consisted of:

- Raising awareness of 71,290 Chincha residents on the proposed topic.
- Installation of 30 recycling stations in the surroundings of Chincha so the neighbors can segregate these materials.
- Source segregation program for waste collection from households in Chincha. In total we managed to collect 14.5 tons of waste between stations and collection of the municipal program.

The collected materials were delivered to five recognized waste picker associations in the city. Furthermore, we facilitated the formalization of 74 individuals, enabling them to become members of these associations.

Lastly, we would like to emphasize that this program received technical support from the NGO Recicla Latam, who assisted us in the design and implementation of the project.



Abrigate Perú

This project involves transforming the textile waste we generate as part of our operations in the cutting and sewing department. Subsequently, we manufacture blankets using these materials in partnership with our supplier Tejidos Celeste, which we donate to Andean communities in Peru to protect them from the cold weather. As a Benefit Corporation, we carry out these actions as part of our social mission.

In 2022, we delivered 15,000 blankets to Andean communities in the interior of Peru, surpassing the goal from the previous year. So far, we have benefited over 11,479 individuals in various regions of the country. This kind of contribution helps us safeguard the lives and well-being of our vulnerable communities.

We collaborate closely with the NGO Juguete Pendiente on this project, which handles the delivery and distribution of the blankets through its network of beneficiaries. As TDV, we provide support throughout the entire process to ensure a broader reach among the recipients.





9. About this Report





9.1

About this Report

We present our second Sustainability Report for the fiscal year 2022, which covers the period from January 1 to December 31. The scope of this report is limited to TDV's operations in Peru.

Within this report, we aim to communicate our performance and progress in the management of Environmental, Social and Governance (ESG) impacts to our shareholders and other stakeholders. To measure and manage our impacts, we have focused on our facility in Chincha and Lima, respectively.

This management document has been prepared in accordance with the standards of the Global Reporting Initiative (GRI), using the latest version of the Universal Standards 2021. We additionally include the reference frameworks of the United Nations Sustainable Development Goals (SDGs), Global Compact and B Lab standards

Please note that the information provided in this report has not undergone restatement or external verification processes by an independent auditor. (GRI 2-2) (GRI 2-3) (GRI 2-4) (GRI 2-5)





10. Table of GRI Contents



Statement of use	Textil del Valle S.A. has reported in accordance with GRI standards for the period January 01, 2021 to December 31, 2021.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-1 Organizational details	10	-			
	2-2 Entities included in the organization’s sustainability reporting	86				
	2-3 Reporting period, frequency and contact point	86				
	2-4 Restatements of information	86				
	2-5 External assurance	86				
	2-6 Activities, value chain and other business relationships	86				
	2-7 Employees	12				
	2-8 Workers who are not employees	67				
	2-9 Governance structure and composition	67				
	2-10 Nomination and selection of the highest governance body	27				
	2-11 Chair of the highest governance body	28				
	2-12 Role of the highest governance body in overseeing the management of impacts	28				
	2-13 Delegation of responsibility for managing impacts	29				
	2-14 Role of the highest governance body in sustainability reporting	29				
	2-15 Conflicts of interest	29				
	2-16 Communication of critical concerns	28				
	2-17 Collective knowledge of the highest governance body	32				
	2-18 Evaluation of the performance of the highest governance body	27				
	2-19 Remuneration policies	28				
	2-20 Process to determine remuneration	30				
	2-21 Annual total compensation ratio	30			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.



GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
	2-22 Statement on sustainable development strategy	6				
	2-23 Policy commitments	35				
	2-24 Embedding policy commitments	35				
	2-25 Processes to remediate negative impacts	46				
	2-26 Mechanisms for seeking advice and raising concerns	31				
	2-27 Compliance with laws and regulations	52				
	2-28 Membership associations	44				
	2-29 Approach to stakeholder engagement	41				
	2-30 Collective bargaining agreements	36				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	42				
	3-2 List of material topics	42				
Profitability and shared value creation						
GRI 3: Material topics 2021	3-3 Management of material topics	49				
GRI 201: Economic Performance 2016	3-3 Management of material topics	50	8.9			
GRI 203: Indirect Economic Impacts 2016	201-1 Direct economic value generated and distributed	81				
Corporate governance, ethics, and good business practices						
GRI 3: Material topics 2021	3-3 Management of material topics	27				
This material topic has no specific associated GRI Standard	NO GRI Corporate governance	27				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	33	16			
	205-2 Communication and training about anti-corruption policies and procedures	34	16			
	205-3 Confirmed incidents of corruption and actions taken	33	16			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices					Regarding unfair competition issues, we maintain that we do not have procedures or guidelines, since our competition is not local but foreign.



GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
Responsible supply chain sourcing						
GRI 3: Material topics 2021	3-3 Management of material topics	16				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	16	8			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	17	-			
	308-2 Negative environmental impacts in the supply chain and actions taken	17	-			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	17	5, 8, 16			
	414-2 Negative social impacts in the supply chain and actions taken	17	5, 8, 16			
Risk management and crisis handling						
GRI 3: Material topics 2021	3-3 Management of material topics	46				
This material topic has no specific associated GRI Standard	NO GRI Risk management and crisis handling	46				
Operational efficiency						
GRI 3: Material topics 2021	3-3 Management of material topics	18				
This material topic has no specific associated GRI Standard	NO GRI Operational efficiency	18				
Climate change strategy and mitigation						
GRI 3: Material topics 2021	3-3 Management of material topics	53				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	53	7, 8, 12, 13			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	55	3, 12, 13, 14, 15			
	305-2 Energy indirect (Scope 2) GHG emissions	55	3, 12, 13, 14, 15			
	305-3 Other indirect (Scope 3) GHG emissions	55	3, 12, 13, 14, 15			



GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
Water management eco-efficiency						
GRI 3: Material topics 2021	3-3 Management of material topics	57				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	57	6, 12			
	303-2 Management of water discharge-related impacts	60	6, 12			
	303-3 Water withdrawal	57	6			
	303-4 Water discharge	60	6			
	303-5 Water consumption	58	6			
Waste and chemical management						
GRI 3: Material topics 2021	3-3 Management of material topics	64				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	62	3, 6, 11, 12			
	306-2 Management of significant waste-related impacts	62	3, 6, 8, 11, 12			
	306-3 Waste generated	62	3, 6, 11, 12, 15			
This material topic has no specific associated GRI Standard	NO GRI Chemical products	64				
Product innovation and circular economy						
GRI 3: Material topics 2021	3-3 Management of material topics	19				
This material topic has no specific associated GRI Standard	NO GRI Product innovation	19				
This material topic has no specific associated GRI Standard	NO GRI Circular economy	22				
Occupational health and safety						
GRI 3: Material topics 2021	3-3 Management of material topics	73				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	73	8			



GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
	403-2 Hazard identification, risk assessment, and incident investigation	77	3, 8			
	403-3 Occupational health services	75	8, 16			
	403-4 Worker participation, consultation, and communication on occupational health and safety	76	8			
	403-5 Worker training on occupational health and safety	77	6			
	403-6 Promotion of worker health	74	8			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	74	8			
	403-8 Workers covered by an occupational health and safety management system	79	3, 8, 16			
Job creation, employee well-being, and human capital development						
GRI 3: Material topics 2021	3-3 Management of material topics	68				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	68	5, 8, 10			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	70	5, 8			
	401-3 Parental leave	71	4, 5, 8, 10			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	72	8			
	404-2 Programs for upgrading employee skills and transition assistance programs	72	5, 8, 10			
	404-3 Percentage of employees receiving regular performance and career development reviews					
Diversity, equity and inclusion and fair treatment						
GRI 3: Material topics 2021	3-3 Management of material topics	79				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	79				
	405-2 Ratio of basic salary and remuneration of women to men	-			Information not available / incomplete	



GRI Standard	Content	Page	SDG	Omission		
				Requirement omitted	Reason	Explanation
Human rights						
GRI 3: Material topics 2021	3-3 Management of material topics	36				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	31 - 32	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			
Good community relations						
GRI 3: Material topics 2021	3-3 Management of material topics	81				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	81				
This material topic has no specific associated GRI Standard	NO GRI Healthy life of Peruvian citizens and communities	81, 82, 84				



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(GRI 2-1) (GRI 2-3)

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