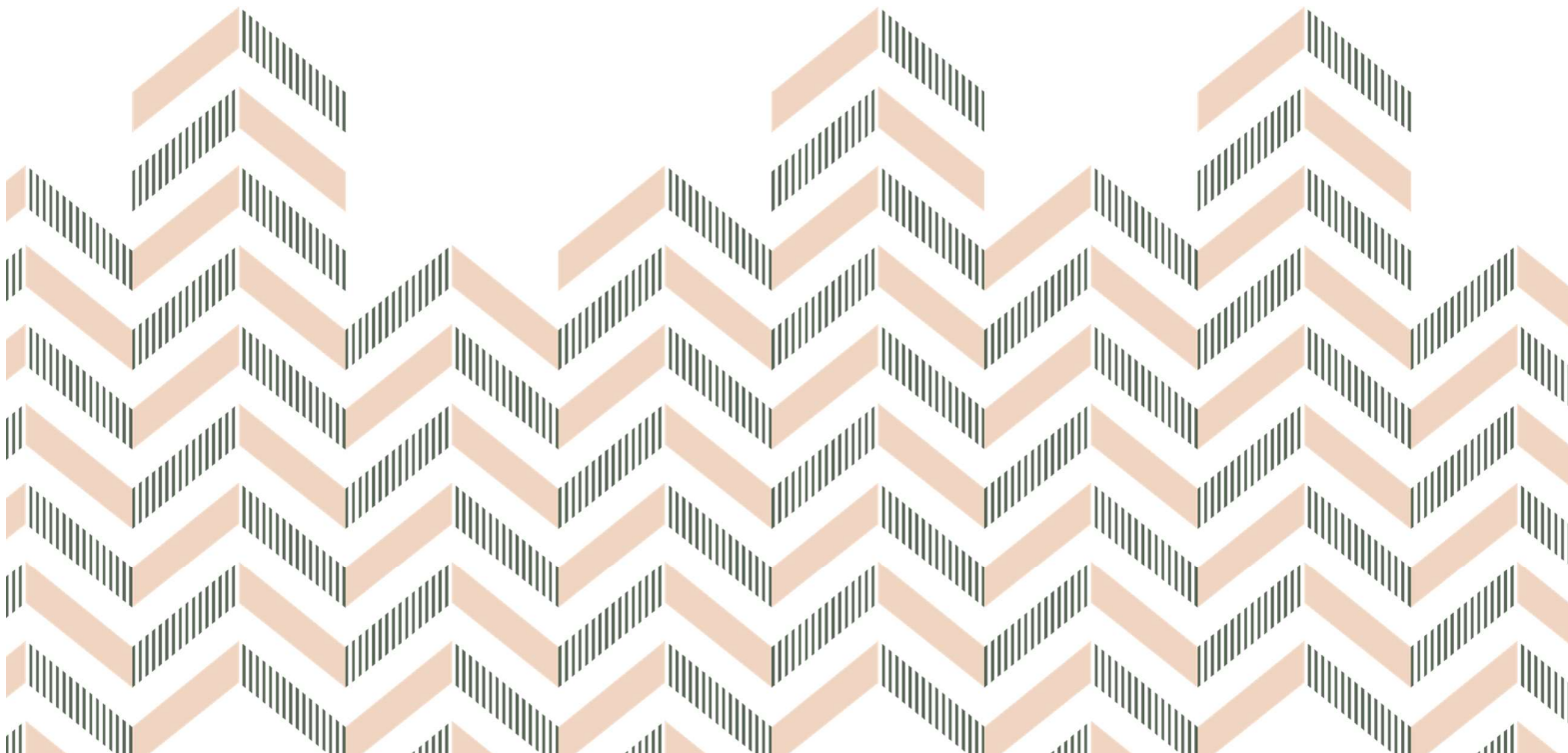


N E X T I L  
G R O U P

# Environmental Policy



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## I. Object

### *Commitment.*

#### *Reinventing the fashion industry through innovation and sustainability.*

NEXTIL GROUP bases its value creation strategy on a sustainable business model with the purpose of contributing to drive positive change in the textile and fashion industry.

The Group is committed to respect and protect the environment, minimizing its environmental impact and helping to reduce the speed of climate change and the depletion of natural resources. Furthermore, we guarantee compliance with all international legal and regulatory requirements in place, and those of the countries in which we operate.

Our Environmental Policy (the "Policy") is based on the principles set out in the Paris Climate Agreement and the Rio Declaration on Environment and Development. We also declare our strict adherence to the principles of the United Nations Global Compact, the G7 Fashion Pact and the United Nations Fashion Industry Charter for Climate Action. We additionally assume our responsibility to actively contribute to the UN Sustainable Development Goals.

## II. Objective

The objective of the Policy is to reduce impacts, improve environmental performance and efficiency by providing a framework for incorporating environmental considerations into day-to-day operations, long-term planning and the Group's strategy.

The Environmental Policy facilitates the communication of the environmental values, practices and commitments embraced by NEXTIL GROUP to all our stakeholders,

## III. Scope of application

This Policy includes NEXTIL GROUP's commitments related to energy and carbon footprint, atmospheric emissions, chemicals, water, wastewater discharge and treatment, waste, responsible sourcing of raw materials, animal welfare, biodiversity and packaging.

This Policy is mandatory for all employees and business partners of all NEXTIL GROUP's companies.

## IV. Responsibilities

The ESG Committee, appointed by the Steering Committee, supervises the Environmental Policy, evaluates proposals on environmental policy and performance, and supervises, controls, and evaluates the effectiveness of internal management and control systems to address environmental risks generated by NEXTIL GROUP's operations.

NEXTIL GROUP Management Teams are responsible for ensuring the effective compliance and application of the Policy, in addition to guaranteeing the availability of the necessary resources for its compliance.

The Sustainability Team oversees day-to-day management, distribution, communication and training of the commitments made in the Policy, in coordination with relevant internal and external stakeholders, and additionally, monitors the performance of the effective implementation of these commitments, as well as the environmental objectives and metrics.

All employees and business partners shall comply with the provisions of the Policy.

## V. Definitions

**Water Balance:** Compares the total water supplied to the plant, the actual water consumed within all end uses of water in the plant and the total water leaving the plant.



**CPSIA:** US Consumer Product Safety Improvement Act for textiles and other consumer products, which restricts the presence of hazardous substances in products imported or manufactured in the US, especially those intended for children, which must be certified based on test results from accredited third-party testing laboratories.

**California Proposition 65:** US legal framework that protects drinking water sources in the state of California from contamination with chemicals known to cause cancer, birth defects, or reproductive toxicity.

**ESG:** Environmental, Social and Governance: A framework of metrics for measuring sustainability performance, based on three pillars: environmental, social and governance, applicable to companies and financial instruments.

**Greenhouse effect:** infrared radiative effect of all components of the atmosphere that absorb in the infrared spectrum. Greenhouse gases and clouds and, to a lesser extent, aerosols absorb terrestrial radiation emitted by the Earth's surface and by any point in the atmosphere. These substances emit infrared radiation in all directions, but under the same circumstances, the net amount of energy emitted to space is generally less than it would have been in the absence of those absorbers due to the decrease in temperature with altitude at the troposphere and the consequent weakening of the emission. A higher concentration of greenhouse gases increases the magnitude of this effect, and the difference is generally called the enhanced greenhouse effect.<sup>1</sup>

**Five Domains:** It is a model of animal welfare, built on the five principles, following the most recent advances in scientific research on the subject. They have a greater focus on positive outcomes for animal welfare, rather than simply avoiding negative ones. They are: Nutrition, Environment, Health, Behaviour and Mental state.

**Five Freedoms:** It describes five aspects of animal welfare, under human control. They are framework for animal care followed worldwide, based on the (British) Animal Welfare Act, which establishes that all living beings deserve the right to humane treatment. They are: Absence of hunger and thirst, Absence of discomfort, Absence of pain, injury or disease, Freedom to express normal behaviour and Absence of fear and anguish.

**GdO:** Guarantees of Origin for renewable energy are an instrument that certifies that a certain amount of electricity has been produced by renewable energy sources such as wind, solar, geothermal, etc.

**GHG:** Greenhouse gases are a gaseous component of the atmosphere, natural or anthropogenic, that absorb and emit radiation at certain wavelengths of the spectrum of terrestrial radiation emitted by the Earth's surface, by the atmosphere itself and by clouds. This property causes the greenhouse effect. Water vapour (H<sub>2</sub>O), carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>) and ozone (O<sub>3</sub>) are the primary greenhouse gases in the earth's atmosphere. In addition, the atmosphere contains several entirely anthropogenic greenhouse gases, such as halocarbons or other substances containing chlorine and bromine, which are covered by the Montreal Protocol. In addition to CO<sub>2</sub>, N<sub>2</sub>O and CH<sub>4</sub>, the Kyoto Protocol covers the greenhouse gases sulphur hexafluoride (SF<sub>6</sub>), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).<sup>2</sup>

**Stakeholders:** are those groups that affect and / or could be affected by the activities, products, or services of an organization and by its associated revenue: customers, employees, shareholders and investors, subcontractors, suppliers, international industry standards bodies, regulatory bodies /local entities, financial entities, civil society, business and sector associations.

**More sustainable raw materials:** evolutionary definition determined according to the best scientific evidence and consensus of the textile industry sector. Those raw materials certified by standards of input requirements, chain of custody, traceability, fair trade, best environmental and social practices, and that do not come from high-risk countries don't cause ecosystem degradation, nor are associated with deforestation and that are also recognized and accepted by the Group's customers and by the sector in general.

**MRS�:** Manufacturing Restricted Substances List that provides acceptable limits for restricted substances in chemical formulations used in the manufacture of conforming materials.

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<sup>1</sup> IPCC, 2013: Annex III: Glossary [Planton, S. (ed.)]. In: Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Stocker, T.F., D. Qin, G.-K. Plattner, M. Tignor, S.K. Allen, J. Boschung, A. Nauels, Y. Xia, V. Bex and P.M. Midgley (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.

<sup>2</sup> Ibidem.



**NEXTIL GROUP:**(also "the Group" or the "Company": NUEVA EXPRESIÓN TEXTIL, SA (Nextil, SA) is the holding company, which operates through a group of subsidiaries in which it owns, directly or indirectly, a percentage of share capital or voting rights.

**OEKO-TEX®:** organization that sets sustainable textile production standards.

**Business Partners:** refers to any direct and indirect supplier of NEXTIL GROUP, among others, company, business, society, person or any other entity, which supplies raw materials, goods, products, services, real estate or any other good, directly or indirectly, to the Group, as well as to any of its affiliated companies.

**PRSL:** Product Restricted Substances List is used to verify the presence of restricted chemicals in finished products.

**Precautionary principle:** approach to risk management, according to which, in the event that a certain action could cause damage to people or the environment and there is no scientific consensus on the matter, said action should be abandoned.

**REACH:** Regulation of Registration, Evaluation, Authorization and Restriction of chemical substances adopted by the European Union in order to improve the protection of human health and the environment against the risks derived from chemical substances and mixtures.

**Sustainability:** In NEXTIL GROUP we understand sustainability in the context of responsible management of the environmental, social, economic and governance impacts generated by our activities, offering integrated solutions for the manufacture and sale of all kinds of knitted fabrics and garments, in order to improve organizational performance and generate shared value for all our stakeholders.

**ZDHC / Roadmap to Zero:** Zero Discharge of Hazardous Chemicals A global, multi-brand, multi-sector initiative whose goal is to remove hazardous chemicals from global textile, leather, clothing and footwear supply chains, and ensure effluent is properly treated.

## VI. Environmental Principles

The activities carried out by NEXTIL GROUP have a high dependence and impact on the environment, which implies careful management and mitigation efforts. For this reason, the Group assumes a set of guiding commitments, with the purpose of ensuring responsible management and, therefore, the success of our operations:

- 6.1. Ensure senior management and involvement commitment of, to increase the relevance of environmental issues on the Board and create the conditions to integrate these issues into the organisation and its strategy.
- 6.2. Define objectives, targets and metrics to promote the continuous improvement of the Group's environmental performance, developing and implementing procedures to record, evaluate, control and periodically review environmental aspects and impacts, with the aim of reducing the latter.
- 6.3. Adopt a risk management approach, based on precautionary principles and do not cause any significant harm.
- 6.4. Enhance the protection of the environment, promoting the sustainable use of resources, adopting energy and water efficient use and consumption measures.
- 6.5. Develop and use technologies and products with improved environmental performance.
- 6.6. Avoid all forms of pollution, progressively eliminating the use of harmful chemical substances, improving wastewater treatment.
- 6.7. Contribute, within our abilities, to climate change mitigation and adaptation efforts and the protection of biodiversity and ecosystems.
- 6.8. Increase the use of more sustainable raw materials, adopting responsible waste management and a preventive approach to future environmental challenges.
- 6.9. Ensure stakeholder engagement through their training and learning, promoting knowledge sharing based on best practice and, where possible, establishing partnerships for product life cycle assessment.



## VII. Main topics of focus

The most significant environmental impacts of NEXTIL GROUP are energy use and carbon emissions, emissions to the atmosphere, chemical substances, water, wastewater discharge and treatment, waste, responsible purchase of raw materials, packaging, animal welfare and biodiversity.

### 7.1 Energy and Carbon Footprint

7.1.1. NEXTIL GROUP supports the efforts and the central objective of the Paris Agreement to limit the increase of temperature to 1.5 degrees Celsius above pre-industrial levels.

7.1.2. All energy consumption is measured and monitored.

7.1.3. We promote the implementation of energy efficiency measures and programs.

7.1.4. The increase in the consumption of energy from renewable sources, generated for self-consumption as well as through renewable energy tariff contracts with GoO certificate, is fostered.

7.1.5. GHG emissions inventory is quantified, monitored, and reported according to the most relevant international standards and best practices.

### 7.2 Emissions to the atmosphere

7.2.1. NEXTIL GROUP factories keep records of the sources of emissions to the atmosphere, as well as those of compliance evaluations with the parameters determined in the permits, when applicable.

7.2.2. Harmful gas and particles are duly filtered before being released into the atmosphere, furthermore, all factories shall have air extraction devices inside their facilities where the smoke is collected, subjected to a maintenance programme and operating procedure, when required.

### 7.3 Chemical substances

7.3.1. NEXTIL GROUP believes in the importance of progressively eliminating harmful chemical substances used in the manufacturing process of the products it supplies to its customers, to ensure the health of its employees, the safety of consumers and prevent environmental pollution.

7.3.2. We ensure compliance with legal and regulatory requirements in the countries in which we operate, as well as other global and customer requirements applicable to NEXTIL GROUP's processes and operations on restricted chemicals in finished products, including but not limited to customer MRSL and PRSL restricted chemicals lists and regulatory frameworks such as OEKO-TEX®, ZDHC/Roadmap to Zero, REACH, CPSIA and CAL Prop.65.

7.3.3. We promote sustainable chemical management, through the adoption of industry chemical management system guidelines and standards, ensuring the commitment to eliminate the use and wastewater discharge of harmful chemical substances included in restricted lists.

7.3.4. We guarantee chemical product inventory compliance, record keeping, in line with sector regulatory requirements and we promote the use of safer and more sustainable alternative chemical substances in the production process.

### 7.4 Water

7.4.1. We track, keep records and monitor all sources of industrial and/or domestic water consumption, seeking to improve water management practices, including water balance monitoring, where appropriate.

7.4.2. We comply with legal requirements as well as local water extraction and discharge restrictions.

7.4.3. We work to improve water management practices, pursuing the goal of reducing consumption, including the implementation of water efficiency programs, through the adoption of more efficient machines, best practices and technological innovations.

7.4.4. We evaluate water resilience and geographic exposure to risk of our operations, of the river basins in which the Group operates.

## 7.5 Discharge and wastewater treatment

7.5.1. There are no direct discharges into the environment of effluents without adequate prior treatment, in an internal or external effluent treatment plant, complying with all applicable legal and regulatory requirements, as well as the requirements of the regulatory frameworks of reference.

7.5.2. Wastewater discharge sources are identified and monitored, and effluent parameters are periodically analysed for compliance with the discharge permit, and other legal and regulatory requirements of technical guidelines for wastewater frameworks, such as ZDHC or other relevant ones.

## 7.6 Waste management and recycling

7.6.1. All hazardous and non-hazardous waste is duly segregated, identified, and stored separately, and quantity records are kept by type, code and final destination, seeking to establish targets for reducing waste production, in line with the long-term objective of achieving circularity.

7.6.2. We apply the principles of prevention, reduction, reuse and recycling in accordance with the waste hierarchy.

7.6.3. Only authorized waste management companies, with a valid legal permit issued in accordance with local applicable legal requirements, are used for all types of waste.

7.6.4. Burning or other unauthorized disposal of any type of waste is strictly prohibited.

## 7.7 Responsible purchase of raw materials

7.7.1. We make all efforts, in collaboration with customers and the supply chain, to face one of the main challenges in the sector, which is the traceability of raw materials.

7.7.2. The Group has set a goal to increase the purchase of more sustainable raw materials, this definition is determined according to the best scientific evidence and industry consensus.

7.7.3. We aim to increase sourcing from suppliers certified to international environmental and social standards as a way of ensuring compliance with industry-accepted sustainability requirements.

## 7.8 Packaging

7.8.1. NEXTEL GROUP is committed to collaborating with its customers and business partners, in order to achieve a reduction in the amount of packaging used, striving to ensure its reuse whenever possible and eliminate unnecessary plastic packaging.

7.8.2. We try, wherever possible, to ensure that the plastic packaging we use is reusable, recyclable, with recycled content and, in the case of cardboard packaging, certified by the Forest Stewardship Council's sustainable management standard.

## 7.9 Animal Welfare and Biodiversity

7.9.1. The Group declares its adherence to the highest standards of animal welfare for animals under human control, based on the fundamental animal welfare principles Five Freedoms and Five Domains to achieve positive outcomes for the physical and mental well-being of animals.

7.9.2. The activities of NEXTEL GROUP, like all economic activities, depend on natural capital (nature's resources), so the protection of healthy ecosystems is of the utmost importance to maintain the Group's sustainable growth without disruptions in global raw materials supply chains.

## 7.10 Environmental Emergency

7.10.1 Subsidiaries have an Environmental Emergency Plan in place, where applicable, which defines the measures to be taken in the event of an accident or environmental incident or a potential emergency situation that has





an impact on the environment, such as fire, gas or boilers explosion, chemical spills, equipment and machinery malfunctions, and any others described in the facility's environmental aspects identification.

7.10.2 We provide a financial guarantee for environmental liability in accordance with locally applicable legal requirements for subsidiaries.

## VIII. Monitoring and Risk Management

Environmental sustainability is a strategic element in NEXTEL GROUP's corporate culture, of which the Steering Committee is the highest responsible governing body, overseeing and ensuring the approach to environmental issues is integrated and implemented throughout the business and increasing its relevance in the Board.

The Steering Committee ensures the supervision of the Policy, as well as the management of the environmental risks derived from the Group's operations.

## IX. Compliance

NEXTEL GROUP will develop the necessary measures for the effective application of the Policy.

We require all Group employees and all business partners to explicitly accept the rules of conduct established in this Policy.

When any breach of the provisions of the Environmental Policy is detected, employees and/or business partners must immediately inform the Sustainability Team and facility Senior Management, which, in turn, will inform the Board's delegated governing body.

Remediation plans and actions will be put in place immediately for each breach, which will be duly communicated to all relevant stakeholders, where appropriate.

If serious breaches of this Policy by a business partner are identified and/or persist, we will consider termination of the business relationship.

When behaviours by NEXTEL GROUP employees are identified and/or persist, which constitute serious breaches of this Policy, the Human Resources Manager and the Senior Management of the facility will be consulted to assess the enforcement of disciplinary measures or sanctions in line with local applicable legal and regulatory framework.

## X. Approval and Modification

The Policy will be regularly reviewed, to incorporate new legal and/or regulatory requirements, aiming for continuous improvement of NEXTEL GROUP's environmental practices and objectives, and any employee can make proposals for its improvement.

The Group's Steering Committee is the highest governing body responsible for approving the initial version and subsequent amendments to the Environmental Policy, through the ESG Committee.

## XI. Distribution, training and communication

The Policy will be distributed to all stakeholders, internally within the Group's Intranet and training sessions and/or other actions to promote environmental awareness, and externally on NEXTEL GROUP corporate website [www.nextil.com](http://www.nextil.com), in addition to other forms of communication as defined in the Stakeholder Communication Plan.

