



MICHELL

# SUSTAINABILITY REPORT

2021



## MESSAGE FROM THE GENERAL DIRECTOR

Michell Y CIA S.A. is at an important stage of its development as a company, with 90 years of experience in the market, offering fiber products of the highest quality.

Thus, the sustainable growth that Michell has developed in recent years has been achieved thanks to the commitment and professionalism of our workforce, working with formal suppliers aligned to our philosophy, taking care in each of our operations of the environmental impact, monitoring and mitigation and the good relationship with our surrounding communities. It is thanks to this that we have the trust and satisfaction of our customers.

The years 2020 and 2021 have allowed us to demonstrate the company's resilience and capacity for change, adapting to change and ensuring the safety of our stakeholders, implementing the necessary protocols for safe work and making ourselves available for the benefit of the country.

With this Sustainability Report we ratify our commitment to seek excellence, working under a sustainable management, both economically, environmentally and socially, to ensure the welfare of our internal (shareholders, employees) and external (customers, suppliers, community and environment) stakeholders.

I am pleased to invite you to learn more about our management and work in this, our **Second Sustainability Report - 2020 and 2021**.

Derek Michell  
Executive Director



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# GENERAL CONTENTS



### OUR ORGANIZATION:

**102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-12, 102-13, 102-16, 102-45**

Michell Y Cía. S.A., hereinafter Michell, has 90 years of experience and knowledge in the processing of Alpaca fiber, being a pioneer and leading producer and exporter of Alpaca tops and yarns worldwide.

### A little of our history...

Frank W. Michell founded Michell y Cia. in 1931, dedicated to the purchase, classification and commercialization of Alpaca fiber and sheep wool. Fully identified with the Alpaca, his goal was to make it known worldwide and show the benefits of this unique Andean product.

The Michell family has been involved with the alpaca industry since the early 1920s. However, it was not until 1931 that Mr. Frank W. Michell founded Michell Y Cia. in Arequipa, where he started as a sorter and exporter of greasy alpaca fiber.

### Passion for Alpaca since 1931...

The name Michell is recognized and associated with the finest Peruvian Alpaca yarns in the Asian, European and American markets.

However, in order to maintain its recognition and leadership in the industry, the company continues to invest and implement quality programs that will ensure the continuous improvement of all stages of the process, from production to customer service.



The early years were difficult, but the effort and ingenuity put into offering the New World textile industry something other than raw alpaca fiber, helped develop the art and science of fiber sorting.

The raw materials were collected in the southern highlands of the country, sorted by hand, transported by train to the port of Mollendo, before being shipped to destinations such as Bradford in the UK and Boston in North America.

### Our first factory in Peru...

Permanent contact with the demanding international market revealed the need to move beyond the export of raw materials, and in the 1940s the dream became a reality.

In 1947, Michell Y Cia. established its first combing and spinning plant in Peru and in doing so, created and set the standard for the alpaca industry today, not only in Peru, but worldwide.

Years later, Michell's idea of increasing the value of alpaca fiber was successfully realized through the selective breeding of alpaca, the improvement of industrial processes such as washing, carding, combing, spinning, dyeing and weaving, as well as the method of sale to the final consumer.

With 90 years in the industry, Michell Y Cia. has achieved an indisputable consolidation. From the beginning with Frank W. Michell at the head, who knew how to lead such an important company with the support of his children and grandchildren.

### The first 90 years...

In 2021 we celebrated our first 90 years. It has been an amazing journey; one that began when Mr. Frank Michell discovered the sumptuousness of Alpaca fiber with its unparalleled qualities.

His passion for this noble, high-quality fiber made him spread the finest Peruvian Alpaca around the world.

All of us at Michell are more motivated than ever and feel that this journey of the first 90 years in business life has just begun. Despite the incredible achievements of the past, we consider that we still have a long way to go to expand our passion for Alpaca around the world.



### OUR ORGANIZATIONAL PHILOSOPHY:



#### Mission:

To transform alpaca fiber and other natural fibers into high value-added products, satisfying the needs of the world, promoting their use at a global level and caring for the community and the environment.

#### Vision:

To be the world leader in providing warmth and comfort with the best alpaca and natural fiber products, offering unique experiences to our customers and community in a sustainable and innovative way, through a committed and empowered team.

#### Our Values:

- **Passion:** We love what we do from our soul; we overcome challenges, we create, we innovate.
- **Loyalty:** Deep commitment to Michell; our actions go beyond what is required by the rules. Not by obligation but by conviction.
- **Quality:** As part of our philosophy; we adjust to the standards in search of perfection.
- **Commitment:** By our own decision; it comes from within and provides a plus that leads us to excellence.
- **Creativity:** For being the gateway to personal and organizational growth; always based on tenacity, confidence and enthusiasm.
- **Responsibility:** It makes us progress as people and as a company; it makes us capable of responding and knowing how to act in the face of different dilemmas that may arise.

#### Our Production Process and Products:

With the aim of transforming alpaca and other natural fibers into high value-added products, satisfying the needs of the world, promoting its global use and caring for



the community and the environment, we have the following processes:

1. Shearing
2. Sorting
3. Washing
4. Carding
5. Combing
6. Spinning
7. Dyeing
8. Finishing
9. Dispatching

At Michell we have the following products:

1. **Tops:** Processed fiber that has gone through the processes of sorting, washing, carding and combing.
2. **Yarns:** Varieties of yarns developed in two lines:
  - 2.1 Spinning line for industrial weaving.
  - 2.2 Spinning line for manual weaving.
3. **Garments** (Finished product)
  - 3.1. Sol Alpaca: Brand oriented to tourism.

In addition, we have our ECO line developed with natural yarns, our line of 100% organic products and a line of products with the Animal Welfare seal.

Our main office is located at Juan de la Torre Avenue 101, San Lazaro, Arequipa - Peru.

We also have 3 production sites, which are located in:

- **Combing-Washing Plant:** Pasaje Clisa # 106 José Luis Bustamante y Rivero.
- **Spinning Plant:** Ambrosio Vucetich Street, H 1 - H 3 - Industrial Park.
- **Finishing Plant:** Jacinto Ibáñez # 436 – Industrial Park.

As for our garment stores, we can consider the following in the city of Arequipa:

- **Mundo Alpaca:** San Lázaro Boulevard 101 - Downtown.
- **Santa Catalina:** Santa Catalina Street, 120B - Downtown.
- **San Francisco:** San Francisco Street, 129 - Downtown.
- **Hotel Casa Andina Private Collection:** Ugarte Street, 403 - Downtown.





- **Alfredo Rodríguez Ballón Airport:** Boarding Area.

We also have stores in: Lima, Cusco, Trujillo, Puno, Chiclayo and Madre de Dios, and presence in Chile (Santiago) and Australia (Melbourne and Sydney).

The textile and clothing sector being our field of action, our most significant operations are in: Australia, Bolivia, Chile and Peru.

Our different types of customers are defined according to operational lines:

1. **Tops:** TWe work with agents worldwide, generally spinning factories.
2. **Spinning:**
  - 2.1 **Industrial Spinning:** Weaving Companies, Agents, Direct Customers (Brands) and wholesale and retail distributors.
  - 2.2 **Hand Spinning:** Wholesalers (export) and final consumers.



3. **Garments (Finished Product):** Final consumer, as well as small distributors.

## OUR COLLABORATORS AD OPERATIONS

### 102-8

In 2021, our workforce in charge of textile and clothing operations consisted of 1,260 employees in 2020 and 1,352 employees in 2021, with whom we attended all our operations, such as:

1. Purchasing and Sourcing
2. Logistics
3. Production



4. Commercialization and Marketing
5. Administrative Activities

### Michell 2020 – 2021 Collaborators

	2020	2021
Men	509	564
Women	754	788

### Adhesions and Memberships:

Because of our operations, we are part of and/or have joined synergies with several organizations and entities. Some of them are related to our field and others to the Social Responsibility and Sustainability that we promote.

The following is a detail:

- **Chamber of Commerce and Industry of Arequipa - CCIA:** Non-profit organization that represents the business activity of Arequipa, supporting the increased competitiveness of companies, representing and defending their interests and promoting their development and, therefore, the development of Arequipa.
- **Civil Association Alpaca from Peru - ASCALPE:** Non-profit organization, aimed at promoting the sustainable development of the value chain of alpaca and South American camelids, strengthening competitiveness and equity in each of the links and actors that comprise it.
- **International Alpaca Association - IAA:** Created to promote and protect the image of alpaca fiber and its derivatives.
- **COMEX Peru:** Private guild that groups the main companies linked to Foreign Trade in Peru.
- **National Society of Industries – SNI:** Non-profit institution that promotes the development of the manufacturing industry, promotes the market economy and contributes to the development of the country through sectorial technical proposals of economic, labor, and tax nature, among others.



- **ADEX:** Business institution founded in 1973 with the purpose of representing and providing services to associated organizations such as exporters, importers and trade service providers.
- **ADEPIA (Industrial Park of Arequipa Business Association):** Trade association founded in 1978 that seeks the welfare of its associated companies in the area, provides training and education to the personnel of the associated companies and defends their interests with respect to common security services and public order, among others.

### Acknowledgments and Certifications:

During the 2020 - 2021 period, we obtained the following acknowledgments and/or certifications:

- **Most Admired Companies of Arequipa Award - EMA 2020 - 2021:** Organized by PWC and G de Gestión magazine, in alliance with UCSP 2021. The companies that receive the EMA award are chosen by the region's entrepreneurs. By means of a survey we are rated in 10 categories: business reputation, technological capacity and digitalization, commercial and innovation strategy, promotion of Arequipa talent, corporate governance, strategic management, financial management, commitment to Arequipa, sustainability and gender equity policy. Michell Y Cia, has received this award in the two periods reported.



- **Good Practices of Fair Trade -BPCJ:** Where we measure the development of the company at a social level in a timely manner using established criteria. We have successfully renewed our certification in 2022
- **OEKO TEX Standard 100:** This is one of the most important textile certifications, and verifies that there are no harmful substances in the raw material or in any of the manufacturing stages of our products. Michell Y CÍA receives the STANDARD 100 accreditation from OEKO-TEX at the most demanding level: Level I Articles for Babies.
- **GOTS Certification - Global Organic Textile Standard:** RRecognized as the leading standard in the processing of textiles made with organic fiber, it also guarantees that we have an environmentally and socially responsible production process, so that the final product offers the consumer safety and credibility. Successfully renewed in 2020 and 2021.
- **OCS Certification:** The organic content standard (OCS) verifies the presence and quantity of organic matter in a final product through chain-of-custody mechanisms.
- **USDA/NOP Organic Certification:** COrganic certification for agricultural, livestock and wild-harvested products under USDA NOP standards for the U.S. market.
- **EU Organic Certification:** Organic certification for agricultural products, livestock, wild harvesting, supplies for organic agriculture, and honey, under the EU 834/2007 - EU 889/2008 standards for the European market.
- **INTERWOOLLABS - International Association of Wool Textile Laboratories:** E Entity that develops cooperation between laboratories analyzing wool samples that provide reliability in the fineness analysis of our products according to accredited international methods. It also guarantees the correct, precise and uniform application of the test methods approved by the IWTO (International WoolTextileOrganization). Renewed equally in both periods.





## New Certifications Obtained:

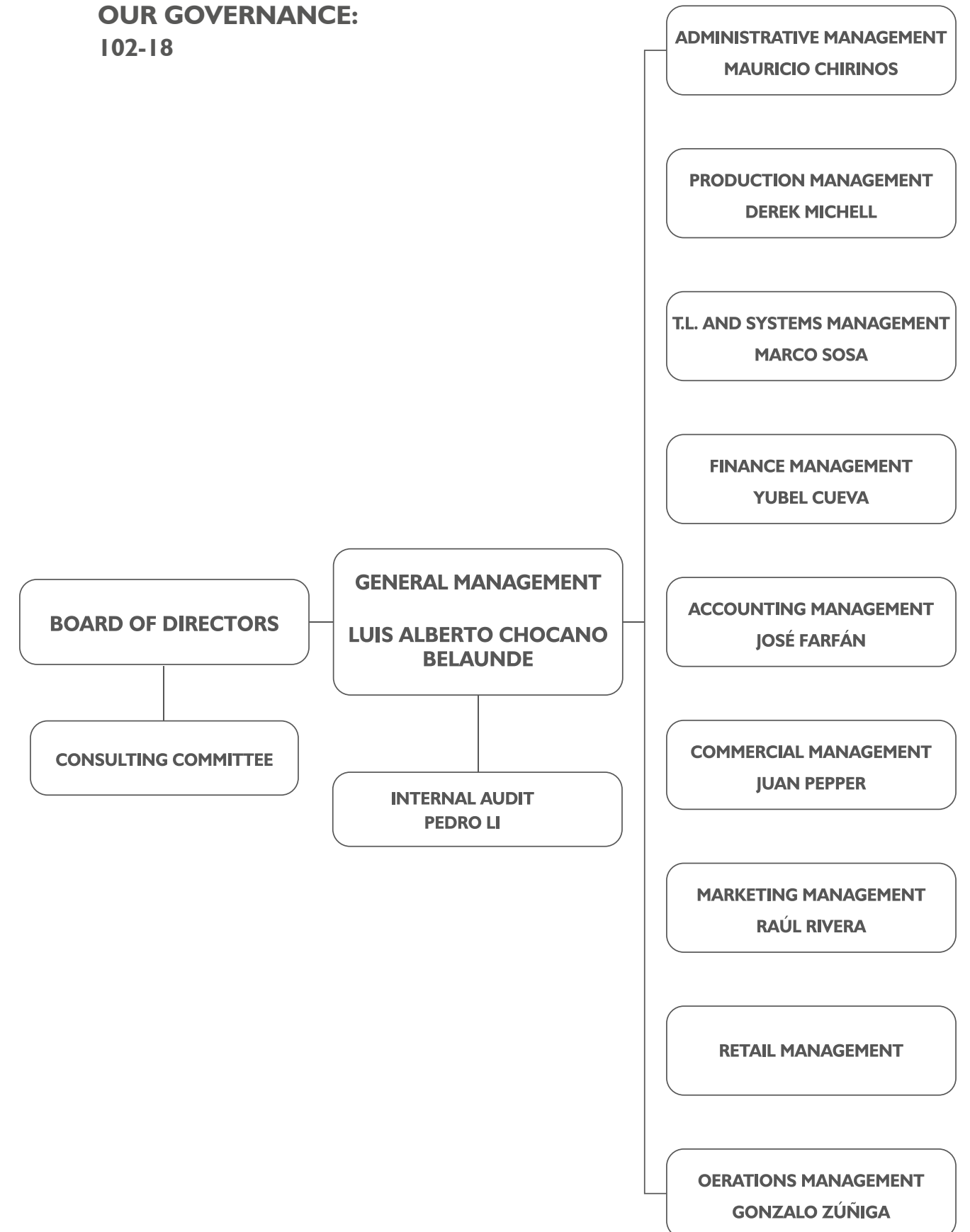
- **RAS Certification:** A voluntary standard that addresses the welfare of alpacas and sheep in the textile sector and guarantees that the animals have been raised respecting their 5 freedoms, that the land has been responsibly managed and that a robust chain of custody can be provided to validate the origin of the material. We were audited in November 2021, obtaining the Certificate in 2022 for the responsible breeding of the alpacas we work with.



- **RAF Certification (RWS -RAS):** This guarantees a robust chain of custody that validates the certified fiber we receive, both alpaca and wool. It was obtained in 2021.
- **Carbon Footprint :** During 2021 we carried out the exact metrics of the Greenhouse Gas emissions generated by our operations in order to specifically manage the reduction and compensation of these emissions.



## OUR GOVERNANCE: 102-18





### OUR COMMITTEES:

#### I+D Committee

Responsible for the development of new product proposals for our collections, yarn lines and special proposals from our customers. It also promotes improvements in production processes, service to customer orders and product improvements in general.

#### Sales Committee

In charge of the periodic review of the sales situation of our product lines, evaluation of improvements in the offer, attention to specific customers, analysis of the current market situation and search for new markets and customers.

#### Retail Committee

In charge of reviewing management processes in the retail unit, operational, tactical and strategic plans, development of new products, optimization of CRM (Customer Relationship Management) systems, control of sales points, branding, image and visual merchandising.

#### Management Committee

Composed of representatives of all the company's line managements, responsible for strategic planning, organization, direction and control of the entire organization.

#### Production Coordination Committee

Responsible for the periodic review and coordination of the timely supply of raw materials and the flow between processes to meet service objectives, delivery dates and requested kilos.

#### High Performance Committee

In charge of managing production, quality and cost plans, oriented to the fulfillment of the organization's objectives as well as implementing actions aimed at optimizing resources, creating value in the processes, with a focus on customer satisfaction.



### OUR SUSTAINABILITY REPORT:

102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52

Michell presents its Second Referenced Sustainability Report, corresponding to the periods 2020 - 2021, in compliance with the Global Reporting Initiative - GRI standards, according to the materiality identified by its operations in the textile industry in which it operates.

As part of the GRI NCP Competitive Business Program, we are pleased to present our second sustainable statement.

The Material Topics to be reported are as follows:

#### Economic Category:

- Anticorruption

#### Environmental Category:

- Materials
- Energy
- Emissions

#### Social Category:

- Employment
- Formation and Teaching
- Local Communities

Among our main changes in the reported period, we can report:

#### 1. Covid – 19 Our actions in the face of the pandemic

The company was forced to stop operations for 2 months, from March 16 to May 11, after the emergency declaration. After that, the return to operations was with restrictions, implementing measures to ensure the welfare and safety of our employees, which is detailed below.



### 2. Store closures:

All of our Sol Alpaca brand stores had to be closed due to the pandemic. We have been progressively opening them.

### 3. Reductions in Sales:

There was a reduction in local and export sales due to the pandemic. Some orders were cancelled due to the crisis faced and the difficult situation of many companies.

### 4. Supply Chain:

We received the cancellation of orders, since due to the closing of stores and the reduction of production, it was not feasible to continue with the agreed purchases.

Subsequently, we resumed the contracting of suppliers, with whom we have worked previously, in order to contribute to their reactivation and development.

### 5. Carbon footprint measurement:

In 2020 we calculated Michell's Corporate Carbon Footprint for the year 2019 in order to have an accurate metric of the Greenhouse Gas emissions generated by our operations in conjunction with a specialized company, achieving the recognition of the Ministry of the Environment, obtaining our first Star within the "Carbon Footprint Peru" Program.

### 6. RAS Certification:

In alliance with Textile Exchange and as part of the cooperation and strengthening of relationships with our suppliers, we obtained the RAS Responsible Alpaca Standard certification from the breeding of the animal to the production of tops and yarns from our fibers.



### 7. Traceability Program (Origins)

In order to provide a better service to our customers, we have implemented a Traceability System that allows us to know the path that our fibers follow from their origin in the Peruvian Andes to their transformation in our plants in the Arequipa Region. In this way we have a clear visualization of the stages in which the quality of our alpaca fiber is maintained and highlighted. Traceability is a great step that has brought us closer to alpaca breeders; it is also a tool that allows us to manage the value chains of our products more efficiently. The Origins platform is available on Michell's website: <https://www.michell.com.pe/michell/es/origins-by-michell-sustainable-programmes>

As our reporting cycle is biannual, the last sustainable statement made by Michell is dated 03.31.2020.

To learn more about us and/or resolve any queries about our Second Sustainability Report, please contact:

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# ECONOMIC INDICATOR REPORT



### ANTICORRUPTION:

103, 103-1, 103-2, 103-3, 205, 205-3

The topic is relevant for the organization because it allows us to highlight the transparency in our management and operations, the respect and compliance with the Law, as well as the ethics and integrity with which we proceed in each of our activities.

The coverage of the material topic is the city of Arequipa, where the company is headquartered, where it carries out its significant operations and where the relevant impacts declared were analyzed.

The company has a Code of Conduct and Ethics, created on November 25, 2014. The Administrative Management, through the Human Resources Department, ensures its dissemination and compliance. Likewise, we have an Ethics Officer, our Administrative Manager, who together with his team is responsible for ensuring compliance with the provisions and for following up and resolving complaints about corruption.

All Michell's employees are familiar with the Code of Conduct and Ethics, which is available to facilitate compliance with the provisions that are added to the policies and procedures. Failure to comply with the code and other policies may be cause for reprimand, reassignment, dismissal or other legal action.

As a socially responsible company, we have safeguarded within our Code of Ethics issues such as:

- **Conflicts of Interest:** Michell's employees must act with loyalty, transparency, impartiality and independence and a high ethical content in the performance of their duties in the Company, avoiding apparent or real conflicts between their personal interests and those of the Company.
- **Commercial Favors:** It is forbidden to offer or accept benefits, gifts, reimbursements or entertainment to or from third parties that may constitute a violation of the law or that may affect, or appear to affect, the professional judgment of their work.



- **Bribes:** No one may, directly or indirectly, ask for or accept, offer or give any kind of bribe, blackmail or any other illegal or unethical benefit to employees or third parties. The Ethics Officer must be informed immediately of any such settlement proposals or offers.

It is essential that all of us who are part of Michell act ethically at all times and places, under the following requirements:

1. Treat all persons fairly and with respect in general.
2. Comply with the constitutional, legal and regulatory mandates of Peru, as well as with the policies, rules and regulations that Michell has approved.
3. Be honest, fair, ethical, loyal and trustworthy in all activities and relationships.
4. Accept responsibility for actions and decisions.
5. Communicate infractions, behaviors and immoral practices within the organization; as well as report any threat for making the complaint.
6. Use information only for the purpose for which it was intended and respect the confidentiality of the organization's information at all times.
7. Avoid conflicts of interest between work and personal matters.
8. Promote fair employment practices.
9. Work continuously to create a safe working environment while protecting the environment.
10. Be responsible for the proper use, conservation and security of the goods that Michell leaves in the care of the Employee.
11. The ethical culture must be recognized, valued and practiced at all leadership levels





It is company policy to ensure the permanence of high ethical standards in all its activities; therefore, in case of suspicion of fraud or corruption, Michell will face this in a firm and controlled manner. In this sense, all employees of our institution have the obligation to inform and/or report any action, conduct, information or evidence that proves an act of fraud and/or bribery internally and externally when it is linked to the activities of Michell. For this purpose, we have a digital and anonymous channel of complaints through a QR code that is disseminated throughout the company.

In 2020, the Code of Conduct and Ethics was reviewed and updated.

In the 2020 and 2021 periods, no cases of corruption of any kind have been reported.

The Code of Ethics, as well as the provisions of the company regarding the correct behavior that it promotes, is disseminated and applied to all employees that make up the company.



# ENVIRONMENTAL INDICATOR REPORT



### MATERIALS

**103, 103-1, 103-2, 103-3, 301, 301-1**

This topic is relevant for our organization because it allows us to measure, control and optimize the consumption of resources used for our operations, which will allow us to demonstrate in the future not only the improvement of our environmental management, but also the contribution towards the care and protection of the environment.

The coverage of the material topic is the city of Arequipa, where the company is headquartered, where it carries out its significant operations and where the relevant impacts declared have been analyzed.

#### RAS Certification

As a result of the cooperation and strengthening of relationships with our suppliers, we obtained the RAS certification: Responsible Alpaca Standard from the breeding of the animal to the production of tops and yarns from our fibers. Advising and supporting breeders from the following associations free of charge: APROCANICH, LLANGA LLANGA and QUENAMARI as well as from the CAPILLAPATA, MALLKINI and OQUEMARCA farms. We have managed to direct their activities so that they can achieve effective animal breeding, covering a total of 21,283 alpacas.



This important team achievement constitutes the beginning of a robust chain-of-custody system from extensive livestock farming in the Andes to the final product.



The animal welfare of the alpacas has been audited using criteria for nutrition, living conditions and animal management. Best practices in land and biodiversity management and protection have also been ensured. All SAN Certified Fiber has been purchased directly from the producers, ensuring traceability from the origin. This has represented an average increase of 17% in the profits of the 55 direct beneficiaries of this certification. We hope to be able to incorporate new breeders to the SAN Standard and thus generate greater sustainability and profitability.

Material consumption has been calculated according to our main raw material used, which is alpaca fiber. Other fibers have also been considered, such as: Sheep wool (domestic and imported: mainly from Argentina and Uruguay), silk, cashmere, linen, bamboo, nylon, acrylics, among others.

Our main suppliers are:

- 1. Communities in high Andean zones** (Cusco, Puno, Huancavelica, Arequipa), with whom Michell has collaborated in Development Programs such as Shearing Techniques, which have improved the quality of both the work and the final product.
- 2. Intermediaries**, with whom we work sporadically according to demand and season.
- 3. Own Producers:** The Michell Ranch has its own alpaca production, breeding and development farm, which is certified for the production of organic alpaca and also for the production of RAS (Responsible Alpaca Standard) fiber.

#### Environmental Campaigns:

- 1. RAEEcicla to help:** In alliance with the Provincial Municipality of Arequipa and the company RECOLECC, an organization that works in good waste management. Michell has participated by collecting all the company's waste electrical and electronic equipment (computers, PCs, calculators, power tools, photovoltaic panels,





lighting equipment, among others), collecting, sorting and segregating them in an appropriate manner to finally deliver 300 kg of waste electrical and electronic equipment. Thanks to this management during 2021 we have been able to collaborate with ANIQUEM (Burned Children's Aid Association).



### 2. Tree Planting Campaigns:

The Hilando Verde Project has continued, developing the third stage in May 2021, in the Huasacache - Hunter area. Michell, in alliance with an Arequipa NGO and the District Municipality of Hunter, managed to plant trees and contribute to the green areas of the city.



**3. Awareness Campaigns:** Aimed at our service providers, in order to establish lasting business relationships supporting their development through technical visits and advice on good fair-trade practices, RAS, RWS certifications, etc.; webinars to provide information on trade agreements, orders, compliance with payments on agreed dates, advances, certifications and the work that Michell Y CIA has been doing.

**4. Bicycle Parking Facility:** In order to encourage friendly transportation and reduce emissions, bicycle parking lots were installed at each of the company's plants.



**5. Training on Good Environmental Practices:** Aimed at all our collaborators virtually in order to reinforce various environmental issues on a monthly basis through our "Michell Eco Efficient People" program, where we address issues such as water and energy savings, 4 R recycling, cleaner production, waste classification, sustainability, environment, proper use of paper, responsible consumption, environmental education, etc.

**6. 100% Organic Alpaca Garment Line:** During the period of 2021 we launched the 100% organic alpaca garment line of our Sol Alpaca brand. Previously, we only had certification for yarn, now we also have certification for garments in order to promote responsible and sustainable textile consumption.

**7. Circular Economy:** Through our brand SOL ALPACA, we have launched our product InfinityScarf, a scarf with a circular design and concept that is made with production waste and 100% reused material. This makes the InfinityScarf an environmentally friendly product that consumes less water and emits less Greenhouse Gases.

**8. Awareness campaigns:** Aimed at the community in general through our website and social networks

It is Michell's policy to responsibly manage natural resources and protect the environment, in addition to promoting the health and safety of its employees.

In this sense, we are committed to:

- Complying with health, occupational safety and environmental laws and regulations that have been established by national legislation on environmental protection, discharges to water sources or to the atmosphere; or the disposal of hazardous and non-hazardous solid waste.
- Providing a healthy and safe working environment.
- Mitigating the effects of Michell's operations on the environment.
- Taking into account health, occupational safety and environmental aspects in every decision and practice.
- Conserving natural resources, including energy.
- Adequately training employees to protect the environment



### Environmental Adequacy Program - PAMA, Monitoring and Correct Waste Disposal:

The Environmental Adjustment Program PAMA has been updated on the Produce portal through the National Directorate of the Environment with the extensions that have been generated to date. In addition, we have been conducting annual environmental and occupational monitoring with an external company in order to have quantitative measurements of air quality, emissions, noise, lighting, etc., and implement mitigation measures, if any, ensuring that we maintain the permissible limits in accordance with current legislation.

On the other hand, every year we also make a declaration and projection of solid waste monitoring in each of the company's plants, in order to quantify them and implement mitigation measures.

It is important to note that Michell has not been fined or sanctioned in any way during the reported periods.

Year	Consumption of Materials (Quintals)
2020	66,018.49
2021	102,931.49

### ENERGY:

#### 103, 103-1, 103-2, 103-3, 302, 302-1

This issue is relevant for the organization because it allows us to measure, control and optimize the consumption of energy resources used in our operations, which, as in the other declared cases, will allow us to demonstrate in the future the improvement of environmental management and our contribution towards environmental care and protection.

The coverage of the material topic is the city of Arequipa, where the company is headquartered, where it carries out its significant operations and where the relevant impacts declared have been analyzed



Year	Total Energy Consumption (kWh)
2020	13,558,620
2021	11,148,398

### Emissions

#### 103, 103-1, 103-2, 103-3, 305, 305-3

This topic is relevant for our organization because it allows us to measure, control and optimize our ecological footprint by controlling our emissions.

The coverage of the material topic is the city of Arequipa, where the company has its main headquarters and carries out its significant operations, and where the relevant declared impacts have been analyzed.

In 2021, Michell's Corporate Carbon Footprint was calculated, corresponding to the year 2019, in order to have an accurate metric of the Greenhouse Gas (GHG) emissions generated by our operations.

For this we worked as a team with a specialized company and achieved the recognition of the Ministry of the Environment obtaining our first Star within the "Carbon Footprint Peru" Program.

Regarding our GHG emissions, we can declare the total emission of 82224.0 tons of CO<sub>2</sub>eq, being alpaca breeding the activity that contributes the most.

The calculation of our Carbon Footprint is Scope 3, which involves quantifying direct and indirect emissions including the transfer and travel of personnel, emissions from electricity consumption, emissions in the alpaca breeding stage, transfer of materials, among others.



# SOCIAL INDICATOR REPORT





### EMPLOYMENT:

103, 103-1, 103-2, 103-3, 401, 401-2

This topic is relevant because it reflects the company's concern and management to ensure and implement good labor practices. It represents the organization's commitment to its human capital, both in regulatory compliance with the law and in its voluntary initiatives in favor of its employees, in accordance with its assumed social responsibility.

The coverage of the material topic is the city of Arequipa where the company is headquartered and has significant operations.

Michell has at its disposal different communication channels and outreach programs in favor of its collaborators, such as:

- **Suggestion Box**, where complaints can be made using a QR code that guarantees the anonymity of the information reported.
- **Organizational Development Department**, made up of a department of psychologists, who seek to provide support to the company's employees in situations that may affect their health and well-being, especially in the face of the health crisis.
- **Human Resources Department**, which has an open-door policy, with the objective of promoting dialogue and solving any problems that may arise.
- **Social Service Department**, which provides support in the area of health, medical care, health leave, among others.
- **Medical Department**: As a result of the pandemic, there was an imminent need to increase the staff of the medical department, as well as the facilities with an office equipped to attend to any health emergency.
- **Industrial Development Department**, which implemented the Michell in Action Program, in order to continue with the policy of continuous improvement, innovation and creativity. The Production and Organizational Development teams actively participated. A contest was held in which our employees participated in teams, contributing innovative ideas related to



production, quality, energy and raw material saving. All the ideas were evaluated and awarded prizes by an internal jury.

In this way we have encouraged the participation of our collaborators so that they can be part of the company's own development and generate an environment of improvement and motivation focused on the company's productive goals.

### Commitment of the company to our collaborators:

Michell develops a comprehensive management focused on ensuring the welfare of its employees, in that sense, it complies with all benefits according to law, as well as voluntary benefits, such as:

- Family allowance: In accordance with the law, a voluntary family allowance is also provided to workers who do not have children or whose children are over 18 years of age.
- School Allowance and School Loan.
- May 1st allowance: According to Collective Agreement.
- Quality Incentive.
- Bonus for time of service, given to employees for every 5 years worked.
- Salary increases for more than 10 years of work.
- Breakfast snack supplement and lunch and dinner subsidy.
- Refreshments for night work.
- It is also noteworthy that in the three shifts the snack time is 45 minutes, and is considered within the working day.
- Night surcharge is complied with in accordance with the law, and an additional night surcharge is provided by the company, and is even maintained for those who no longer enjoy the right according to the law.
- Voluntary annual salary increases for workers with more than 3 years of permanence and when reaching 10 years (only adjustment).
- Bonuses to the position in accordance with the salary policy.
- Merit qualification bonuses in accordance with the salary policy.
- Death of immediate family member's allowance.
- Employee's death benefit for the benefit of their family members.
- Schooling benefit for the children of employees who occupy the first 5 places in their school performance.



### Action against Covid-19

Due to the health crisis generated by the pandemic, a Work Plan was implemented to ensure the safety of our human capital:

- We made changes to the work schedule in accordance with the established curfew.
- We changed the plant's infrastructure, conditioning canteens, dressing rooms, offices to maintain the distance between collaborators, and reduced the capacity by signaling our facilities to promote social distancing.
- We relocated offices and different processes to respect the established capacity.
- We installed 93 automatic hand washers to avoid contact and 15 footbaths at the entrances of all our facilities.
- We implemented 44 disinfection points with alcohol gel for people and isopropyl alcohol for equipment and tools throughout the company.
- We provided specific biosafety equipment to prevent contagion: two-way respirators, surgical masks, N95 masks, half-face respirators, etc.
- We purchased oxygen tanks and medicines appropriate to the treatment, in order to provide immediate help in case it was required, both by the collaborator and their family members.
- We subsidized a private transportation service for our employees, in order to reduce the risk of contagion and facilitate their transportation during confinement.
- We carry out permanent supervision of all employees to ensure compliance with protocols (entry and exit, changing rooms, hand washing, canteens, constant use of safety equipment, distancing, etc.).
- We implemented temperature taking and hand washing at the entrance and during the workday.
- We have increased the number of medical and occupational health and safety personnel in order to follow up and monitor Covid cases or suspected cases.
- We provided permanent psychological support through Organizational Development, and constant follow-up by Social Services to all personnel during the pandemic.
- With the collaboration of our customers who purchased the "Solidarity Weaving" product, we were able to make donations to 9 health centers at a critical time for us as a country and as a company. These consisted of digital pulse oximeters, digital thermometers, face masks and portable stainless-steel sinks



### Hand in hand with the Community

During the pandemic, Michell has shown solidarity with different institutions:

- With the collaboration of our customers who purchased the "Solidarity Weaving" product, we were able to make donations to 9 health centers at a critical time for us as a country and as a company. These consisted of digital pulse oximeters, digital thermometers, face masks and portable stainless-steel sinks.
- We have made donations of yarn to institutions of struggling mothers who seek to empower women professionally and personally, and we have also supported institutions for children and adolescents and foundations for the development of solidarity.
- We have also made donations to religious institutions.
- We have donated sanitary kits, approved by the Ministry of Health, on two occasions to the health personnel of different hospitals.
- We have contributed with a part of the purchase of mechanical respirators for the Ministry of Health through the Emergency Fund of CONFIEP, in order to face the sanitary crisis.







### FORMATION AND TEACHING: 103, 103-1, 103-2, 103-3, 404, 404-2

This topic is relevant because it demonstrates the company's concern for ensuring the development of its employees' skills. It also represents the organization's commitment to its human capital.

The coverage of the material topic is the city of Arequipa, where Michell has its main headquarters and from where the relevant impacts on the social dimension were also analyzed.

Aware of the importance of training our employees and developing their skills in the periods reported, we have complied with the mandatory training and also the ones proposed by the company.

In the case of training with external consultants, due to area requirements, they will be resumed in 2022 for safety and prevention due to the health crisis.

Among the training provided, we have:

- Company Accreditation and Certification Training
- Occupational Health and Safety: Hazard Identification and Risk Assessment Matrix - IPER, Use of Fire Extinguishers, etc.
- Quality Circles
- Within the **“Michell Eco Efficient People”** Program we were able to teach topics such as:
  - Cleaner production
  - Water and Energy Saving
  - Recycling, Solid Waste Sorting
- Within the Program **“Michell Values Strengthening Our Culture”** we were able to influence Michell's values, culture and policies such as:
  - Action for women's health
  - Child labor
  - Gender equity and non-violence against women
  - Michell Harassment 0



- Within the **“Mental Health and Psychology”** program, we were able to offer training on:
  - Self-esteem and self-care
  - Resilience and adaptation to change
  - Importance of sleep
  - Empathy and gratitude
  - Suicide and Depression Prevention
  - Psychology of happiness
  - Time Management: Balance - Work - Family - Leisure
  - Punctuality and Fulfillment of Promises
- Rights and Obligations of the Worker and the company
- Awareness against Covid-19 where we teach:
  - Golden Rules
  - Use of the mask and hand washing
  - Social distancing
  - COVID Myths





Below are the hours of training provided to our human capital:

*Hours of Training*

	2020	2021
Washing/Combing/Recombing In Plant	1049	2487
Spinning	1293	1288
Finishing	2243	2752
Dyeing	1158	1382
TOTAL	7763	9930

We also have middle management evaluations in which all personnel evaluate their immediate superior manager; these results allow us to take actions and corrections if applicable. The evaluation is in terms of knowledge, performance, treatment with the personnel, etc.

**LOCAL COMMUNITIES:**

**103, 103-1, 103-2, 103-3, 413**

The topic is relevant because it reflects the company's efforts to promote the development not only of our internal stakeholders, but also external ones, with the objective of promoting the growth of our city and country.

The coverage of the material topic is the city of Arequipa, where the company has its headquarters, from where it carries out significant operations and from where the impacts relevant to this dimension were also analyzed.

At Michell we are committed to social responsibility; and it is our priority to act as a responsible textile company, from management practices and health and safety standards to environmental care.

We understand that our activities have an impact on our employees, the environment, the community and other stakeholders. In this sense, our growth and success is based on economic, social and environmental sustainability, adequately managing the impacts we produce in each of these dimensions.



Accordingly, we have been implementing support and development programs aimed at education and improving the quality of life of the alpaca breeders with whom we work directly.



**Mirasol Project:**

The Mirasol Civil Association was created thanks to the initiative of a Michell customer and the decisive support of the company. The idea was born when the client visited the Mallkini Ranch in 2005 and learned about the difficult reality of the children in the area, who had to walk for hours in the cold to get to the nearest school. It is from this experience that the initiative arose to create a boarding school for the local children, where they could stay all week and attend classes.

At present, the school has been in operation for more than 10 years and continues to grow.

**Mirasol Grows**

Through our brand SOL ALPACA, we donated a percentage of sales to the project: "Construction and implementation of a language laboratory for the children of Mirasol School in Azángaro, Puno". The donation consisted of the land, the construction of the entire classroom, an interactive whiteboard, a projector, a laptop, desks and additional equipment. Now, 50 children have new tools to help them prepare for a globalized world. Besides growing in infrastructure, a small, but very significant advance in Mirasol School was achieved: in 2020 the coverage of years of schooling was expanded to include the Secondary Level. 4 primary school children will continue their education with all expenses paid (food, housing, toiletries and desk). We also donated baskets and overalls for 96 children from 10 other educational institutions.





### Michell Art

Michell has been organizing the Michell Art Contest for 40 years, and today it is considered one of the best art contests in Peru. This contest began when the Michell family took a trip to Cabanaconde, near the Colca Canyon in Arequipa. There they discovered a series of very talented artists, who were painting watercolor techniques. This inspires the Michell family to organize the first art contest in 1980, with the sole purpose of supporting and motivating the development of more Peruvian artists, of very limited economic resources, but with great talent.

Years later, the contest included oil and acrylic techniques. But in 2006, Michell decided to include a new technique, which is directly related to pre-Inca cultures; we are referring to textiles. Since then, the Art Contest has taken on greater relevance, since the idea is to show and spread the talent of these textile artists, who are mostly found in the Peruvian highlands.

Nothing stops the Art Contest and during 2020 and 2021 we made our virtual versions rewarding the creativity of all Peruvian artists.

### APU Project

At more than 4,000 meters above sea level in the region of Puno - the main producer of alpaca fiber in Peru - are the communities of Ajoyani, Antauta and Queracucho, where Fibra Emprendedora brings together women who have a rich Andean textile legacy: the skillful use of alpaca fiber in hand spinning that has been passed down from generation to generation since pre-Inca times.

In order to enhance their work, a GILL machine has been delivered to them, so that they can better standardize the fiber. They have been trained in its use, and technical visits have been made so that they can learn about the complete alpaca process.



During 2021, two orders have been placed for material from the enterprising fiber artisans, for the APU spinning line which is promoted in our collection cards.







# GRI CONTENT INDEX

**GRI CONTENT INDEX****102-55**

This material references GRI 102: General Contents 2016, GRI 103: Management Approach 2016, GRI 205: Anti-Corruption 2016, GRI 301: Materials 2016, GRI 302: Energy 2016, GRI 305: Emissions 2016, GRI 401: Employment 2016, GRI 404: Training and Education 2016, GRI 413: Local Communities 2016. For a detailed explanation of the relevant content, see the GRI Content Index.

GRI Standards Disclosure	Page Number	Omission	Reason for omission	Explanation
<b>GRI 102: General Contents 2016</b>				
<b>Profile of the organization</b>				
102-1 Name of the organization	1	-	-	-
102-2 Activities, brands, products and services	1	-	-	-
102-3 Site location	1	-	-	-
102-4 Location of operations	1	-	-	-
102-5 Ownership and legal form	1	-	-	-
102-6 Markets served	1	-	-	-
102-7 Size of the organization	1	-	-	-
102-8 Information on employees and other workers	1	-	-	-
102-12 External initiatives	6	-	-	-
102-13 Membership in associations	7	-	-	-
<b>Strategy</b>				
102-14 Statement from senior executives responsible for decision making	-	-	-	-
<b>Ethics and Integrity</b>				
102-16 Values, principles, standards and norms of conduct	3	-	-	-



<b>Governance</b>				
102-18 Governance structure	9	-	-	-
<b>Reporting practices</b>				
102-45 Entities included in consolidated financial statements	10	-	-	-
102-46 Definition of the contents of the reports and the topic coverage	10	-	-	-
102-47 List of material topics	10	-	-	-
102-48 Restatement of information	10	-	-	-
102-49 Changes in Reporting	10	-	-	-
102-50 Reporting period	10	-	-	-
102-51 Date of last report	10	-	-	-
102-52 Reporting cycle	10	-	-	-
102-53 Contact point for questions about the report 102-55 GRI Content Index	10	-	-	-
102-46 Definition of the contents of the reports and the topic coverage	29	-	-	-
<b>Thematic standards</b>				
<b>Series 200 (economic issues)</b>				
<b>Anti-corruption</b>				
<b>GRI 103: Management Approach</b>				
103-1 Explanation of the material topic and its Coverage	13	-	-	-
103-2 The management approach and its components	13	-	-	-
103-3 Evaluation of the management approach	13	-	-	-
<b>GRI 205: Anticorruption 2016</b>				
205-3 Confirmed cases of corruption and actions taken	14	-	-	-



Series 300 (environmental themes)				
Materials				
GRI 103: Management Approach				
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103-2 The management approach and its components	13	-	-	-
103-3 Evaluation of the management approach	13	-	-	-
GRI 301: Materials 2016				
301-1 Materials used by weight or volume	17	-	-	-
Energy				
GRI 103: Management Approach				
103-1 Explanation of the material topic and its Coverage	18	-	-	-
103-2 The management approach and its components	18	-	-	-
103-3 Evaluation of the management approach	18	-	-	-
GRI 302: Energy 2016				
302-1 Energy consumption within the organization	19	-	-	-
Emissions				
GRI 103: Management Approach				
103-1 Explanation of the material topic and its Coverage	18	-	-	-
103-2 The management approach and its components	18	-	-	-
103-3 Evaluation of the management approach	18	-	-	-
GRI 305: Emissions 2016				
305-1 Greenhouse Gas Emissions - Scope 1	19	-	-	-

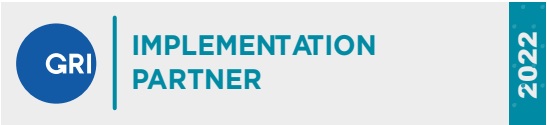
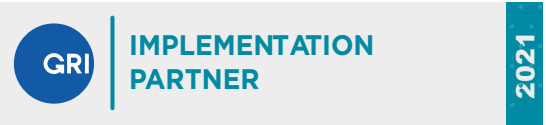


Series 400 (social themes)				
Employment				
GRI 103: Management Approach				
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103-2 The management approach and its components	21	-	-	-
103-3 Evaluation of the management approach	21	-	-	-
GRI 401: Empleo 2016				
401-2 Benefits for full-time employees that are not provided to part-time or temporary employees	22	-	-	-
Formation and Teaching				
GRI 103: Management Approach				
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103-2 The management approach and its components	25	-	-	-
103-3 Evaluation of the management approach	25	-	-	-
GRI 404: Formation and Teaching 2016				
404-2 Programs to improve employees' skills and transition assistance programs	25	-	-	-
Local Communities				
GRI 103: Management Approach				
103-1 Explanation of the material topic and its Coverage	25	-	-	-
103-2 The management approach and its components	25	-	-	-
103-3 Evaluation of the management approach	25	-	-	-
GRI 413: Local Communities 2016				
413-1 Operations with local community participation	25	-	-	-



Elaborated by:

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