

SUSTAINABILITY REPORT

2022-2023



MICHELL
Passion for Alpaca since 1931



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REPORTE DE SOSTENIBILIDAD 2022- 2023



LETTER FROM THE HIGHEST REPRESENTATIVE OF OUR COMPANY

Content 2-22

We are Michell & CIA, a company from Arequipa with over 90 years of experience, providing the highest quality alpaca products, becoming pioneers and innovators, and bringing our culture to Peru and the world.

Our comprehensive strategy as a company continues to strengthen leadership from Peru and consolidate our presence worldwide. It is an ambitious endeavor that we are achieving through teamwork, as we have a talented human group that adds value to Michell.

We believe that reliable solutions are a hallmark of quality, and our clients reward our work and commitment with the most valuable aspect: **Trust.**

We are working to be leaders in social and environmental responsibility from the outset, demonstrating that well-done work yields positive results. That is why we are a company that not only sets the standard and teaches through example, but also one that operates with clear rules, as we demand respect for human rights, the environment, and transparency from our stakeholders, helping them reach the expected level and often accompanying them on that journey.

We invite you to learn more about our sustainable governance in our Third Referenced Sustainability Report, covering periods 2022 and 2023.

Juan Pepper Pastor
Manager



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ABOUT OUR **SUSTAINABILITY REPORT**

2.



SUSTAINABILITY REPORT 2022- 2023



About our Report

Content 2-2, Content 2-3, Content 2-4

Michell & CIA is a company from Arequipa with 92 years of history in the textile industry. Currently, it does not present consolidated financial statements and is not part of any holding or business group. We are a company that operates under the legal status of a Corporation (Sociedad Anónima - S.A.), being unrelated to connections, mergers, spin-offs, or similar entities at present.

Our Third Sustainability Report covers the periods 2022-2023, from January 1, 2022, to December 31, 2023, and outlines our socially responsible management (economic, social, and environmental). This is in accordance with the scope of the program and the GRI Standards.

The company issues its sustainability statements biennially. Our latest publication was released on June 27, 2022.

Regarding information on our latest updates and/or significant changes during the reporting period:

- The year 2022 was characterized by two launches: "Tejer es Cool," ("Knitting is Cool") a brand that embraces the wonder of knitting, offering classes on various techniques and styles; and "Patapampa," a brand that combines fashion, adventure, and social commitment, as its sales help finance educational projects that pave the way for hundreds of children in the Peruvian Andes toward a more promising future.
- As of 2023, we are proud to hold 11 international certifications, which represent our commitment to sustainability, animal welfare, respect for nature, and ethical trade.
- Additionally, the development of a Traceability System was promoted, which has allowed us to identify the entire processing chain of a finished product, understanding its timeline and tracing back to the fibre's supplying farm.
- Additionally, the 'Innovate Michell' Program was promoted, aiming to foster creativity and provide improvement opportunities for workers. In the 2023 period, the best ideas from the Program have already been implemented.

2. ABOUT OUR SUSTAINABILITY REPORT



To learn more about us and/or to address any questions about our Second Referenced Sustainability Report, please contact:

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Head of Quality Division

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WHO ARE WE?

3.



Who are we?

Content 2-1, Content 2-6

Michell Y Cía. S.A., hereinafter referred to as Michell, has over 90 years of experience and expertise in the Alpaca fibre processing industry, being a pioneer, leading producer, and the world's main exporter of Alpaca tops and yarns.

Our History

The Michell family has been involved in the alpaca industry since the early 1920s. However, it wasn't until 1931 that Mr. Frank W. Michell founded Michell in Arequipa, where he began as a classifier and exporter of alpaca fibre."



Passion for Alpaca since 1931

The Michell name is recognized and associated with the finest Peruvian Alpaca yarns in the markets of Asia, Europe, and America.

However, with the goal of maintaining our reputation and leadership in the industry, we continue to invest in and implement quality programs to ensure continuous improvement at all stages of production, up to the service provided to our customers.

Pioneers of the Alpaca Industry

The early years were challenging, but the effort and ingenuity put into offering the New World textile industry something different from raw alpaca fibre helped develop the art and science of fibre classification.

The raw material was collected in the southern highlands of the country, hand-classified, and transported by train to the port of Mollendo before being sent to major textile destinations such as Bradford in the United Kingdom and Boston in North America.

Our first factory in Peru

Close contact with international markets highlighted the need to move beyond raw material exports, and in the 1940s, Frank's dream came true.



In 1947, the first spinning and weaving plant was established in Peru, setting the standard for the alpaca industry today, not only in Peru but worldwide

Years later, Frank Michell's idea of increasing the value of Alpaca fibre was successfully implemented through selective breeding of Alpacas, improvement of industrial processes such as washing, carding, combing, spinning, dyeing, and weaving, as well as maintaining a close relationship with customers.

With 90 years in the industry, Michell has achieved an indisputable standing. From the beginning with Mr. Frank W. Michell at the helm, who knew how to guide such an important company with the support of his sons and grandsons.

Legacy

Subsequently, from the late 1970s until the early 2000s, Frank's legacy passed to his visionary son, Michael W. Michell, who promoted alpaca fibre in various countries across North America, Europe, and Asia.

Thanks to Michael, the name Michell began to be known and associated with the finest Peruvian alpaca. Additionally, he hired and trained highly skilled collaborators, invested in more modern production facilities, improved manufacturing processes, and adopted a culture of change with the goal of adapting to and responding to the ever-changing needs of the global market.



Subsequently, the company's legacy began to be carried forward by Derek Michell, Frank's grandson. Thanks to this leadership and all the collaborators, we are proud to say that since 2014, we have experienced our best years in terms of production and revenue since our founding.

Everyone at Michell feels that 90 years is just the beginning of our story, and we are more motivated than ever to continue sharing the finest Peruvian alpaca with the world.



Our DNA



Mission:

Transform alpaca fibre and other natural fibres into high-value-added products with the contribution of our collaborators, satisfying the needs of the world, promoting their use globally, and taking care of the community and the environment.

Vision:

To be the global benchmark in providing warmth and comfort with the best alpaca and natural fibre products, offering unique experiences to our customers and community in a sustainable and innovative manner, through a committed and empowered team.

Our Values:

- Passion: We love what we do from the heart; we overcome challenges, create, and innovate.
- Loyalty: Deep commitment to Michell; our actions go beyond what is required by regulations. Not out of obligation, but out of conviction.
- Quality: As part of our philosophy; we adhere to standards in the pursuit of perfection.
- Commitment: Through our own choice; it comes from within and provides an extra effort that leads us to excellence.
- Creativity: As the gateway to personal and organizational growth; always based on tenacity, confidence, and enthusiasm.

Our products:

1. Tops: Processed fibre that has undergone sorting, washing, carding, and combing.

do y peinado



3. WHO ARE WE?



2. Yarns: Varieties developed in two lines.

2.1 Industrial knitting yarn line.



2.2 Hand knitting yarn line.



"Tejer es Cool": Launched in 2022, the brand aims to promote hand knitting while also supporting the women workers of Michell through the names of the yarn balls.



Additionally, we continue with our ECO line, which is developed with natural yarns.

3. Garments (Finished product)

3.1. Sol Alpaca: Tourism-oriented brand

3.2. Patapampa: Purpose-driven brand, aiming to reinvest resources in children's education.

In less than a year since the brand's launch, it has successfully benefited 296 children in early and primary education in the communities of Cojata and Vilque Chico, located in Puno.



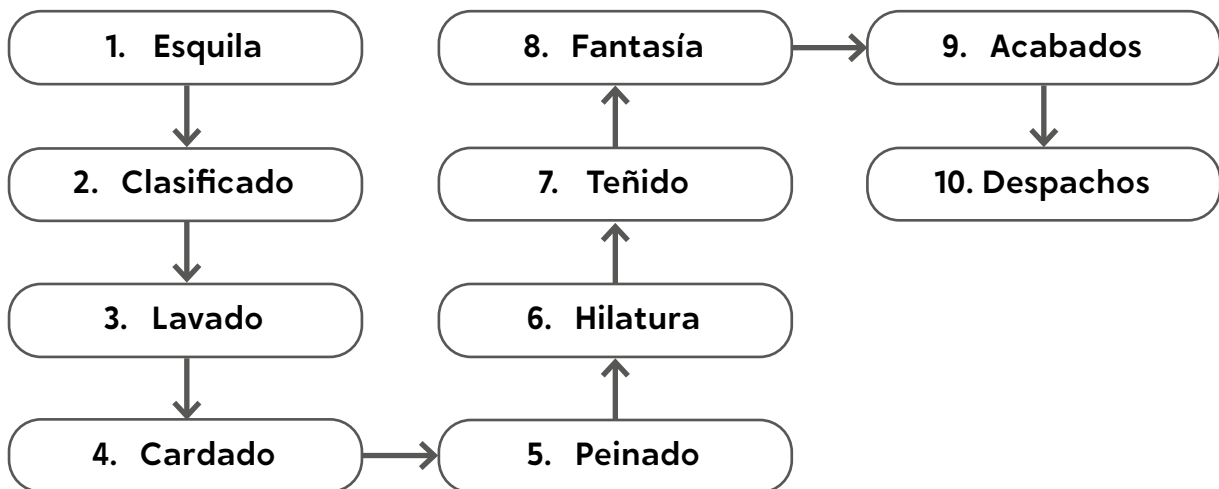
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Additionally, monthly food hampers have been provided for 6 months to each of the children, along with appropriate clothing for attending school.

Our Process:



Our Clients:



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

1. Tops: We work with agents worldwide, generally spinning mills.
2. Yarns:
 - 2.1. Industrial Yarn: We deal with weaving companies, agents, direct clients (brands), and wholesale and retail distributors.
 - 2.2. Hand Knitting Yarn: We work with wholesalers (for export), end consumers, local distributors, as well as retail sales.
3. Finished Garments: We cater to end consumers and small distributors. Our garments reach all the world through our offices in countries such as Australia, Bolivia, Chile, and Peru, as well as through our e-commerce platforms, which have



been actively promoted for the past 4 years.

Our Stores and Offices

Our main office is located at Av. Juan de la Torre #101, San Lázaro, Arequipa, Peru.

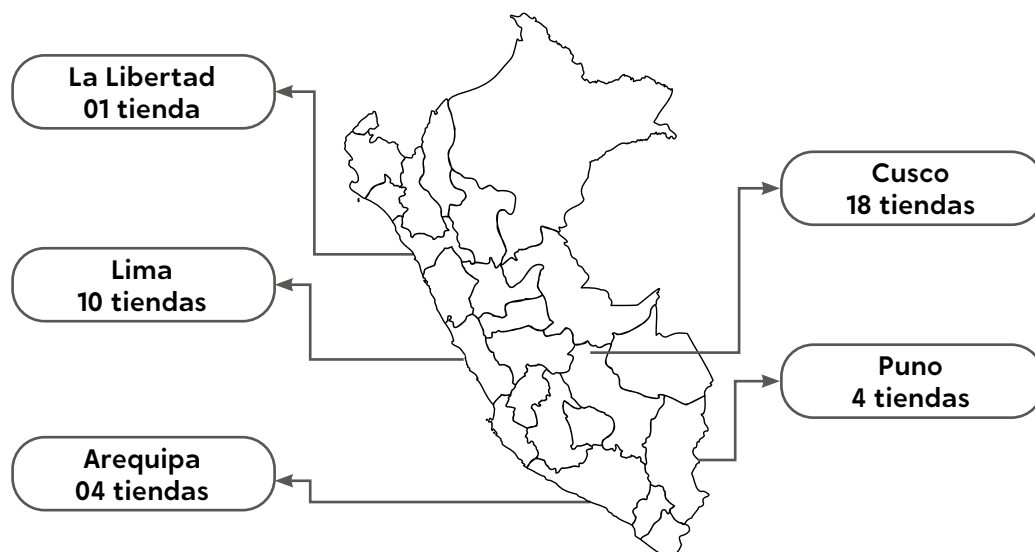
We also have 3 production facilities, which are located at:

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

Concerning our garment stores, we can consider the following locations in the city of Arequipa:

- Mundo Alpaca: Alameda San Lázaro 101- Cercado.
- Santa Catalina: Calle Santa Catalina 120B- Cercado.
- San Francisco: Calle San Francisco 129- Cercado.
- Hotel Casa Andina Private Collection: Calle Ugarte 403- Cercado.
- Aeropuerto Alfredo Rodríguez Ballón: Boarding Area

We also have a presence in Chile (Santiago), Bolivia (La Paz) y Australia (Melbourne y Sídney).



Affiliations and Memberships:

Michell is a strategic ally of various associations and institutions, working in partnership with them:



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Arequipa Chamber of Commerce and Industry (CCIA):

As members of the Arequipa Chamber of Commerce and Industry, we are part of the business competitiveness and integral development of the Arequipa Region and the southern part of the country.



Asociación Civil Alpaca del Perú- ASCALPE (Civil Association Alpaca of Peru)

It is part of our commitment to promote the sustainable development of the alpaca and South American camelid value chain, strengthening competitiveness and equity across each of the links and stakeholders involved.



Asociación Internacional de la Alpaca- AIA (International Alpaca Association)

As members, we join efforts to protect the image of alpaca fibre and its derivatives.



Comité de Comercio Exterior - COMEX Perú (Foreign Trade Committee):

We respect and honor the principles and legal regulations related to foreign trade in Peru.



Sociedad Nacional de Industrias- SNI:(National Society of Industries)

It promotes the development of the manufacturing industry, boosts the market economy, and contributes to the country's development through sector-specific technical proposals in areas such as economic, labor, and tax matters, among others.



Asociación de Exportadores- ADEX (Association of Exporters)

Its purpose is to represent and provide services to member organizations, including exporters, importers, and trade service providers.





Asociación de Empresas del Parque Industrial de Arequipa- ADEPIA: - (Association of Companies in the Industrial Park of Arequipa)

We are part of the coordination and integration promoted by ADEPIA among all its members, with the aim of addressing issues of common interest for the business community and the region.

Our Certifications and Recognitions

During the period 2022– 2023, we obtained the following Recognitions and/or Certifications:

Fair Trade – Buenas Prácticas de Comercio Justo – BPCJ

Michell has been audited by Promperú for both reported periods by the certification company ICONTEC. In 2022, the result achieved was 100% compliance with the criteria and indicators established by the standard, and in 2023, the proper maintenance of the criteria and indicators of Good Practice Certification (BPCJ) was evidenced.



OEKO TEX ESTÁNDAR 100

In both periods, Michell has renewed its STANDARD 100 by OEKO-TEX accreditation at the highest Level I for baby articles. This accreditation applies to all our white and naturally colored alpaca and sheep tops and yarns, as well as the machine-sheared vicuña fibre. This renewal confirms the safety of our textiles and demonstrates our ongoing commitment to international health regulations required for export products.

In May 2023, we also achieved Oeko-Tex certification at Level II for all our dyed tops and yarns. This certification covers the range of dyes we use and the variety of blends we work with.





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GOTS (Global Organic Textile Standard) y OCS (Organic Content Standard)

A global leader in processing textiles made from organic fibres, it certifies that production processes do not harm people or the environment. It also verifies compliance with ecological and social criteria, technical quality parameters, and requirements related to hazards and toxicity of the materials used. Michell has successfully renewed its GOTS certification for 2023 and 2024, thereby maintaining its strong social and environmental commitment and ensuring the organic quality of its textiles.



INTERWOOLLABS

In March and October of 2022 and 2023, the fineness analysis results were evaluated in testing sessions organized to renew the Interwoollabs Certification. This certification ensures the accurate execution and reliability of the fineness analyses that qualify our exports.



RAF Certification (RWS + RAS)

Michell has successfully renewed its Animal Welfare certification for both wool (RWS) and alpaca (RAS), which guarantees that its animals are raised free from hunger and thirst, free from discomfort, free to exhibit normal behavior, free from pain, injuries, and diseases, and free from fear and stress.

Michell, leading the certification processes, has achieved RAS certification not only for our alpaca breeding farm but also for other alpaca farms that chose to join this initiative. We have also achieved RAS and RWS certification for the entire chain of custody of products exported in 2022.



In 2023, more alpaca breeders joined the company in this effort and certified their farms with Michell's support,



expanding the number of producers employing animal welfare-focused breeding techniques. Additionally, we have achieved RAS and RWS certification for the entire chain of custody of products exported in 2023.

Certificación Business Alliance for Secure Commerce - BASC

With the aim of maintaining export safety, the BASC certification was renewed in October 2022 and August 2023. The goal is to ensure safe international trade throughout the entire logistics chain and to manage processes to prevent contamination of our goods from smuggling, narcotics, terrorism, and other illegal activities. This certification has also allowed us to instill a comprehensive security culture among all the transportation service providers we work with.



BUSINESS ALLIANCE FOR SECURE COMMERCE

Bio Comercio

With the aim of integrating more export production chains into the international sustainable macrotrend, the Commission for the Promotion of Peru for Export and Tourism—Promperú—awarded Michell the Biocommerce Peru seal in March 2023. This seal certifies the responsible use of native biodiversity resources, specifically alpaca fibre, and supports the development of economic activities through strategic partnerships with communities in our areas of influence.



Premio Empresas Más Admiradas de Arequipa-EMA 2022– 2023: (Most Admired Companies Award of Arequipa)

Organised by PWC and G de Gestión magazine, in partnership with UCSP 2021. The companies receiving the EMA award are selected by the region's businesspeople. Through a survey, we are rated in 10 categories: corporate reputation, technological capability and digitalization, commercial and innovation strategy,



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promotion of Arequipa talent, corporate governance, strategic management, financial management, commitment to Arequipa, sustainability, and gender equity policy. Michell y CIA has received this accolade in both reported periods.

Maximum Admissible Values 2023- SEDAPAR

In the framework of the 3rd Maximum Admissible Values Fair 2023, organized by



SEDAPAR S.A., Michell was recognized as one of the companies that dedicates the most effort to managing its effluents in Arequipa.

This accolade brings great satisfaction to the company, as it reflects the significant progress made under the comprehensive sustainable development plan, through which Michell aims to become, in the medium term, a company whose production chain increasingly benefits both society and the environment."

Business Excellence- Chamber of Commerce and Industry of Arequipa (CCIA)

On the occasion of its 136th anniversary, the Chamber of Commerce and Industry of Arequipa (CCIA) established and presented the Business Excellence Award to the most outstanding companies, including Michell, for their track record and commitment to the region and the country. This distinction is an initiative of the current CCIA board, aimed at recognizing national and local entrepreneurs who have contributed to the nation by generating development and employment.



Our Collaborators:

Content 2-7, Content 2-8

As of 31 December 2023, our workforce consisted of 1,464 employees, including permanent and temporary staff, with whom we managed all operations.

Permanent staff receive all legal benefits, in addition to enjoying a positive work environment and optimal working conditions. We also provide voluntary benefits to our team.

Due to the nature of our operations and activities, the company does not employ external personnel within the organization.

Below is the distribution of our human capital by gender, type, and place of employment:

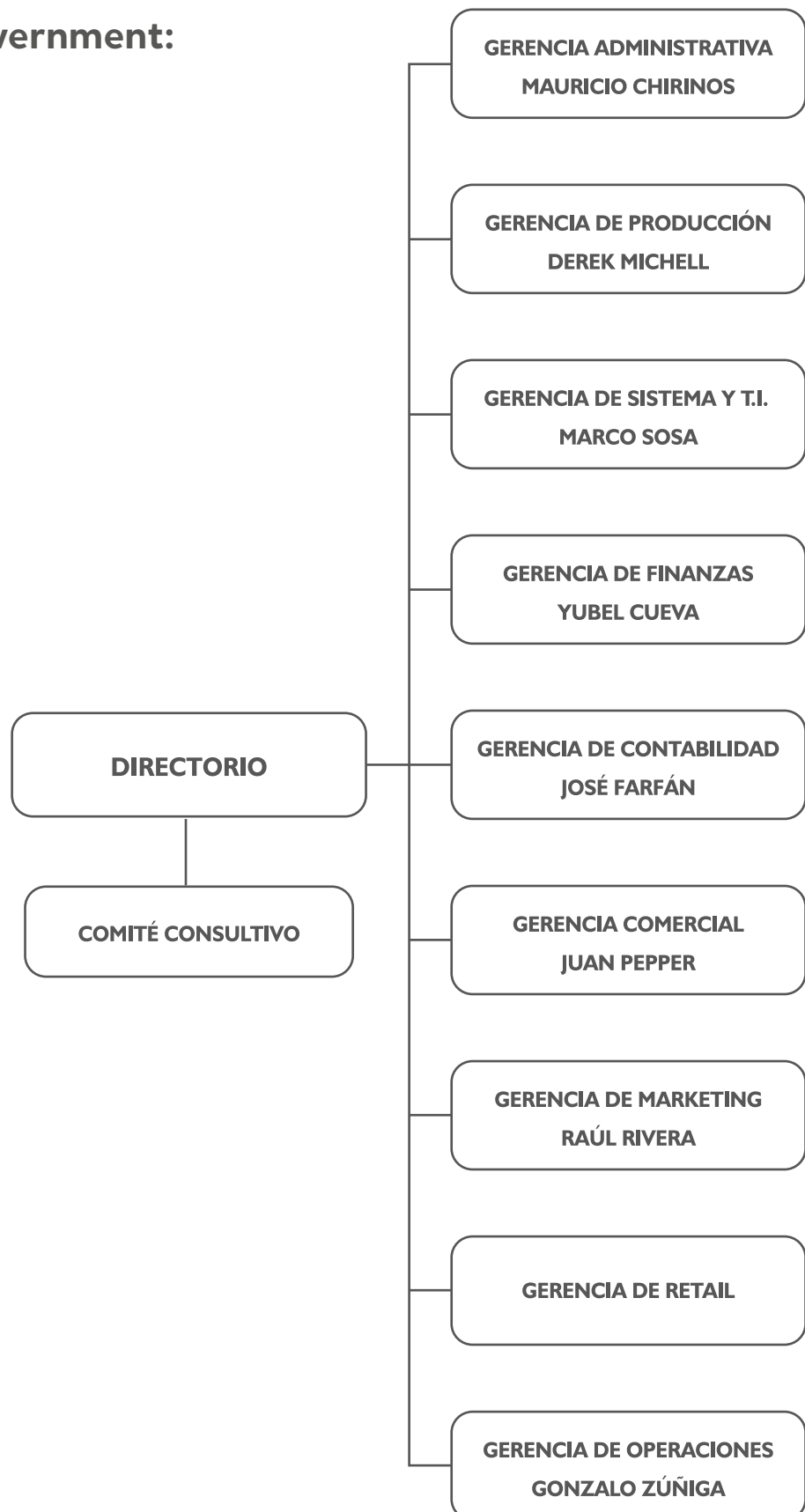
Gender	Permanent Hiring	Temporary Hiring
Men	485	00
Women	979	00
Total	1464	00

Place	Permanent Hiring	Temporary Hiring
Arequipa	1464	00
Total	1464	00



Corporate Government:

Content 2-9





Policies and Compliance:

Content 2-27

Part of our philosophy and commitments are reflected in our policies, which are oriented towards the proper conduct and actions of the company and various stakeholders. We have the following:

Quality Policy: Focused on reaffirming our commitment to producing goods that meet stringent quality standards, satisfying our customers' needs by providing the best service and attention to ensure their satisfaction, with an emphasis on quality and delivery time, thus consolidating long-term relationships.

Environmental Policy: Reaffirms our commitment to environmental protection, the conservation of natural resources, the sustainability of alpaca—our flagship fibre—and the reduction of environmental impact. This involves ensuring the eco-efficiency of our processes by working with clean energy, making proper use of resources, managing waste appropriately, and fostering good environmental practices with respect for the environment.



Social Policy: Creating an environment of well-being and support not only for our employees but also for their families, as we firmly believe that they contribute to the growth and development of our company.

Our social policy also promotes a strict ethical code based on honesty, accuracy, and transparency in our dealings with clients, suppliers, employees, shareholders, competitors, and the community at large. Additionally, it encourages direct, constant, and open communication with our workers by establishing efficient communication channels for handling opinions, complaints, grievances, and suggestions from staff.



Occupational Health and Safety Policy: We are committed to managing our operations by protecting the physical integrity and health of employees, clients, suppliers, visitors, and contractors. This involves strictly adhering to all obligations related to occupational health and safety, promoting prevention, complying with legal regulations, and training and raising awareness among all employees to ensure compliance.

Export Security Policy: This policy aims to ensure the security of all exports through a management system that prevents illicit activities such as smuggling, drug trafficking, terrorism, money laundering, corruption, and bribery. It also ensures compliance with all legal requirements and promotes the continuous improvement of security processes in the supply chain as well as in information technologies.

Additionally, within Michell's internal regulations , we have established the following policies

Non-Discrimination Policy: Promoting equality among employees and combating discrimination in accordance with the Universal Declaration of Human Rights and other relevant documents.

Child Labour Policy: Committed to eradicating any form of exploitation and child labour to ensure that no child or adolescent is employed in violation of mandatory legal requirements.



Policy Against Sexual Harassment: Aiming to allow employees to file a complaint if they are victims of sexual harassment.

Michell is aware that habitual consumption of alcohol and drugs deteriorates health and jeopardises physical and emotional well-being. Such consumption could affect



both individual safety and the organisation's safety; therefore, Michell maintains a zero-tolerance policy.

Michell is characterised by its respect for and compliance with the laws and regulations governing our operations, and we adhere to them in all aspects, particularly economic, social, and environmental. During the declared period, the company has not received any fines or non-monetary sanctions related to Human Resources or the Environment.

However, two administrative fines have been recorded: one issued by SUNAFIL Cusco Intendancy for failing to attend a hearing (considered a minor infraction), and another issued by SUNAFIL Arequipa Intendancy for not meeting the 3% quota for hiring disabled personnel. In this case, we provided the relevant explanation, demonstrating that the job positions in our production facilities pose a significant risk. Nonetheless, we have assessed job profiles with experts in the field (Occupational Health and Safety) and have exhausted inclusive hiring possibilities by conducting calls through job boards and platforms authorised by the Ministry of Labour and Promotion of Employment.



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OUR FOCUS ON **SUSTAINABILITY**

4.



MATERIALITY ANALYSIS

(Content 3-1, Content 3-2)



The material topics we will report on have been defined based on the company's activities, the operations carried out during the reported period, and the sector in which we operate.

Our third referenced Sustainability Report was prepared accordingly, in line with the scope of the Global Reporting Initiative's Competitive Business Program and its new standards, under the ongoing guidance of its implementing partner, HumanizaRSE – Acción Sostenible, from the outset of the programme.

The reported Material Topics are:

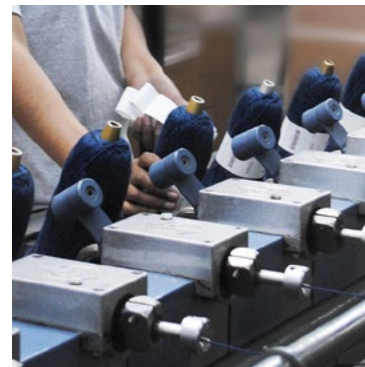
- **Economic Category:**
- Anticorruption

Environmental Category:

- Materials
- Biodiversity

Social Category:

- Employment
- Local Communities
- As previously stated regarding the significant changes that occurred in the company in 2022 and 2023, we can mention:
- Launch of the brands "Tejer es Cool" and "Patapampa," both purpose-driven brands.
- Traceability system for our production chain from the source farm to the finished product.
- "Innovate Michell" programme, which supports innovation and creativity at all levels and with all our employees.



4. OUR FOCUS ON SUSTAINABILITY



- We report on our sustainability biannually. Our latest report was published on 27 June 202



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OUR ECONOMIC **MANAGEMENT**

5.



ANTICORRUPTION

(Standard 205 (2016), Content 205-2)

Reporting on our Anti-Corruption management is material for the company as it highlights the ethics, transparency, and integrity with which Michell conducts its operations and activities.

The scope, as with other material topics to be reported, is Arequipa, where the company is based, carries out its significant operations, and has assessed the relevant impacts reported.

The company's pillars include ethical values, guiding its management and operations towards correct practices, rejecting corruption, any form of bribery, fraud, illegal practices, or similar activities.

In line with this, we have a Code of Conduct and Ethics, established on 25 November 2014. The Administrative Management, through the Human Resources Department, ensures its dissemination and compliance.

Additionally, we have an Ethics Officer, our Administrative Manager, who, along with their team, is responsible for overseeing compliance, following up on, and addressing corruption-related complaints.

This document is shared with all employees to facilitate its provisions and adherence. Violating the code and other policies may result in reprimand, reassignment, dismissal, or other legal actions.

As a socially responsible company, we have included topics such as Conflicts of Interest, Business Favors, and Bribery in our Code of Ethics.

The company is committed to maintaining high ethical standards in all its activities. Therefore, in the event of suspected fraud or corruption, Michell will address it firmly and systematically.

Employees are obligated to report any actions, conduct, information, or evidence of fraud and/or bribery, both internally and externally when linked to Michell's activities. To facilitate this, we have a digital and anonymous reporting channel accessible via a QR code distributed throughout the company.

As part of our efforts to maintain the integrity and transparency of our operations,

5. OUR ECONOMIC MANAGEMENT



BUSINESS ALLIANCE FOR SECURE COMMERCE

the BASC – Business Alliance for Secure Commerce certification has enabled the implementation and execution of actions to ensure compliance with legal regulations and prevent involvement in illicit activities. Within the scope of BASC, we detail the actions undertaken:

1. All transport providers have been trained in accordance with the Security Plan required by the certification.
2. Michell's processes have been evaluated to reduce the risk of transporting or introducing illegal merchandise.
3. Security agreements have been made with each supplier of critical products, inputs, or services to ensure their commitment and compliance with the guidelines and principles promoted by the company.
4. Audits have been conducted on transport companies to ensure adherence to the assumed directives.
5. Records are maintained to allow for meticulous and continuous control.

It is important to highlight that the service providers in the textile chain have also been trained in Good Fair-Trade Practices. Additionally, we are working with them to obtain their Animal Welfare Certification.

We know that, with our support and guidance, they will achieve it and grow responsibly. For the current Sustainability Report, the company is participating as an “anchor organisation” in the Competitive Business Programme, enabling selected suppliers to publish their First Referenced Sustainability Report, declaring their good practices, policies, and processes.

In line with the above, during the reporting period, we have not received any complaints or reports of corruption, fraud, bribery, or related issues.

The aforementioned statements cover one hundred per cent (100%) of the operations carried out by the company.



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OUR ENVIRONMENTAL **MANAGEMENT**

6.



MATERIAL MANAGEMENT

(Standard 301 (2016), Content 301-1)

This topic is relevant to our organisation as it allows us to measure, control, and optimise the consumption of resources used in our operations. This will not only demonstrate the improvement of our environmental management in the future but also our contribution to the care and protection of the environment. The scope of the material topic is as previously stated. We have no limitations or omissions of information in this regard.

Michell has committed to making a continuous effort to identify, prevent, and minimise negative environmental impacts resulting from the development of activities, facilities, and services inherent to the nature of the sector.

We have continued with the Environmental Adaptation Programme (PAMA) for the three manufacturing plants, conducting the following monitoring activities:

- Monitoring of solid waste, declaration and projection in the three plants – March 2022
- Monitoring in the three plants – September 2022
- Monitoring in the washing-combing plant and the finishing-dyeing plant – December 2022
- Monitoring of solid waste, declaration and projection in the three plants – March 2023
- Environmental monitoring carried out in the three plants.



We continue to work under the same guidelines concerning technical monitoring, product corrections that need to be made, and reports to the Ministry of Production.

Regarding material consumption, it has been calculated based on our main raw material, which is alpaca fibre. Additionally, other fibres have been considered, such as: sheep wool (domestic and imported, primarily from Argentina and Uruguay), silk, cashmere, linen, bamboo, nylon, acrylics, among others.

6. OUR ENVIRONMENTAL MANAGEMENT



Our main suppliers are:

1. Communities from high Andean areas (Cusco, Puno, Huancavelica, Arequipa), with whom Michell has collaborated in Development Programmes such as Shearing Techniques and Animal Welfare Certification, which have improved both work quality and the final product.
2. Intermediaries, with whom we work sporadically according to demand and season.
3. Own Producers: Michell has its own farm for the production, breeding, and development of alpacas. This farm is certified for the production of organic alpaca and for the production of RAS (Responsible Alpaca Standard) fibre.
4. Suppliers of special fibres under the importation modality.

Below, we present the material consumption for both declared periods:

Period	Consumption by Materials (Quintals)
2022	80 150.95
2023	109 037.96

On the other hand, annually, the declaration and projection of solid waste monitoring are carried out in each of the company's plants to quantify them and implement measures for their mitigation.

Actions for the proper management of Hazardous Waste continue through companies authorised by DIGESA, and the chain of custody for the declaration and projection of Solid Waste is continually presented to OEFA and SIGERSOL.

Below, we present the results of the proper disposal of our solid waste:

Period	Hazardous Waste- Kg
2022	4 655
2023	4 154



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A 10.8% reduction in waste generation was achieved, thanks to the actions and monitoring conducted by the company.

Period	Non-hazardous Waste- Kg
2022	922 193
2023	844 739

In this case, an 8.4% reduction in waste generation was achieved.

ENVIRONMENTAL CAMPAIGNS:



Hilando Verde Programme (Green Spinning)

With over 1,250 trees planted on the outskirts of Arequipa over 4 years, we are firmly committed to providing our city with sources of oxygen and reducing our carbon footprint.

On October 1, 2023, a new edition of our Hilando Verde project took place through a reforestation campaign in the "Asociación de Vivienda Granjeros 28 de Julio", where 1,300 trees of various species were planted, including molles, cahuatos, and vilcos (Peruvian pepper tree, yellow trumpet bush, tecoma arequipensis).

It is worth highlighting that we apply strict control and monitoring of the plantings to ensure the proper growth of the trees.

Awareness Campaigns:

Directed towards our service providers, with the aim of establishing lasting commercial relationships by supporting their development through technical visits and advice on good fair-trade practices, RAS, RWS certifications, etc.; webinars to provide information on commercial agreements, order placements, adherence to agreed payment dates, advances, certifications, and the work that Michell is carrying out.

6. OUR ENVIRONMENTAL MANAGEMENT



Training on Good Environmental Practices:

These are directed at all our collaborators virtually, with the aim of reinforcing various environmental topics on a monthly basis.

Environmental Initiatives in Circular Economy:

Implemented throughout our entire production process with the aim of reusing, renewing, and recycling products and generating resource savings across our supply chain. For example, this includes the analysis and repurposing of waste generated by our treatment plant in partnership with the company L'qara.

Agreement with the Enlazando Association:

In 2023, a cooperation agreement was signed between the Enlazando Association and Michell to execute the project "Urban Tree Inventory at Michell." This aims to protect the urban greenery of Arequipa and to identify and collect information about the conditions and needs of the trees for their proper care. This project has brought us great satisfaction as we have been able to take corrective measures to ensure that all the trees within our facilities and the Michell mansion are in optimal condition and capture the corresponding carbon for the benefit of our environment.

In this regard, during the reporting period, the company has also not faced any fines or sanctions for non-compliance with applicable laws or conflicts with relevant regulatory bodies.



BIODIVERSITY MANAGEMENT

(Standard 304 (2016), Content 304-1)

This topic is relevant to our organisation as it allows us to measure, control, and optimise efforts towards the preservation and care of species. The scope of this



material topic is as previously stated. We have no limitations or omissions of information in this regard.

Among the main actions and/or programmes in support of species respect and safeguarding, we have:

RAS Certification (Responsible Alpaca Standard)

This tool ensures that the fibre comes from alpacas that have been raised with respect to their Five Freedoms, that the land has been managed responsibly, and that a robust chain of custody can be provided to validate the origin of the material for all product claims.



The key points in the RAF (RWS-RAS), son:

1. Protecting Animal Welfare

The Five Freedoms for animals are protected at all times:

1.1. Free from hunger and thirst.

1.2. Free from discomfort, with a comfortable

environment appropriate to the season.

1.3. Free to exhibit normal behaviour.

1.4. Free from pain, injury, or disease.

1.5. Free from fear and distress.

2. Preserving the Health of the Earth

Implement progressive land management methods that protect soil health, biodiversity, and native species.

3. Supply Chain Traceability

The identity of RAF (RWS-RAS) wool is maintained at all times: from the source farm to the finished product. Consumers have full confidence that the wool and/or alpaca in a product bearing the RAF (RWS-RAS) logo comes from responsibly managed properties.

As previously mentioned, we continue to strengthen relationships with our suppliers, from animal breeding to the production of tops and yarns from our fibres. We provide free advice and support to breeders from the associations.

6. OUR ENVIRONMENTAL MANAGEMENT



Thus, we can demonstrate the increase in farms trained by Michell Y CIA on animal welfare, as follows:

Period	Farms
2021	250
2022	370
2023	350

The training has largely been provided to alpaca producers from various locations (Puno, Cusco, Arequipa). Additionally, 14 technicians have been trained to offer technical assistance on RAS within each organisation.

For the year 2023, out of a total of 272 member farms, 29% have women representing their farms.

This significant team achievement marks the beginning of a robust supply chain system, extending from extensive Andean livestock farming to the final product.



Vicuña Salvation

The Michell Group landed in China, bringing with it all the elegance and storytelling of the world's finest animal fibre: the vicuña. This was showcased through the presentation of the documentary "Vicuña Salvation" by Derek Michell in Beijing, as well as through an exclusive collection of vicuña that conveys, in each of its threads, the history and worldview of a creature that has become the flagship species of an entire country.

Following a joint effort with the Peruvian Embassy in China, "Vicuña Salvation" was



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presented on the Asian continent on November 30, 2023. This video material not only highlights the exceptional qualities of this beautiful South American camelid but also captures the testimony of those who were part of the struggle to save the species from extinction, including the Michell family.

The story of the vicuña in South America is intertwined with the history of Michell, both in the advocacy for the species and in its process of salvation. Following the screening of the documentary, a fashion show dedicated to the vicuña was held at the Chao Hotel in Beijing, unveiling the Sol Vicuña collection that Michell has developed based on this elegant animal.



BIO COMERCE

For the first time, in partnership with the Commission for the Promotion of Peru for Export and Tourism-Promperú, we received the Biocomercio Perú seal, which certifies our responsible use of native biodiversity resources, specifically alpaca fibre, as well as our support for the development of economic activities through strategic partnerships with communities in our areas of influence.





OUR SOCIAL MANAGEMENT





TALENT MANAGEMENT

(Standard 401 (2016), Content 401-1, Content 401-2, Content 401-3)



This topic is relevant as it reflects the company's concern and management of maintaining and executing good labour practices. It represents the organisation's commitment to its human capital, both in regulatory compliance according to the law and in voluntary initiatives that benefit its employees, in line with its assumed social responsibility.

The coverage, as with other material topics declared, is the city of Arequipa, where the company is headquartered and carries out its significant operations. As with previous material topics, there are no limitations or omissions in the declaration made.

At Michell, our employees are the primary focus of our commitment to Corporate Social Responsibility, ensuring equal opportunities regardless of race, gender, origin, age, or religion. We comply with established laws for worker health and safety and continuously strive to provide our employees with safe and healthy working environments. We do not tolerate child labour under any circumstances.

Michell has salary policies and selection processes that recognise the merit of employees without distinction of gender, ethnic origin, religious belief, political affiliation, or any other kind. Benefits provided to our staff include all legally established provisions such as life insurance, healthcare, disability or incapacity leave, paternity leave, and retirement provisions.

Additionally, we maintain voluntary benefits provided to our employees in recognition of their valuable work:

- Voluntary family allowance provided to employees who do not have children or whose children are over 23 years old.
- School allowance given to all employees with school or university-aged children.
- School loan provided to employees who require it.
- Labour Day allowance given on May 1st.
- Quality Incentive
- Service bonus awarded to employees for every 5 years of service (quinquennium).

7. OUR SOCIAL MANAGEMENT



- Breakfast refreshment supplement includes milk, tea, and bread, and an economic subsidy for lunch and dinner.
- Night shift refreshment
- refreshment break, noteworthy that all three shifts include a 45-minute refreshment break within working hours.
- Night shift premium in accordance with the law, with an additional voluntary night shift premium provided by the company.
- Annual salary Increase voluntary for employees with over 3 years of service and a unique adjustment upon reaching 10 years.
- Position bonuses according to the salary policy.
- Merit-based bonuses as per the salary policy.
- Bereavement allowance for the death of direct family members (spouse, parents, or children).
- Death benefit for employees, benefiting their families.
- Educational benefit for children of employees who achieve the top 5 positions in their academic performance.
- Uniforms and cleaning supplies, Christmas hampers, gifts for Father's Day and Mother's Day.

For Michell, a positive work environment is a crucial pillar for the development of its employees. In this regard, various programmes and activities have been implemented, such as:



1. Campaign "Saluda Bonito" (Greet Pleasantly): Promotes cordiality and mutual respect among employees, recognising the "Michell Ambassadors."
2. Campaign "Por ti, por mí, por todos" (For You, For Me, For Everyone): Aims to foster kindness, empathy, and reflection among employees on their importance in the workplace.
3. Programme "Puertas Abiertas" (Open Doors): Designed to disseminate Michell's pillars and principles, its Code of Ethics, policies, and their significance.
4. Programme "Hagamos un trato con el trato" (Let's Make a Deal with Respecting Others): Targeted at management and mid-level supervisors, this



programme aims to improve relationships and treatment among employees.

5. Programme “Michell Aceso Cero” (Michell Zero Harassment): Focuses on promotion and prevention, aiming to avoid any cases of harassment at any level within the company.

6. Annual Recognitions: Allowing for the acknowledgment of employee efforts.

During the reported periods, the following recognitions were awarded:

- Colleague with Michell attitude
- PAC – Productivity, Attitude, and Quality
- Michell Mentors– TUMIS
- Middle Management
- Labour Recognitions: Electrical and Mechanical Maintenance Day
- Festive Recognitions: Mother’s Day, Father’s Day, Labour Day, among others
- Bearers of the Lord of Miracles

Michell also offers various communication channels and outreach programmes for its employees, such as:

- **Suggestion Box:**

Where employees can submit complaints using a QR code that ensures the anonymity of the reported information.

- **Department of Organisational Development:**

Composed of a team of psychologists who provide support to employees facing issues that may affect their personal and work-related health and well-being. They develop motivational programmes and promote knowledge.

- **Human Resources Department:**

Maintains an open-door policy to encourage dialogue and resolve any arising issues.

- **Social Services Department:**

Provides support in health-related areas, including medical care, health leave, and more.

- **Medical Department:**

A health team with a fully equipped clinic on-site to handle any health emergencies.

- **Industrial Development Department:**

Focuses on continuous improvement, innovation, and creativity within the company.

In pursuit of continuous improvement, the company evaluates the work climate with 100% of its employees, facilitating feedback and the identification and planning of short, medium, and long-term actions.



In 2023, the work climate index experienced a 2% increase compared to the previous period. The evaluated dimensions were:

- Identification and Satisfaction with the Company
- Environmental Conditions and Infrastructure
- Tools and Resources Provided by the Company
- Opportunities for Creativity and Initiative
- Relationships with Co-workers
- Relationship with Managers and Supervisors
- Job Satisfaction
- Salaries and Benefits
- Recognition
- Internal Communication
- Training and Development
- Industrial Safety
- Services

During the reported year, we did not incur any monetary or non-monetary fines or sanctions of any kind. Contents 2-7 and 2-8 were already declared previously.



LOCAL COMMUNITIES

(Standard 413 (2016), Content 413-1)

As in previous years and sustainability reports, we have declared the importance of our local communities and areas of influence for Michell. We are constantly at the forefront of their well-being, committed to contributing to their growth, quality of life improvement, and development. The coverage of the material topic remains as previously declared, and



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there is no omission or limitation in the information provided.

At Michell, we are committed to social responsibility. Our priority is to operate as a responsible textile company, from managerial practices and health and safety standards to environmental care.

We understand that our activities impact collaborators, the environment, the community, and other stakeholders. Therefore, our growth and success are based on economic, social, and environmental sustainability, effectively managing the impacts we produce in each of these dimensions.

Accordingly, we have been and continue to implement support and development programmes aimed at the education and quality of life improvement for the alpaca breeders with whom we work directly.

MIRASOL



The Mirasol Civil Association is a non-profit entity founded in 2006 through the initiative of a Norwegian couple, Kari Hestnes and Per Svendsen, who were clients of Michell, and the unwavering support of Michell. They first visited the farm, and during one of their excursions, they met two children, Marisol and Alex, who were the children of one of the farm's herders.

Over time, other companies joined the initiative, including Knitting Fever (USA), Fil Diamond Yarn (Canada), Fil Katia (Spain), and Designer Yarns Ltd. (UK).

The Mirasol project continues to operate and is primarily funded by Michell and Company, board members, two partners from the Mirasol Civil Association, and some committed voluntary contributors supporting education in Peru.

The children receive, in addition to accommodation in appropriately equipped rooms for boys and girls, a complete and balanced diet (breakfast, lunch, and dinner); a mid-morning snack at school; a school uniform and sportswear. All children are provided with the necessary educational materials for extracurricular work and homework.



After breakfast, the children go to school and, upon returning, have lunch and receive help with their homework from two teachers.

Currently, we have 53 primary school students directly on our farm and 19 secondary school students enrolled in a private school in Azángaro. They stay in a house set up for this purpose, with separate rooms for boys and girls, where they receive accommodation, meals, and transportation under the constant supervision of an educational assistant and a tutor.

The school continues to grow, and we are implementing ongoing improvements. We look forward to the continued support from businesses and individuals each year so that Michell can sustain this cause and potentially open more schools like Mirasol within our area of influence.



ARTE MICHELL

ARTE MICHELL COMPETITION

Michell organises the “Arte Michell Competition,” which has been held for the past 40 years, making it one of the most prestigious art contests in Peru today.

Over the years, the competition has expanded to



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include oil and acrylic painting. In 2006, Michell introduced a new category focused on techniques directly related to pre-Incan cultures: textiles. Since then, the Arte Michell Competition has gained even more significance, aiming to showcase and promote the talent of textile artists primarily from the Peruvian highlands.

Each year, Michell allocates over \$7,000 in cash prizes and approximately 80 kilos of yarn to the winners. The competition warmly welcomes the awardees to our city and covers all their expenses, continuing to support Peruvian art and artists.





GRI CONTENT INDEX

8.



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Declaration of Use	Michell has compiled the information presented in this GRI content index for the reporting period from January 1, 2022, to December 31, 2023. This index is based on the GRI Standards as a reference framework.
GRI 1 Used	GRI 1: 2021 Foundations
Applicable GRI Sector Standards	

GRI Standard / Other Source	Content	Page Number	Omission			Reference Number of the Sectoral Standard
			Omission Requirements	Motive	Explanation	
GRI 2: General Contents 2021						
GRI 2: General Contents 2021	Content 2-1: Organizational details	12	-	-	-	-
	Content 2-2: Entities included in the sustainability reporting	08	-	-	-	-
	Content 2-3: Reporting period, frequency, and contact point	08	-	-	-	-
	Content 2-4: Information update	08	-	-	-	-
	Content 2-6: Activities, value chain and other commercial relations	12	-	-	-	-
	Content 2-7: Employees	23	-	-	-	-
	Content 2-8: Workers that are not employees	23	-	-	-	-
	Content 2-9: Structures of governance and composition	24	-	-	-	-
	Content 2-22: Declaration on the sustainable development strategy	05	-	-	-	-
	Content 2-27: Compliance of the legislation and regulations	25	-	-	-	-

8. GRI CONTENT INDEX



GRI Standard / Other Source	Content	Page Number	Omission			Reference Number of the Sectoral Standard
			Requisitos Omisión	Motive	Explanation	
GRI 3: Material Topics						
GRI 3: Material Topics	Content 3-1: Process for the determination of material topics	30	-	-	-	-
	Content 3-2: List of material topics	30	-	-	-	-
Anticorrupción						
GRI 3: Material Topics 2021	3-3 Management of material topics	34	-	-	-	-
Standard 205 (2016): Anti-corruption	Content 205- 2: Communication and training on anti-corruption policies and procedures	34	-	-	-	-
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	39	-	-	-	-
Standard 301 (2016): Materials	Content 301-1: Materials used by weight or volume	38	-	-	-	-
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	41	-	-	-	-
Standard 304 (2016): Biodiversity	Content 304-1: Operational sites owned, leased, or managed located within or adjacent to protected areas or areas of high biodiversity value outside protected areas	41	-	-	-	-
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	46	-	-	-	-
Standard 401 (2016): Employment	Content 401-1: New employee hires and employee turnover	46	-	-	-	-
Local Communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	49	-	-	-	-
Standard 413 (2016): Local Communities	Content 413-1: Operations with local community participation programs, impact assessments, and development	49	-	-	-	-



SUSTAINABILITY REPORT 2022- 2023

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