



This report is a result of the
CSRCB Program
in Peru

2019
2020



MICHELL[®]

Passion for Alpaca since 1931

SUSTAINABILITY REPORT

2019





MESSAGE FROM THE EXECUTIVE DIRECTOR

Thanks to PROMPERÚ and the Corporate Sustainability and Accountability for Business Competitiveness Program - CSRCB Program, promoted by Global Reporting Initiative - GRI, in our country, we are pleased to have prepared the First Referenced Sustainability Report in Michell Y Cía.

Since the beginning of Michell Y Cía., more than 88 years ago, we have been very careful in being a company with a socially responsible commitment, and by participating in this program we have been able to confirm this commitment and strengthen it even more with our stakeholders.

We are aware of the importance and benefits of participating in initiatives of this nature, where all those involved can join and contribute towards a more sustainable country and world which has a balance in the economic, social and environmental aspects.

In this sense, we are pleased to share this document with you so that you may become familiar with our management and first declaration of sustainability.

Derek Michell

Executive Director



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NUESTRA ORGANIZACIÓN

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Michell Y Cía. S.A., hereinafter referred to as Michell, is a company belonging to the textile and clothing industry, which has approximately 90 years of experience and presence in the market, dedicated to the manufacturing and marketing of products based on alpaca fibre. Michell is a pioneer in its class, and current leader in the production and export of Alpaca Tops and Yarns.

BACKGROUND:

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

Later, from 1945, he began the industrialization stage of the company, becoming the first factory dedicated to the processing of alpaca fiber, as well as its subsequent spinning. Over the following decades, Michell achieved important growth at world level, vertically integrating itself as a Business Group in the entire alpaca production chain, from breeding to retail sales.

This is how Michell's name is currently recognized and associated with the finest Peruvian Alpaca yarns in the markets of Asia, Europe and America.

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, seeking sustainable development in all its activities and operations with each of the stakeholders.



PRODUCT LINES

At Michell we can distinguish the following as main products:

1. Tops: Processed fibre (sorting, washing, carding and combing)

2. Yarns: We can classify our variety in the following main lines:

- . Yarns for industrial fabrics
- . Yarns for hand-woven fabrics

3. Garments (finished product), focused on our two brands:

SOL ALPACA: Brand oriented to the tourism sector, seeking to disseminate the ancestral heritage of our country. Within the range of products it offers, we can highlight the ECO line, developed on the basis of 100% alpaca yarn and natural colours.

MALLKINI: Recently created brand with focus on the youth market based on sustainability concepts with contemporary designs.

By 2020, Michell has been working on the launching of a 100% Organic Alpaca Garment Line; a sustainability initiative supported by the GOTS Certification, which accredits a 100% organic condition from the raw material to the final garment.

Branches and Locations:

Our main branch is located at Av. Juan de la Torre N° 101, San Lazaro, Arequipa – Peru.

We also count with three Production sites:

1. **Sorting-Washing-Combing Plant:** Pasaje Clisa N° 106 - José Luis Bustamante y Rivero.
2. **Spinning Plant:** Ambrosio Vucetich, H1 - H3 - Parque Industrial.
3. **Finishing and Dyeing Plant:** Jacinto Ibáñez N° 436 – Parque Industrial.

Additionally, we have an office and a warehouse for yarns in Lima, as well as a branch in Cusco.



As for our clothing shops, we can consider the following in the city of Arequipa:

Sol Alpaca

- . MUNDO ALPACA: Alameda San Lázaro 101 - Cercado.
- . SANTA CATALINA: Santa Catalina 120B - Cercado.
- . SAN FRANCISCO: San Francisco 129 - Cercado.
- . HOTEL CASA ANDINA PRIVATE COLLECTION: Ugarte 403 - Cercado.
- . ALFREDO RODRÍGUEZ BALLÓN AIRPORT: Boarding area.

Mallkini

- . PASAJE DE LA CATEDRAL: Pasaje de la Catedral N° 106 - Cercado.
- . SANTA CATALINA: Calle Santa Catalina N° 118 -C - Cercado.

Likewise, we have stores in: Lima, Cusco, Trujillo, Puno, Chiclayo and Madre de Dios; and we are also present in Chile (Santiago) and Australia (Melbourne and Sidney).





The future of our organization is guided by:

OUR VISION:

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

OUR MISSION:

To transform the alpaca fibre and other natural fibres into high value-added products satisfying the needs of the world, promoting their use at a global level and at the same time taking care of the community and the environment.



OUR VALUES:

Passion: We love what we do with all 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 out of obligation but out of conviction.

Quality: As part of our philosophy, we adjust to the standards in search of perfection.

Commitment: Through our own decision; this is born from within and provides an added plus that leads us to excellence.

Creativity: For being the gateway to personal and organizational growth; always based on tenacity, confidence and enthusiasm.



Cordiality: As a source that generates well-being; based on openness, it comes from within and strengthens our identity and relationships with others.

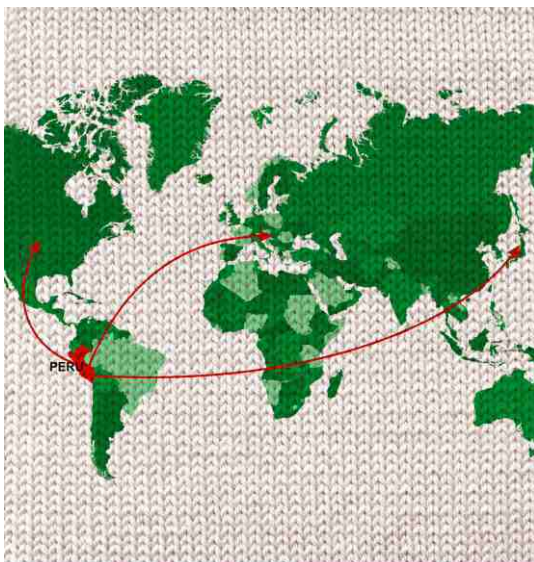
Punctuality: Which endows our personality with character, order and efficiency; living this value to the utmost makes us worthy of confidence.

Responsibility Which makes us progress as people and as a company; it makes us capable of responding



OUR SERVICES:

The presence of our company reaches the 5 continents and more than 40 countries



. **AMERICA:** The United States, Canada and great part of Latin America.

. **ASIA:** Japan, China, Korea, Hong Kong, Taiwan and the Middle East.

. **EUROPE:** Italy, Spain, France, the United Kingdom, Ireland, Germany, Scandinavia, Belgium and Eastern Europe.

. **OCEANIA:** Australia and New Zealand.





OUR COLLABORATORS AND OPERATIONS

In period 2019 our workforce was made up of 1 227 collaborators, with whom we attended to our different lines of action and operations.

1. Purchasing and Supply
2. Logistics
3. Production
4. Commercialization and Marketing
5. Administrative Activities





AFFILIATIONS AND MEMBERSHIPS

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

Following, the details:

- **Chamber of Commerce and Industry of Arequipa - CCIA:** Non-profit organization that represents the business activity of Arequipa, supporting the increase of competitiveness of companies, representing and defending their interests and promoting their development and therefore, the development of Arequipa.
- **Asociación Civil Alpaca del Perú (Alpaca Civil Association of Peru) - ASCALPE:** Non-profit organization, aimed at promoting the sustainable development of the value chain for alpaca and South American camelids, strengthening competitiveness and equity in each of the links and actors which make it up.
- **Asociación Internacional de la Alpaca (International Alpaca Association) - AIA:** Born to promote and protect the image of alpaca fiber and its derivatives.
- **COMEX Peru:** Private association which groups together the main companies linked to foreign trade in Peru.
- **Sociedad Nacional de Industrias (National Society of Industries) - SNI:** Nonprofit institution which promotes the development of the manufacturing industry, boosts the market's economy and contributes to the development of the country through technical sectorial proposals of an economic, labour and tax nature, among others.
- **ADEX:** Business institution founded in 1973 with the aim of representing and providing services to partner organisations such as exporters, importers and trade service providers.
- **Business Club:** Created by businessmen and for businessmen, the Business Club seeks to provide its members with the best business opportunities, thus generating meetings that encourage interaction between the representatives of the various business sectors in Peru.



AWARDS AND CERTIFICATIONS

Our management and the united efforts of our management and collaborators have allowed the company to achieve the following awards and certifications:

AWARDS:

- Award for Export Excellence 2018- Category: ADEX market diversification.
- Award for Commitment to Labour Insertion through the Services of the Arequipa 2018 Employment Centre - Ministry of Labour.
- EMA Award as one of the 10 Most Admired Companies in the Arequipa Region, organized by PWC and the magazine G de Gestión, in partnership with the UCSP - 2019.



CERTIFICATIONS: Michell has certified, certifies and maintains:

- **Good Practices of Fair Trade - BPCJ:** Certification developed by PROMPERU and based on the guidelines of the World Fair Trade Organization (WFTO), governed by ten criteria that specifically measure the development of the company on a social and environmental level, seeking responsible work within the company and between the company and all the actors involved therein.



- **OEKO TEX:** One of the most recognized labels in the world for textiles tested for harmful substances. It stands for customer confidence and high product safety. The OEKO-TEX Standard 100 certificate is an independent system that ensures that no harmful substances are present in textiles or in the manufacturing process.

Michell receives the OEKO-TEX STANDARD 100 accreditation at the most demanding Level I for baby items.

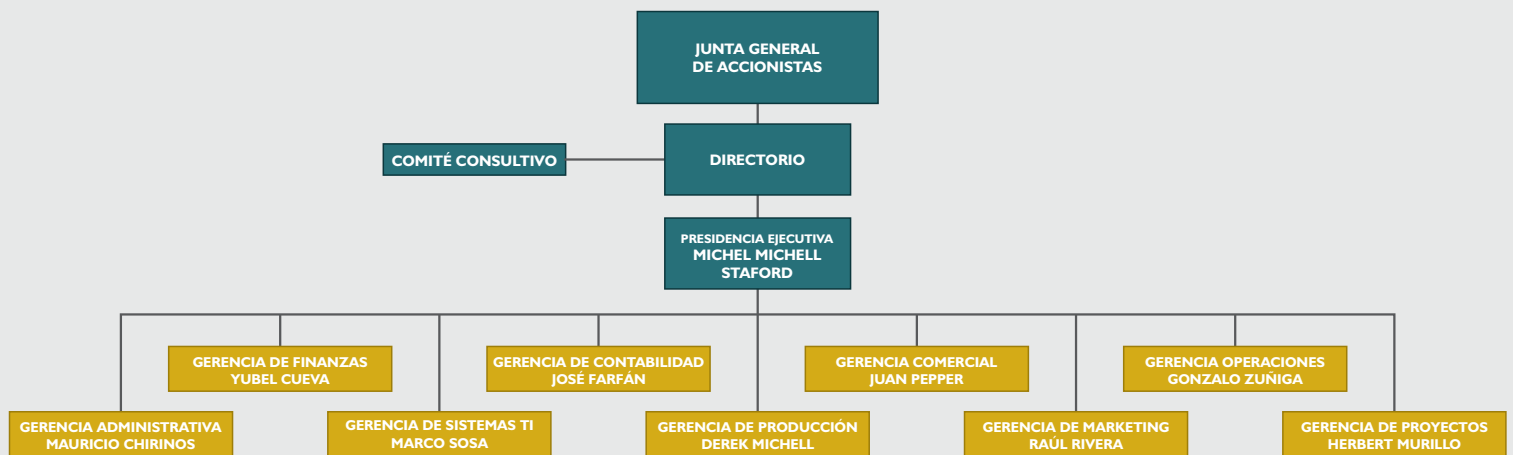
- **GOTS - Global OrganicTextile Standard:** Recognised as the leading standard in the processing of textiles made with organic fibre. The aim of the standard is to provide globally recognised requirements to ensure the organic status of textile products, from raw material handling/processing, through environmentally and socially responsible production, to correct labelling, so that the product offers the consumer security and credibility.
- **OCS:** The organic content standard (OCS) will look at the presence and amount of organic matter in a product, focusing on the product's manufacturing process.
- **Interwoollabs** - International Association of Wool Textile Laboratories: This certification provides reliability in the fineness analysis of our products according to internationally accredited methods. It also guarantees the most correct, precise and uniform application of the approved test and sampling methods, as established in the IWTO (International Wool Textile Organization) specifications.
- **USDA/NOP Organic Certification:** Organic certification for agricultural, livestock, wild harvesting and farming products under USDA NOP standards for the US market.
- **EU Organic Certification:** Organic certification for agricultural, livestock and wild collection products, and inputs for organic agriculture and farming, under EU 834/2007 - EU 889/2008 standards for the European market.



OUR GOVERNANCE

I02-I8

ORGANIZATION CHART



We also count with different committees that contribute to the best management and progress of the company:

- **Retail Committee:** In charge of the development and operation of the garment brands (Sol Alpaca and Mallkini).
- **Production and Coordination Committee:** In charge of overseeing production and sales.
- **High Performance Committees:** Committed to meeting the company's objectives.
- **Research and Development Committee:** Responsible for creating innovative product proposals, working on yarns in general.
- **Sustainability Committee:** In charge of certifications, and the socially responsible and sustainable management of the company
- **Management Committee:** Where all our managers are in charge of making macro decisions in various aspects.



OUR SUSTAINABILITY REPORT

I02-46, I02-47, I02-48, I02-49, I02-50, I02-51, I02-52

Michell has elaborated its First Referenced Sustainability Report, under the resulting relevant materials and in accordance with the CSRCB Program - Sustainability in the Value Chain and Competitive Businesses of the Global Reporting Initiative. In this sense, we have made our declaration in accordance with the GRI tool and standards.

The Material Themes to be reported are the following:

Economic Category:

- Anti- corruption

Environmental Category:

- Materials
- Energy

Social Category:

- Employment
- Formation and Teaching

The Sustainability Report that is declared is made for period 2019. It does not include the restatement of information as this is our first Sustainability Report. The periodicity with which we will declare our sustainability will be biannual.

In 2019 the following changes have been made, which have contributed towards the success of the company:

- Changing the energy matrix to Natural Gas.
- Strategic Re-thinking: defining our objectives for the next 5 years.
- Certification of Good Fair-Trade Practices.



-Launching of the Mallkini Brand



-Opening of the AmanoMuseum (Arequipa).



-Opening of the VicuñaMuseum (Cuzco).





- Green Spinning Tree Planting Project: An environmental initiative led by Michell that fights against climate change in a strategic alliance with Local Municipalities, SERFOR (National Forestry and Wildlife Authority) and related NGOs. The project consisted in the planting of 1000 trees that allowed to benefit the Farmers Community of 28 de Julio in Cerro Colorado (Stakeholder: the community).



To learn more about us and/or answer any questions about our Sustainability Report, please contact us:

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ECONOMIC INDICATOR REPORT



ANTI-CORRUPTION

I03, I03-1, I03-2, I03-3, 205, 205-3

This subject is relevant for the organisation because it highlights the transparency of our management and operations, respect and compliance with the law, as well as the ethics and integrity with which we proceed, along with our commitment and action against corruption.

We emphasize that since this is our First Sustainability Report, a referenced modality, we will not proceed to report the economic results of the company.

The coverage of the material theme is the city of Arequipa, where the company has its headquarters, carries out its significant operations and where the relevant impacts declared were analysed. In the 2019 period we do not have any significant impact to report on regarding this matter.

Michell has a global Code of Ethics, created on 25 November 2014. The Administrative Management, through the Head of Human Resources, ensures its dissemination and compliance, and has also appointed an Ethics Officer responsible for ensuring compliance with this document.

At the same time, we have a Code of Conduct and Ethics, which develops specifications on the activities and operations of the company. We are convinced that the best way to do this is by promoting honesty, truthfulness and transparency in our dealings with customers, suppliers, employees, shareholders, competitors and the community in general.

As a socially responsible company, we have developed our Code of Ethics, taking care of issues such as:

Conflicts of Interest: Michell employees must act with loyalty, transparency, impartiality and independence and a high ethical content in the fulfilment of their functions in the Company, avoiding apparent or real conflicts between their personal interests and those of the Company.

Business favours: It is forbidden to offer or accept benefits, gifts, reimbursements or leisure activities to or from third parties that may constitute a breach of law or that may affect, or appear to affect, professional judgement on their work.



Bribes: No one may, directly or indirectly, request or accept, offer or give any kind of bribe, blackmail or any other illegal or unethical benefit to employees or third parties. Any such settlement proposal or offer must be reported immediately to the Ethics Officer.

Michell is committed to conducting its operational and business activities in accordance with the highest ethical standards.

Michell constantly strives to sustain an organizational culture where ethical conduct is recognized, valued and put into practice by all; therefore, our Code of Conduct and Ethics seeks to promote integrity and transparency in the conduct of our Company and in our relations with third parties. This also applies to all employees and officials

As a commitment to transparency, a General Management Report is presented every year, which states the results of the company's activity, as well as compliance with legal regulations.

As a measure of communication and diffusion we carry out annual training to all the collaborators on the Code of Conduct and Ethics, as well as the Internal Work Rules.

After the training, an evaluation is carried out to guarantee the understanding of what has been taught.

Likewise, it is part of the induction process to disseminate the organizational philosophy, as well as the policies and procedures that govern the company.

In the case of violations of the Code of Conduct in the Plant, there is a Human Resources Committee in each plant, where any complaint or grievance is referred to.

The Code of Ethics was updated in 2019. During that period, no cases of corruption were reported in the company's history.



ENVIRONMENTAL INDICATOR REPORT



MATERIALS

I03, I03-1, I03-2, I03-3, 301, 301-1

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

The coverage of the material theme is the city of Arequipa, where the company has its headquarters, carries out its significant operations and where the relevant declared impacts have been analysed. There are no limitations to the information provided.

The consumption of materials has been calculated in accordance with our main raw material used which is alpaca fibre. Sheep's wool (national and imported: mainly from Argentina and Uruguay) has also been considered.

Our main suppliers are:

1. Communities in high Andean areas (Cusco, Puno, Huancavelica, Arequipa), with whom Michell has collaborated in Development Programmes such as Shearing Techniques, which have allowed for the improvement of the quality of both work and product.
2. Intermediaries, with whom we work sporadically according to the demand and season.
3. Own producers: We have our own ranch, Mallkini, which has been developing the production of certified organic alpaca fibre.

Our Mallkini Ranch, located in Puno, province of Azángaro, district of Muñani, has been in existence for over 20 years and has around 4000 alpacas which are used for the study and breeding of alpacas; however, in the last 3 years it has focused on the production of certified organic alpaca fibre. The certifications it holds are the USDA/NOP and EU, which support the following:

- Organic animal feed.
- Animal welfare, from breeding to shearing
- Mitigation of environmental impact.
- Planting of pesticide-free natural grass.



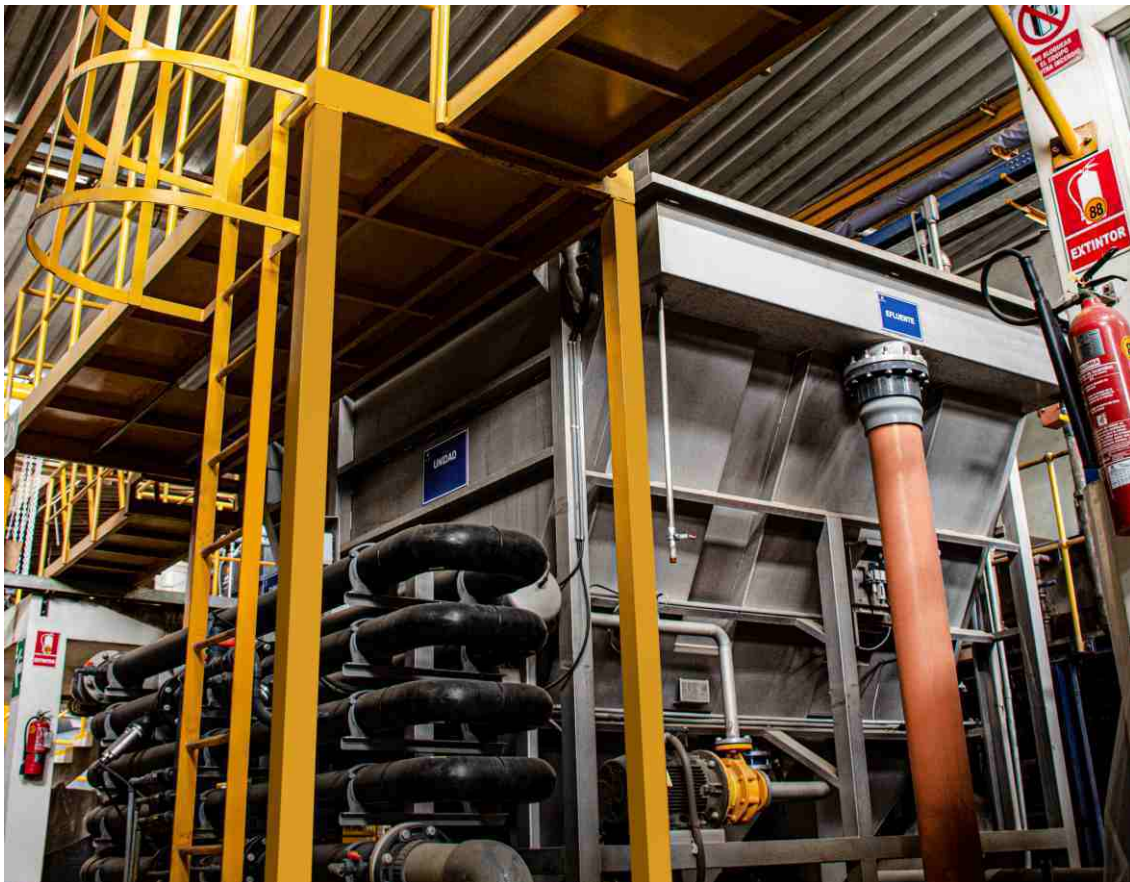
All these steps guarantee the organic condition of the fibre.

On the other hand, we have an Environmental Policy, elaborated at the beginning of 2019, which represents the commitment of the company to the environmental impact, covering all the activities and operations of Michell.

In this sense, different actions have been carried out:

I. Water Treatment Plant:

In 2019, the Washing Plant starts operations, which has allowed us to optimise the management of our customers, maintaining the maximum admissible values established by the company providing the service. In addition, we are working on taking advantage of the reuse of water within our washing process.





2. Recycling Campaigns:

Company-wide management of the segregation of hazardous and nonhazardous waste has been carried out.

In the case of hazardous waste, it is collected, segregated and made available to the Authorised Environmental Protection Company - EPA (oil, batteries, grease, fluorescents, among others).

Non-hazardous waste is properly collected, for which there are separate containers for each type of waste, which is intended for recycling companies as sale or donation (paper, cardboard, plastic, soil, etc.).

This has allowed us to measure, control and reduce the consumption of nonhazardous waste.

3. Sensitizing Campaigns:

Training has been provided in water and energy saving, as well as in bottle, cardboard, and paper recycling. Campaigns have also been developed that have helped to create an environmental and responsible culture of consumption.

4. Green Spinning Project:

The formulation and development of the project was led by Michell, which fights against climate change in a strategic alliance with Local Municipalities, SERFOR (National Forestry and Wildlife Authority) and related NGOs.

With the help of the local community, 1000 trees of the molle species were planted, thus benefiting the Farmers' Village of 28 de Julio Proclamación de Independencia in Cerro Colorado (Arequipa), with the creation of a living fence to avoid future invasions, and providing a valuable contribution to our environment through the absorption of more than 5,000 Kg of Co₂ (Calculations based on "Trees for the Future").

We also collaborate in the logistics and planting, as well as in any relevant training so that the community can ensure the subsistence of the planted trees.

Currently our project "Hilando Verde" (Green Spinning) is in its second stage with the sole objective of generating a sustainable socio-environmental benefit in the community by seeking to raise awareness and spread responsible and comprehensive tree-planting in the city of Arequipa.



On the other hand, as part of our continuous improvement, every year there are objectives that allow a responsible consumption of our resources, with the aim of knowing our performance and mitigating our environmental impact.

We have significantly reduced our paper consumption in 2019, and have also segregated a larger amount of plastic waste.

In the same period, efforts have been made to optimise our environmental management. Actions have been implemented to reduce the environmental impact that our activities generate.

Through PROMPERÚ, we have participated in the Good Practices for Profitable Environmental Management Programme, through which an EcoScience Plan has been developed to make the most of resources and promote a circular economy.

The company used 76,153 quintals of non-renewable material in the reported period.





ENERGY

I03, I03-1, I03-2, I03-3, 302, 302-1

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

The coverage of the material theme is the city of Arequipa where the company has its headquarters and carries out significant operations. There is no limitation of information at the time of our statement.

A significant impact on Michell's operations is the emissions that can be produced in the Production Plants. Therefore, as part of our socially responsible management, the energy matrix in our plant has been changed with the aim of working with Natural Gas. This energy source emits a lower amount of emissions and allows us to mitigate our environmental impact.

Knowing that natural gas helps to reduce the generation of carbon dioxide and monoxide emissions into the environment, decreasing greenhouse gases, the change in the energy matrix was carried out, stopping the use of oil in order to use natural gas. This source of energy has been applied in all our fibre and yarn washing and dyeing operations.

Thanks to this we have been able to reduce our carbon monoxide emissions as well as our CO₂ emissions, diminish the greenhouse effect and improve the quality of the air we breathe. This initiative has meant an investment of around \$80,000.

The total fuel used by the company in the reported period was 216,528 Sm³ of natural gas.

As for our electricity consumption, it was 765,724 KW/h, while the energy consumed within the organisation was 1,747,976KW/h.

The consumption of the 02 main energy sources has been calculated:

- Natural gas for the development of the plant.
- Electric energy in administrative tasks.



On the other hand, conventional light bulbs have gradually been replaced by LED bulbs that are significantly less polluting for the environment and consume less energy. This project is 80% completed.

It is part of our environmental commitment to keep a permanent control of our consumption, controlling our emissions, and following up on these through annual environmental monitoring with specialised third party companies.





SOCIAL INDICATOR REPORT



EMPLOYMENT

I03, I03-1, I03-2, I03-3, 401, 401-2

This theme is relevant since it shows the concern and management of the company to safeguard and execute good labour practices. It represents the commitment that the organization has with its human capital, both in regulatory compliance under the law, as in its voluntary initiatives favorable to its employees, according to its social responsibility.

As already mentioned, the coverage of the material theme is the city of Arequipa where the company has its headquarters and carries out significant operations.

There is no limitation of information at the time of this statement. Nor has any information been omitted.

It is important to highlight that Michell is a company that generates a great impact on employment, being a significant source of employment generation in the city of Arequipa.

We recognize that our employees are part of the success of the company and the fulfillment of our objectives, and in that sense we work to provide an appropriate environment for them and allow them to grow and improve their quality of life.

For years we have been working with the employees, not only complying with the legal requirements, but also granting voluntary benefits on behalf of the company. Among them we can mention:

- Family Allowance: This is complied with in accordance with the law, and a voluntary family allowance is provided to workers who do not have children or whose children are over 18 years of age.
- School Allowance and Loan.
- Allowance for May 1st: According to the Collective Agreement.
- Quality Incentive.



- Service time bonus, given to employees for every 5 years worked.
- Salary increase for more than 10 years of work.
- Complement to the breakfast snack and subsidy of lunch and dinner (partial) in the production plants.
- Snacks for night work: It is also worth noting that in the three shifts snack time is 45 minutes, and is considered within the working day.
- A night shift surcharge is applied in accordance with the law, and an additional night shift surcharge is provided at the discretion of the company, and is even maintained for those who no longer have the right in accordance with the law.
- Voluntary annual salary increases for workers over 3 years of permanence and on completing 10 years of working (only adjustment).
- Bonuses to the position in accordance with the salary policy.
- Bonuses for qualifications in merits in accordance with the wage policy.
- Allowance for the death of direct family members.
- Allowance for death of workers in benefit of their families.
- Education allowance for the children of employees who occupy the top five positions in their school performance.





- Occupational Medical Examinations: These are carried out every time the employees enter or leave the company. Every year, every employee at Michell undergoes a medical check-up.
- Christmas Basket Delivery: to all the company's collaborators.
- Uniform delivery: Every year uniforms are delivered to the operating and administrative employees (women).
- Delivery of PPE: We deliver what is established according to the job and the function performed (hard hat, glasses, respirator, shoes, gloves, among others).



- Monthly delivery of cleaning supplies to all employees.
- Mobility allowance: Provided to employees and workers.
- Other benefits: Life insurance, medical care, coverage for disability or invalidity, maternity and paternity leave, retirement provisions, complementary risk work insurance, etc.
- Discounts on the purchase of Michell garments.
- Recognitions granted to the Inducers in charge of imparting knowledge of the work place, to the collaborators for the detection of errors or improvements that they can contribute to the working procedures, to the sections for their good development, compliance, punctuality, among others.



We also promote integration among our collaborators through the following:

1. Michell Workers' Championship: Every year this activity is programmed between March and May, in order to promote sports practices among our collaborators.
2. Labour Day: We celebrate our employees and award the winners of the above-mentioned championship.
3. Dance Contest: It takes place on Michell's Child Christmas, where each plant who so wants to, can participate and represent a typical dance.



4. Father's Day recognitions
5. Mother's Day Celebration and Recognition
6. Devotion to Sr. De los Milagros (Lord of Miracles) by actively participating with our Michell Procession.





7. Michell's Child Christmas: Event dedicated to employees and their families in the days before Christmas; this activity seeks to promote a moment of integration amongst families of the Michell company.

Our Administrative Management and our Human Resources Department have an Internal Work Regulation, which establishes all the guidelines, duties and rights of the collaborators, as well as the Code of Conduct and Ethics, seeking to act with integrity and transparency as promoted by our organizational philosophy.

One way of knowing the perception of our collaborators is to carry out a Work Climate evaluation, which is done annually by the Organizational Development Department. This allows us to work hand in hand with Human Resources to achieve a safe and pleasant work environment, respecting the rights and integrity of each employee.

In 2019 there was a result of 79% in the evaluation of the work climate.

Within our facilities with significant operations we can mention: The production plants and the administrative headquarters





FORMATION AND TEACHING

I03, I03-1, I03-2, I03-3, 404, 404-2

The theme is relevant as it shows the company's concern for safeguarding the development of its employees' skills. In the same way it represents the commitment that the organization has with its human capital.

The coverage of the material theme is the city of Arequipa where, as already mentioned, Michell has its headquarters and from where the relevant impacts on the social dimension were also analysed.

COLLABORATORS



There is an Annual Training Plan, approved by the heads of department and the management. The training needs are given according to:

1. Surveys: made to all employees, to know their interest in training and education issues.
2. Requirements of each Management: In themes aimed at improving their work.

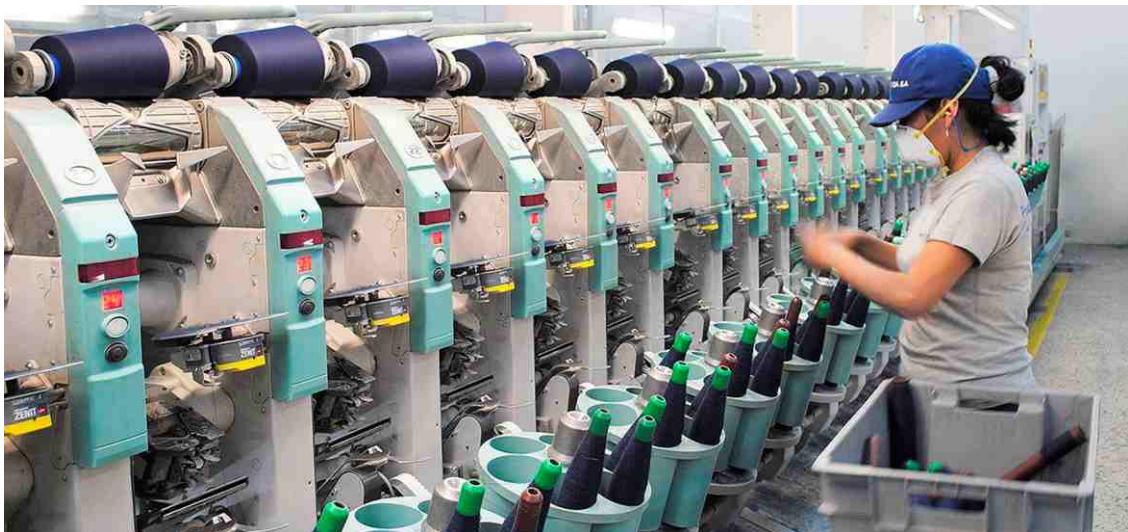
Finally, the effectiveness of the training provided is measured through evaluations, satisfaction surveys and performance measurements that serve for feedback and improvement.



The training of workers is generally provided by a highly qualified team from the company, who are prepared not only to apply what they have learned but to share it with the working group.

There are also specialized external speakers for various themes of interest.

Michell recognizes the importance of human capital in the success of the company, that is why it seeks to develop their skills and enhance their strengths. Thus, not only complying with the training required by law but also carrying out other training that allows the training of its employees, as well as their professional development and therefore the fulfilment of the objectives.



Our training plans for employees are focused on improving the skills of our team, in various categories:

- Quality
- Occupational Health and Safety: The four workshops are held in accordance with the law, and there are also 5-minute daily talks and evacuation drills for all personnel (earthquakes, fires, disasters, etc.).
- Productivity.
- Sustainability and Eco-Science focused on environmental management, Clean Production and Recycling (3R).



- Training derived from certifications and accreditations
- Mental Health: Programs that focus on issues such as crime and family violence resolution, stress management, effective communication, workplace harassment and sexual harassment, among others. These trainings have been provided by the company's psychologists and are conducted annually, also reinforced in the 5-minute talks, which are developed daily.

We also have external trainers such as Noval Consulting who imparted knowledge on Lean Management, The Technological Laboratory of Uruguay, LATU who audited the Quality Management System with emphasis on the supplier-customer relationship, value flow analysis, fulfillment of improvement cycles, audits, among others.

We have also been advised by specialized technicians who have trained our engineers, technicians and collaborators in the improvement of the production process.

Performance Evaluation

Each head of department carries out a performance evaluation of his or her team, which allows them to identify their strengths and weaknesses. This helps to set improvement objectives and to enhance the skills of our employees.

Finally, results-based evaluations can also be carried out, based on the fulfillment of functions. This allows us to promote and recognize the work through the incentives mentioned above.





COMMUNITY

MIRASOL Project:

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

The project was mainly supported by Michell, who donated an area of land of approximately 12,600 m² for its development, and the construction of the house in mid-2007, at a cost of S/. 582,770.43 (approx. US\$209,629.65). Thus, in 2009 the MIRASOL Primary School began its activities with the presence of 45 children from the area.

Later on, other customers would support the creation of a hand-woven yarn collection called MIRASOL, which is distributed throughout the United States, Canada and Europe. Both Michell and the other companies agreed to donate a percentage of the profits obtained from the sales of these yarns.





A PRONOEI (Public Early Education Programme) has also been implemented: a school for children from 3 to 5 years old, with the authorisation of the local education authorities, attended by 8 children who have also stayed in Mirasol, from Monday to Friday.

Clearly, the first objective for the creation of this association is to provide the children of this area with a better education and preparation for future life.

They are taught not only school knowledge from the official curriculum, but are also prepared in areas with the aim of assisting them to develop in the future.

All this is accompanied by a proper diet, health care and shelter.

The school has been in operation for over 10 years and continues to grow and we are implementing constant improvements: this year we started teaching languages and we hope that year after year with the support of companies, individuals and Michell, we can continue to increase support and in the short term we can open another Mirasol school in some needy area of Peru.





Michell Art

This initiative, which originated in 1980, had and still has the purpose of supporting and developing the Peruvian Artist with low economic resources but rich in talent.

The Michell National Painting Contest, a project created by the initiative and dedication of Pilar Olivares Rivero and Michael Michell Stafford, has collaborated significantly with the evolution of watercolor and oil painting techniques in Peru. Both techniques have become more complex and therefore more valuable. In this way, promoting the development of a more complete Peruvian Artist.

The contest was born as a regional initiative focused on the watercolor technique. It soon evolved and became one of the main painting contests in Peru. It incorporated the oil technique along the way, always maintaining the spirit of supporting the development of the artist year after year.

After 3 decades of existence, the contest focused on Peruvian textiles was redefined. Moved by the ancestral customs of the Peruvian weavers, the Directors of the Michell Art Contest begin the task of contributing towards the rescue and evolution of the Peruvian Weavers. True Peruvian Artists who base their work on millenary techniques coming from the coast, highlands and jungle. Techniques that date back to the Paracas and Chancay cultures. Processes that are usually so complex, that it can take the artist more than a day of work to weave centimetres of loom.

With the enthusiasm that Pilar Olivares R. and Michael Michell S. had in 1980, today this social work is redefined but still remains. This time focused and committed to the evolution of Peruvian textiles.





GRI CONTENT INDEX

I02-55

This material refers to GRI 102: General Contents 2016, GRI 103: Management Approach 2016, GRI 201: Economic Performance 2016, GRI 205: AntiCorruption 2016, GRI 301: Materials 2016, GRI 302: Energy 2016, GRI 401: Employment 2016, GRI 404: Formation and Teaching 2016. For a detailed explanation of the relevant content, see the GRI Table of Contents the evolution of Peruvian textiles.

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I02-4 Location of the operations	1	-	-	-
I02-5 Property and legal form	1	-	-	-
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