

WE SUSTAIN THE  
**FUTURE** of



**2T**



# 01 INTRO

## "Greenovation"

Shoe bag made from unused mesh textile and webbing tape material by new employee at Indonesia stitching school.





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# CEO STATEMENT

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Dear distinguished stakeholders,

It is a great pleasure for us to share the FY15 TaeKwang Sustainability Summary Report, our third report since FY13, to show our sustainability progress.

We, TaeKwang

- Earnestly listen to our stakeholders.
- Do not fear changes and continue challenging ourselves with Technology & Innovation.
- Do our best to minimize an adverse effect on the environment in the manufacturing process.
- Pursue a better working environment and improve the quality of life for our employees.
- Make an effort to develop human resources with a sense of ownership through empowerment.
- Become an official member of the UN Global Compact in June, 2015. We apply the 10 Principles about Human Rights, Labor, Environment and Anti-Corruption of the UN Global Compact to our company operation and business strategy so that sustainability and corporate citizenship can be improved.

We are committed to

- Be the best partner with Technology and Quality.
- Gain stakeholders' trust.
- Inspire our employees to have an ownership and leadership.
- Be the most desirable workplace with community growth
- Be a leading global company.

With Best Regards,

June 2015  
CEO JM Kim





# UNGC 10 PRINCIPLE



Classification	Principle	Page
Human Rights	<b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights, and	4, 8, 11, 12, 13
	<b>Principle 2.</b> Make sure that they are not complicit in human rights abuses.	4, 9, 12, 13
Labor Standards	<b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	4, 11, 13
	<b>Principle 4.</b> The elimination of all forms of forced and compulsory labor,	12, 13
	<b>Principle 5.</b> the effective abolition of child labor; and	13
	<b>Principle 6.</b> the elimination of discrimination in respect of employment and occupation.	11, 13, 14
Environment	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges;	8, 17, 22
	<b>Principle 8.</b> Undertake initiatives to promote greater environmental responsibility; and	13, 16, 18, 20, 21, 22, 27
	<b>Principle 9.</b> encourage the development and diffusion of environmentally friendly technologies.	2, 19, 20, 23, 24
Anti-Corruption	<b>Principle 10.</b> Businesses should work against corruption in all its forms. Including extortion and bribery	4, 9

# VISION & MISSION

**Vision**

The Undisputed Leader In Manufacturing

**Mission**

Give Value & Trust to all our Stakeholders by Leading the Footwear Industry to the Next Level

## **Innovation**

Deliver a Consistent  
Pipeline of Innovation

## **Modernization**

Accelerate and Scale

## **Product Excellence**

Deliver Great Product

## **Process Excellence**

Leverage Process  
as an Enabler

## **People**

Attract, Develop & Retain  
World Class Talent

## **Sustainable Mfg**

"Beyond Compliance"  
Stakeholder Engagement

## **Lean 2.0**

Leadership, People, Process

Our vision is to be "The Undisputed Leader in Manufacturing to Lead the Global Footwear Industry".

Our strategic plan includes foundational elements for successful business and an enabler for sustainable growth as a company. We are quick to respond to a changing Business Environment through our Innovation Center, which goes beyond the conventional manufacturing process and technology, has bold Investment in Automation, and is the best product with the best quality.

These strategies are based on People Oriented Management, Sustainability Management, and Lean Management. Furthermore, these are motive powers of growth for the last half a century and essential sources of competitiveness to sustain Taekwang's success.



# BUSINESS UPDATE

## General Overview (As of May 2015)



Company

TaeKwang Industrial  
Co., Ltd



Employees

61,483



Production

44,761,932



Product  
Creation Center

Korea, Vietnam



T2



613



39,147

QT



10,045



7,056,530



VT



27,162



23,645,446

VM



14,124



10,108,424

TT



9,453



3,912,385



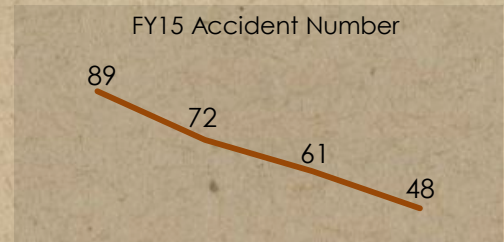
# SUSTAINABILITY MANAGEMENT

## HSE (Health Safety Environment) Management System

Compliance teams in TaeKwang make an effort to comply with regulations of Labor and HSE policies for Social Responsibility Management. We don't just settle for the compliance level. Beyond compliance teams integrate sustainability manufacturing with business strategy and lead TaeKwang to be a top global company by raising standard bars in Energy, HSE and Labor.

Especially, to establish safety culture, when an accident occurs, it's socialized immediately through the accident report. After that, all accidents are analyzed by type and the seriousness. After immediate actions are implemented, short-term and long-term plans are established. As a final step, we develop activities for recurrence prevention.

TaeKwang has specialized resources in Environment and Safety at each factory, and opportunities for trainings, benchmarking, and cross audit helped to reduce accident cases from 89, FY15 Q1 to 48, FY15 Q4.



### Risk Findings

Obsolete Equipment  
Non-Compliance  
Poor Workplace  
Management

### Monitoring

Performance monitoring  
and Evaluation  
Systematization of  
Rule & Process

### Countermeasures

TPM(Total Production  
Maintenance)  
Compliance  
Strength management  
system

### Improvement Activity

Equipment Monitoring  
Safety Education  
Site Inspection

- Renewal ISO14001 and OHSAS18001 with qualified internal auditors.
- Risk assessments with BV, SUMERRA.
- Continuous improvement and prevention activities.

# ETHICAL MANAGEMENT

TaeKwang's Ethical Management is a business activity for corporate social responsibility that complies with regulations and transparency policy.

To maintain the highest ethical standards, decision making is made based on what society requires. TaeKwang plans coexistence and co-prosperity with stakeholders such as business partners, employees, society, and country and promotes sustainable growth.

We announced Ethical Management guidelines in 2005 and established an ethics charter, ethical standards, and their practice guidelines. The ethics charter has comprehensive and declaratory meanings. The ethical standards are a course of action for different stakeholders, and the practice guidelines of ethical standards are fundamental principles to abide by for a code of ethics.

The executive office of ethical management handles the establishment of strategies, planning, training for ethical management, public relations, and corruption scandals.





02

**KEY** PERFORMANCE  
— **PEOPLE**

# PEOPLE

People is the fundamental of sustainable growth. We want to attract talented people and let them maximize their competencies at work.

## Total number of Employees

20% ↑



41,759  
2013



48,587  
2014



64,483  
2015

## Member of union

7% ↓



80%

2013



66%

2014



73%

2015

## Benefit sharing

1M ↑



1.1M

2013



1.9M

2014



2.1M

2015

## Average education hours

5.9hr ↑



30.4hr

2013



37.7hr

2014



36.3hr

2015

## Return % after maternity leave

9% ↑



78%

2013



83%

2014



87%

2015



# EMPLOYEES

## Open Communication with employees

We define our employees as one of key stakeholders and all ears listen to their voice.

Especially their voices through various channels such as 1:1 interview, Talk with leadership, Union, Grievance boxes, ER, and the Hotline system should be heard.

We try not to let their voices be in vain, and feedback on their opinions are handled properly.

All grievances are classified by categories and analyzed on a monthly and quarterly basis and shared with upper management. Either immediate action or long-term remediation is implemented with bulletin board or in person.

Top 5	FY15 Grievances	Action taken
Company Policy	<ul style="list-style-type: none"><li>-Working hour management</li><li>-Annual Leave policy</li><li>-Benefit of long-term employees</li><li>-Social Insurance policy</li></ul>	<ul style="list-style-type: none"><li>-Information session about Company policy</li><li>-Opinion gathering through various channels</li><li>-Advanced payment of insurance fee within 3 days to workers</li></ul>
Harassment & Abuse	<ul style="list-style-type: none"><li>-Manager's abuse &amp; harassment</li></ul>	<ul style="list-style-type: none"><li>-Periodic training of Zero Tolerance</li><li>-Cross Cultural Training</li><li>-Communication training</li><li>-Revise disciplinary policy</li></ul>
Health & Safety	<ul style="list-style-type: none"><li>-Uncomfortable of PPE</li><li>-Health &amp; Safety in workshop</li></ul>	<ul style="list-style-type: none"><li>-Engineering improvement(Ventilation, isolated)</li><li>-Machine guarding</li><li>-Training</li></ul>
Transportation	<ul style="list-style-type: none"><li>-Motorcycle management in parking area</li><li>-Shuttle bus</li></ul>	<ul style="list-style-type: none"><li>-Safety management training for security workers</li><li>-Survey, allowances</li></ul>
Canteen	<ul style="list-style-type: none"><li>The quality, taste and menu of food</li></ul>	<ul style="list-style-type: none"><li>-Survey</li><li>-Food fair</li></ul>

# Human rights

We have achieved 5 years of consecutive recognition of compliance with local laws. Internal audits, cross audits among factories and external audits by 3<sup>rd</sup> party are proceeded periodically. Even small violation cases of Human rights and HSE are dealt with by relevant departments for prompt improvement. Especially, we make it a rule to abide by a Zero Tolerance for Forced Labor, Child Labor, Physical Abuse, Failure to pay wages, and Serious Health, Safety and Environment threats.

We have various ethnic groups and more than 60,000 people with different culture, personality, and management styles. To enhance the mutual understanding, training for cross cultural education and surveys are proceeded continuously.

## Zero tolerance

No forced labor	Non-existence of OT voluntary registration
	Free toilet Pass
	No holding passport and or personal identification of migrant worker
No under aged labor	No overtime working
	No job assigned in hazardous working environment
	No child labor
No physical & sexual abuse	Policy and procedure to verify identification
	No unnecessary physical contact
	No verbal & physical abuse (insulting, yelling, beating, disrespectful-punishment)
No failure to pay wages	No payment delays
	No miscalculations (included OT)
	Insurances
Major Impact on ESH	Serious /Critical impact in environment or High risk on worker’s health and safety



## **Talent Management**

As of May 2015, the total number of employees in TaeKwang is 61,683 which is raised 27% compared to 2014. It is mainly attributed to recruiting new employees at Indonesian factory and manpower in R&D center.

Company regulations prohibit discrimination based on gender, age, religion and physical handicapped.

To be a global company, we need talents who have diverse views and cultures to contribute to new and innovative ideas (currently 6 USA nationals are working at T2).

### **- Localization**

TaeKwang has a global talent training plan, so we hired international exchange students from Vietnam and China (2 per each) in 2014. Those employees deliver the knowledge and know-how that they learn at T2 to their colleagues after they go back to their countries.

Another approach we tried is hiring immigrants (2 Vietnamese, 1 Indonesian) working at T2 in Korea.

### **- Exchange Program**

We select excellent employees at each overseas factories and give them opportunities working at headquarter from 3 to 6 months. This exchange program opportunities demonstrate recognition of their abilities and development of their career.

### **- Work-life Balance**

More than 70% of employees are female. To balance work and life, we provide childcare subsidiary, flexible working hours, maternity leave and childcare leave.

**02**

**KEY PERFORMANCE**  
**— PLANET**



# PLANET

TaeKwang sets up environmental key performance index(KPI) to cope with greenhouse gas reduction and tries to achieve the target. To protect the environment, we comply with the fundamental laws of Environmental policy, Air Environmental Conservation, Water Quality Control, and Waste Management. All chemicals should be used after an approval and are encouraged to replace with less hazardous ones. We save energy usage: using electric power optimization, high efficiency illumination, and renewable energy. We make effective use of resources through the recycling of water and waste.



26.2% ↓



8% ↑



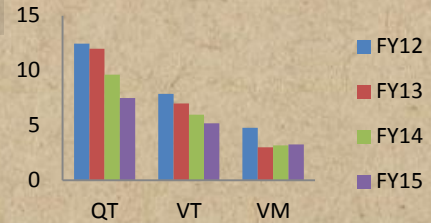
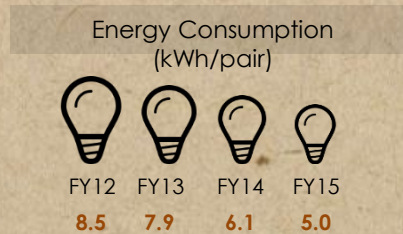
40% ↓



46% ↓

# ENERGY

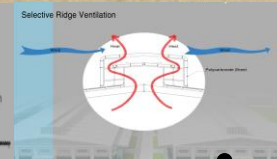
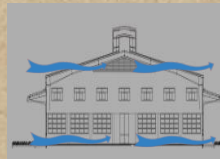
40% ↓



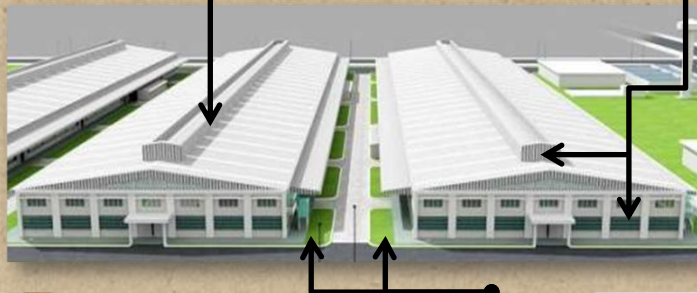
**Green building:** Green Building is an environment-friendly construction method to resolve energy issues as well as environmental problems. The design, construction, and operation of the building are oriented to save energy and enable environmental preservation. The application of high Efficiency Energy Equipment, resource recycling, and Environmental Pollution reduction technology to the structure helps to make the design of the building environmentally friendly and minimizes environmental damage when disassembled. Both our Mocbai Administration Office and Manufacturing Facility and Indonesian Administration Office received LEED Silver certification.



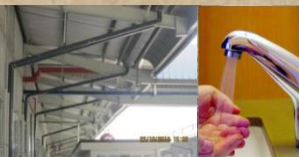
**Natural Lighting :**  
Energy Reduction by Natural Lighting to decrease the consumption of artificial lighting



**Natural Ventilation :**  
Special design for exterior wall to have fresh air from outside. Installation of wire-mesh at both sides of the building to have natural wind for the natural ventilation.



**Heat island Effect :**  
Securing enough space between buildings. Lowering outside temperature through decorative plant and the grass so that cool air come inside for circulation.



**Water Use :**  
Make the best use of rain water,  
Save water by consistent water flow of water faucet and shower head,  
Waste Water Treatment Plant





## Energy Steering Committee←

To reduce energy consumption based on medium and long-term plans, every department brings new ideas for the resource efficiency improvement and minimization of wasted energy. All detailed progress is shared with the CEO and leadership.



## →TPM Contest

To promote employees' TPM activities, a contest is held to choose the best Kaizen which helps to improve the manufacturing process. The selected idea is implemented in a workshop, and a prize is awarded to those suggested.

## Renewable Energy ↓

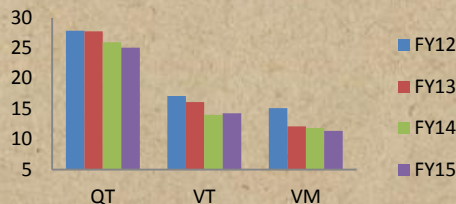
To stop global warming and use renewable energy, part of the energy for manufacturing is supplied from renewable energy. A solar energy system on the roof of T2 was installed in 2014 and is in full operation now. Accumulated electricity is 26,704 kWh and it is equivalent to 2.5ton of CO<sub>2</sub>(tCO<sub>2</sub>) reduction. Solar energy is used for heating water, washing machines, and equipment management which shows that TaeKwang actively participates in sustainable energy source expansion.





# HAZARDOUS CHEMICALS 26.2% ↓

Chemical Consumption(g/pair)



Our efforts to reduce hazardous chemicals have been continued in FY15.

The amount of hazardous chemicals has been decreased to 26.2% for the last 4 years.

The proliferation of auto feeding system, enclosed containers to minimize volatile compound, water-based UV primer and automation machines contributed to the reduction of both hazardous chemicals and hazardous waste. We try to reduce environmental risks from purchase, transportation, usage to disposal and adopt sustainable manufacturing process.



## Modernization



### Auto UV Priming Machine

Auto UV Priming machines contribute to a reduction of hazardous chemical usage, minimizing exposure of volatile solvent primers to our employees. Also, they help to reduce hazardous waste generated from the manufacturing process.

Safety	Environment	Material	Productivity
✓	✓	✓	✓



### Auto Gauge Marking

Replacement of the conventional gauge marking using toner and paint in screen-printing reduces the chemical usage and waste-water as the washing process is removed.

Safety	Environment	Labor	Material
✓	✓	✓	✓

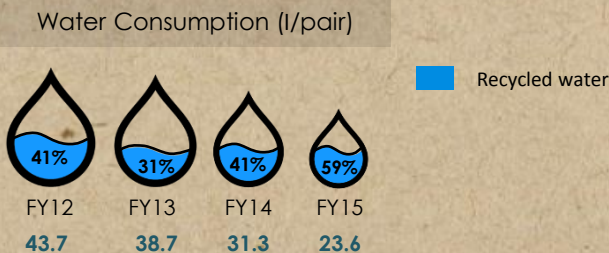
## Restricted Substance List

All new materials and chemicals are tested at the SGS(Certified testing institution).

This validation process helps to eliminate the restricted materials by country law and restricted substances in manufacturing. Restricted substance list renews annually and TaeKwang tries to find safer and more environment friendly material.

# WATER

46% ↓



Water consumption for the last 4 years shows 46% reduction from 43.7g/pr (FY12) to 23.6g/pr (FY15). The recycling percentage of waste water was increased to 59%. Recycled water is used for toilets and gardening.

## WWTP

Each factory has its own waste water treatment system. Treated waste water is tested internal laboratory and monitored water quality in timely manner. The discharged water is meeting required standards.(as of May 2015)



	Item	Std.	FY15
QT	pH	6-9	7.01
	BOD (mg/L)	<30	6.85
	COD (mg/L)	<100	41.75
	SS (mg/L)	<70	15.88
VM	pH	6-9	7.10
	BOD	<30	11.33
	COD	<70	34.33
	SS	<50	12.67
TT	pH	6-9	6.77
	BOD	<50	45.80
	COD	<100	57.76
	TDS	<4000	391.98



## Rain Water Harvest

The Rain water collected in underground tank through rain water pipes connected to the roof of the workshops is used for gardening and toilets. The amount of saved city water by rain water is up to 5% of total water consumption (21,000ton– Mombai).



## Visual Management

Underground fire extinguishing facilities were moved above the ground so that prompt improvement can be made when leaking and cracking occur.



Old valve (water flow)

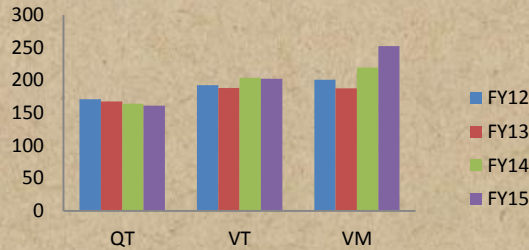


New valve (water spray)

## “Small idea saves a lot”

We changed new valve system to minimize water run-off. The water consumption used in canteen and plants decreased to 78% by changing the new valve. It resulted \$10,232 saving per month.

# SOLID WASTE 8%

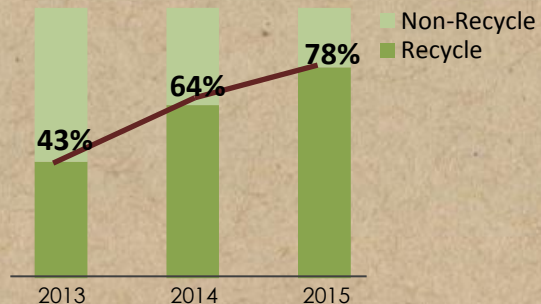


Despite our effort to reduce solid waste, the total waste amount was slightly increased. In FY15, it increased to 8% (203.3g/pr) compared to FY12. The material loss due to Jacquard design and defective shoes are major factors. TaeKwang has a policy that all disapproved product is shred out. Sustainability is not just a theory but has something to do with quality control and management. To restore trust from stakeholders, quality controls and commitment to sustainability are essential this year.

## Closed loop : EVA scrap recycling

To minimize and recycle generated waste is one of our challenges and opportunities. Papers, plastics, cans are 100% recycled and rubber and EVA sponge is reused in house for recycled formulation. Our Vietnam factory regrinds EVA scraps which is 10.8% of total solid waste and adds to the virgin materials to make EVA foam. The amount of EVA scraps

in-house recycling is gradually increased, up to 78%.





## Greenovation Project II

We have encouraged employees to come up with ideas on how to recycle/reuse solid waste since we have generated from our manufacturing process. We call this project “Green-ovation” which is a compound word between Green and Innovation and it means we can achieve a sustainable environment through innovative ideas. The below are “Gloves from leather scraps”, “Cushion from sock liner scraps” and “Shoe bag from left-over materials”, made from new employees at stitching school at Indonesia factory”.



**Gloves from leather scraps**



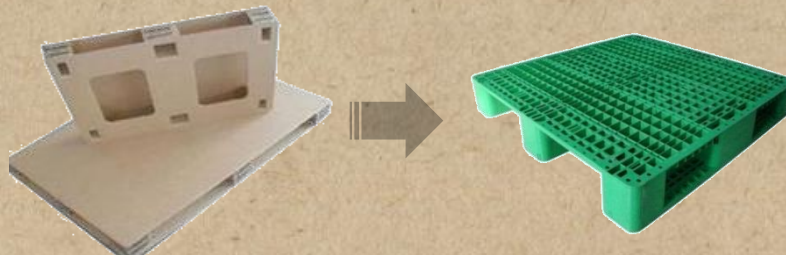
**Cushion from  
sock liner scraps**



**Shoe bag from  
left-over materials,  
made from new employees  
at stitching school**

## Pallet Recycling Project

We use a lot of paper pallets for component transportation and loading. Paper pallets cannot be used more than many times because they are worn down and torn which cause solid waste incrementally. TaeKwang has propelled the project changing paper to plastic pallet with material suppliers. Plastic ones can be reused more than 10 times. We expect this changeover helps not only reduce the waste amount but also to preserve forest resources.



# 02

## KEY PERFORMANCE — COMMUNITY ENGAGEMENT





# ACTIVITIES FOR OUR EMPLOYEES

Activities for our employees to have a happier work environment



## Love House – Vietnam

VT built a house and helped to improve the residential environment for our employees who are in an unfortunate situation. The 37<sup>th</sup> house was completed in VT and the 29<sup>th</sup> house in VM.



## World Environment Day – Vietnam

Every year, all employees participate in an 'Environment Day Poster Contest'.



## Health & Safety Propaganda – China

QT provided HSE handbook and traffic safety propaganda for workers to emphasize traffic safety nearby QT, especially during commuting hours



## With Family – Vietnam

Every year, VT invites all employees and their families to enjoy a day together. In FY15, they went to the beach and participated in a women's festival.



## Taekwang's pub day – Korea

To communicate and associate with coworkers together, T2 opened Taekwang's pub day. All employees enjoyed time together and the proceeds from the festival will be spent to help unfortunate neighbors.



# GREEN PLANT PROJECT

TaeKwang selects communities where help is needed. We want to help communities through our consistent care while preserving the environment.



## **Water Project – Vietnam**

To provide good quality water for communities, we build wells, water filters, and water purifiers nearby unfortunate villages and schools every year.



## **Safety Bridge – Vietnam**

VT built a bridge for the sake of safety and convenience for the community.



## **Giving Bicycle - Vietnam**

Provided bicycles for 40 selected excellent students in Long Chu Commune, Ben Cau.



## **Plant Trees – Vietnam**

Vietnam employees planted a total of 180 trees in selected schools to commemorate World environment day.



# CULTURE EXCHANGE

We are endeavoring to understand other cultures and promote cultural exchange and spread Korean culture.



## Cross Culture Festival – Vietnam

Culture exchange festival between Vietnam and Korea. Workers had a great time together with communities.



## 20 year foundation anniversary – Vietnam

Nov. 2014 was Taekwang Vina's 20 year anniversary. To celebrate it, VT invited all employees and stakeholders to spend enjoyable time together. Cultural events and donation events were held.



## Multicultural family support – Korea

We support Gimhae multicultural family center, and also help them to learn Korean language.

# SCHOLARSHIP & DONATION

We support our employees and communities who are in unfortunate situation and help students through scholarship



## Scholarship - Vietnam

Award scholarships to 100 students in My Thanh Bac Commune



## Social Charity Activity

Visit orphanages and hospitals every month for volunteering work and gift donations.



## Golden heart / Lovely hand fund – Vietnam

Fund for employees who are in unfortunate situations



## Scholarship - Korea

JeongSan scholarship: Award a scholarship and a certificate to chosen 6- students out of 50 universities.



# STAKEHOLDER FEEDBACK

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## Employees



### ***After FDS (Sensei training course inside factory) training for 14 weeks...***

*"I enhanced the ability to find problems, solve issues, and improve situations through the classroom and hands-on training about workshop improvement.*

*Also, what I have learned about development, quality, manufacturing, and SM, as well as a mindset about improvement and innovation, helped to improve executive ability. Eventually, I grew in self-confidence as an FDS."*

### ***What I have learn is....***

*"What I have learnt is used in WOW project and TPM innovative activities, also I support energy and waste reduction and safety activities. As an internal instructor, I support coworkers in other department and encourage team members to make suggestion. "*

**- Do Ngoc Hai**

TPM Team



### ***As a teamleader....***

*"I have received some training related to people management.*

*I had opportunities to learn English, Korean (after working hours), and other subjects through books.*

*With the full support from my team and leadership to fulfill my tasks, I could work well as IE Manager B. I have recently been promoted and have been taking care of the IE team.*

*I try my best to lead our team with the knowledge that I've learned to have the best performance and ask my team whether they need any support from me. I want to grow as the company grows."*

**- PHAM NGAN HA**

IE Team



*"All my family members love our new house! I think the company's policy and benefits from Labor Union are good. I would like to send many thanks to company Board of Directors and Labor Union for offering me to have a new house. If not having supporting from them, I wouldn't know when I can build a new house. What a miracle!. I promise that they I will try my best to work harder and work for my company a long time."*

**- NGUYEN THANH PHONG**  
Inspection team



## BSR (Business for Social Responsibility)



*"Pulling this sustainability summary report together is a great first step in promoting transparency and internal alignment. I look forward to seeing how T2 continues to evolve both this report and the important stakeholder engagement it represents."*

**- JEREMY PRECIOUS**  
Vice President, Asia Pacific

## UN Global Compact



*"Congratulations to be a member of UNGC and Gobar Compact network Korea. As you send commitment letter to Ban KiMoon, we really appreciate your commitment to comply with 10 principles. We are looking forward your contribution to Global compact network Korea and hope it helps to improve your sustainable business going forward."*

**- HongJae Lim**  
Secretary General, UNGC



# T2 FY15

## Sustainability Summary Report

3rd T2 Sustainability Summary Report

**Please cut the dotted line and return it in an envelop to the following address.**

Website : [http://tkgroup.co.kr/05\\_contribution/contribution06.asp](http://tkgroup.co.kr/05_contribution/contribution06.asp)

Mail : TaeKwang Industrial co.ltd, SM team  
(An-Dong) 26, Gimhae-daeimhae-si, Gyoungsang Namdo, 621-200, Korea

E-mail : [t2sm@t2group.co.kr](mailto:t2sm@t2group.co.kr)

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