

Beyond 50



TKG Taekwang’s 2020-2021 Sustainability Report highlights our achievements that focus on key sustainability issues outlined through the materiality assessment procedure. This report is our eighth sustainability report in continuation of our efforts to create sustainable value for our stakeholders. This report is categorized into our four sustainability focus areas of Product, People, Waste and Energy & Carbon, along with the fundamental topics of Governance, Ethics and Product Security.

This report has been prepared in accordance with the GRI Standards: Core Option, as well as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Ten Principles of the United Nations Global Compact (UNGC).

Reporting Period
January 1st, 2020 - December 31st, 2021

Reporting Boundary
The reporting boundary of this report includes our offshore operations in Vietnam (VM, VT), Indonesia (TT) and our headquarters in Gimhae, Korea (T2).

Reporting Cycle
Annual Reporting
*Previous report published in May, 2020

Reporting Assurance
Independent third-party assurance by BSI in accordance with the AA1000 AS and Type 2 assurance

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Beyond 50

TKG TAEKWANG Sustainability Report
8th Edition



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CEO Message



JM Kim, TKG Taekwang,
CEO/President

Overview of TKG Taekwang's Response to Market Conditions in 2021

The unprecedented scale of the COVID-19 pandemic brought our manufacturing lines to a halt for the first time ever in 2021. Amidst the uncertainties of the ensuing effects of the pandemic, we prioritized the well-being of our employees while struggling to minimize financial losses. As greater vigilance was being observed with health and safety concerns following the lockdown measures of respective governments, we invested in upgrading the working environments of our facilities to help prevent our employees from the risk of exposure.

We responded preemptively to COVID-19 through cooperating with local municipal governments and secured COVID-19 vaccines for our employees while implementing strict internal protection guidelines and quarantine measures. To guarantee the livelihoods of our employees and ensure a smooth reopening of our manufacturing lines, we also strove to arrange safe and stable working conditions for our employees by ensuring them minimum wages even during the lockdown period when our factories were shut down.

Activities Promoting TKG Taekwang's Vision for Sustainability Manufacturing

At Taekwang, we are ever striving to empower our employees. In focusing on the voices of our female employees who constitute the majority of our workforce, we have set a company-wide target for 2025 to ensure that 35% of our leaders are women. We have also participated in the Women Empowerment Principles (WEP), an external initiative established by the UNGC, to promote gender equity within the workplace.

Apart from preserving the rights and interests of our workforce, Taekwang is engaging in various activities to assess and minimize our environmental impact. As part of our initiatives, we are seeking out opportunities for renewable energy resources at our offshore factories (Vietnam and Indonesia), while internally focusing on improving energy efficiency.

Expected Paradigm Shifts in Implementing the ESG Committee

With the ESG Committee, we hope to shift our focus from that of previous practices which were more heavily centered on finances and expand the culture of sustainability which incorporates environmental, social, and governance related aspects within the decision-making process. Through the ESG Management Unit, which consists of the executive directors at our offshore operations and departmental heads from our headquarters in Korea, we expect the vitalization of ESG management on a company-wide level. Taekwang will continue to strengthen the culture of sustainability and manage our efforts in both a systematic and consistent manner through commitment from the leadership level.

An Outlook on Taekwang's Future

We at Taekwang will continue to strengthen our sustainability management systems through cooperatively working with external parties and actively participating in global initiatives. To contribute to the collective actions of the global community in disseminating the culture of sustainability, we have been continuously assessing our impacts to our stakeholders through the participation in the United Nations Global Compact (UNGC) since 2015. Just from this year, we also have taken part in the Science Based Target initiatives (SBTi) and the Carbon Disclosure Project (CDP), to assess the levels of our environmental impact.

The sustained growth of our Company is a prerequisite to fulfilling our corporate social responsibility. Upon the foundation of technological excellence and a culture that reaches ever higher for perfection, we at Taekwang will continue to uphold the quality of our products and promote sustainable footwear manufacturing as an industry leader.

Please look forward to the next 50 years of TKG Taekwang.
Thank you.

JM Kim, TKG Taekwang,
CEO/President

Overview

About TKG Taekwang

Since our establishment in 1971, TKG Taekwang has been manufacturing top quality footwear products exceeding customer expectations. Built upon the foundation of mutual trust with our partners, Taekwang has become an undisputed global leader in the footwear manufacturing industry, capable of producing over 2 million pairs of shoes a week and supporting a workforce of over 96,000 employees worldwide. Our primary business is in footwear Original Equipment Manufacturing (OEM), and our products are distributed globally, by way of our partners.

At TKG Taekwang, we understand the role of sustainable value creation that our stakeholders bestow on us, and therefore continuously strive to integrate sustainability into the very fabric of our business operations. Through ceaseless innovation, and a focus on R&D, Taekwang will continue to develop and manufacture top-notch products through the standardization and innovation of manufacturing procedures.



Company Profile

Corporate Name TKG TAEKWANG	CEO Joo-Hwan Park, Jae Min Kim
Date of Establishment 1971. 10. 30	Location of Operations Korea, Vietnam, Indonesia
Legal Form Non-listed Company	Number of Employees 1,100 (Korea) / 92,000 (Overseas)
Business Field Footwear Development / Manufacturing / Molding	Credit Ratings A+ (Korea Investors Service, Inc.)
Location of Headquarters 26, Gimhae-daero 2635beon-gil, Gimhae-si, Gyeongsangnam-do (Andong), Republic of Korea	Revenue 2,141.7 Billion KRW
	Net Income 96.9 Billion KRW

Vision

We Make a Reliable and Better Future for Your Everyday Life.

- Taekwang prepares beyond consumer's expectation and builds customers' trust with the best quality. Trust is Taekwang's foundation.
- Taekwang thinks of the society it operates in. Taekwang promotes environmental sustainability.

Customer & Society

To Customer & Society

Shareholder & Employee

To Shareholder & Employee

- Taekwang offers stable profits to stakeholders by enhancing its corporate value. Taekwang manages the future.
- Taekwang aims to set an organizational culture in which each individuals can prosper and are respected. Our employees are our core value.

Our Values



As a leading global footwear manufacturer, we ardently respect people and our planet by embracing a creative mindset, an openness to innovation, and principles that cannot be shaken. With this year's newly constituted vision, we at TKG Taekwang aim towards creating a brighter future in which people and the environment thrive together harmoniously.

Pursuit for Perfection

We set higher goals and make continuous efforts to reach our goals. We always try to come up with better ways.



Ownership & Accountability

We work at our own positions with a sense of ownership. Our value goals we set, find the ways to reach the goals, and practices them.



Challenge for the Future

We always explore the new ways to break away from the existing customs. We rise to the challenges fearlessly by working together.



Communication for Growth

We work in teams for common goals. We prioritize the horizontal communication.



Fair & Safe Workplace

We are aware that TKG people are the key to better performance and higher values. We respect each other and start work after checking on each other's safety

Product Creation Center

TKG Taekwang PCC¹ (Korea HQ)

Korea PCC is a development center specializing in product innovation. Korea PCC is driving growth and accelerates consumer-led innovation through speed, accuracy, connectivity and flexibility.



Product Creation Center

TKG Taekwang Vietnam PCC

Vietnam PCC is Taekwang's second PCC, calibrating our overall operations in Vietnam with our headquarters in Korea. Vietnam PCC also supports the business operations of all our Vietnam-based factories.



1) PCC (Product Creation Center) : PCC is where product development begins and innovative ideas are tested. PCC supports the operation of overseas factories and responds directly to customers as a strategic partner.



Manufacturing

TKG Taekwang VINA (VT)

Production of critical franchise models and innovation models

- Located in Dong Nai, Vietnam
- Established in July 1994 (our first overseas operation)
- Produces 59% of Taekwang's total production



Manufacturing

TKG Taekwang Indonesia (TT)

Most rapid capacity growth, shifting focus from manufacturing to sustainability

- Located in Subang, Indonesia
- Started full-scale operations in 2014
- Produces 25% of Taekwang's total production
- The largest corporation in the Subang Province



Manufacturing

TKG Taekwang Moc Bai (VM)

Achieving continuous growth with eco-friendly facilities

- Located in Tay Ninh, Vietnam
- Began operations in 2009
- Produces 16% of Taekwang's total production
- Features eco-friendly facilities such as a LEED-certified main building, sunlit roof, gardens and water recycling facilities.

Resiliently Responding to COVID-19

Commitment to Our Employees and Local Communities

 **IDR 18,379,088** donated for COVID-19 response in Indonesia

 **10,000** facemasks
1,000 personal protection equipment items
400 antigen COVID testing kits, donated to the local government (Indonesia)

When COVID-19 quarantine regulations and social distancing measures brought the global economy to a halt, we remained committed to meet our production targets with resilience and agility while protecting the safety and livelihood of our employees. Regarding our offshore sites in Vietnam and Indonesia, we have implemented response measures tailored to their specific circumstances in consultation with local authorities and municipal governments.

Following quarantine restrictions and social lockdowns in Vietnam, our factories were forced to suspend manufacturing operations. Taking into account the conditions surrounding the pandemic and the safety concerns of our workforce, our leadership committed to guarantee minimum wages for our employees in Vietnam during the lockdown to facilitate their reentry to work upon the lifting of the restrictive measures. Although it was not an easy decision to keep approximately 60,000 employees on the payroll throughout the four months of lockdown, it was indeed the right decision, and the decision was made in earnest.

The Vietnamese government also implemented their the so-called ‘3T (three-on-the-spot)’, a.k.a. ‘3 On-Site’ measure, requiring workers to eat, work, and sleep on site to continue factory operations when COVID-19 peaked in mid-August of 2021. Thus, we have arranged only essential workers to maintain operations within the factory sites, while implementing work-from-home arrangements for local office workers. Essential workers required to be physically on-site were compensated up to 150-200% of their wages, and were provided with additional accommodation and meal arrangements from the factory

To overcome the impact of COVID 19, our colleagues in Taekwang Indonesia(TT) have also supported the local government in various ways. Our colleagues donated caskets during the peak of COVID-19 cases, when the local government faced difficulty in their emergency response due to resource shortages. TT has also donated financial support and medical protection equipment to assist the local government in responding to the pandemic.

Responding to quarantine restrictions with agility

Due to the shutdown of our factories in Vietnam, the Production Creation Center (PCC) at the VT was also closed. The design quota originally allocated to VT PCC was transferred to the PCC development center at the HQ in Gimhae, Korea to avoid any setbacks in next year’s production process. The workload is now being handed back to the VT PCC as the 3T measures have now been lifted.

We have done our utmost to make agile and strategic decisions to keep abreast of our production targets. Production was reallocated to the TT to continue the production of our major models, as our factories in Vietnam were shut down. Materials Teams at our offshore subsidiaries preemptively responded to secure the supply chain by doubling inventory supplies and materials from those of pre-COVID levels.

Through tireless efforts of our employees, the operation of our TT was normalized within two months, and has now recovered pre-COVID production levels. Our factories in Vietnam were also able to remain operative during the height of the pandemic, working at a utilization rate of 80%, approximately, compared to the industry average of 50-60%.

Thanks to such commitment, COVID-19 Response TF Team in TT received the Exemplary Award from the Indonesian government in recognition of their achievements and contributions. The response team tirelessly devoted to securing the safety of our employees while planning and implementing emergency work schedules to sustain pre-COVID levels of productivity and efficiency. Our resiliency amidst the pandemic also allowed us to keep up with our contributions to the local community and economy.

We would like to take this opportunity to express our gratitude to all of our employees who have demonstrated such a steadfast commitment towards our combined COVID-19 response.

Beyond 50 : How TKG Taekwang will Grow

Celebrating Our 50-year Heritage

Sustaining steady growth for 50 years while also being recognized as an industry leader is an accomplishment rarely found in any industry. Achieving such remarkable performance would not have been possible with the mere mindset that simply sold products to generate profits. By manufacturing high quality footwear that far exceeds customer expectations, we aim to provide a customer experience which can serve as the foundation for a reliable day-to-day lifestyle that leads to an improved future.

In response to the generational change amongst our executive management and our workforce, the 'Beyond 50' vision was initiated to contemplate on the 50-year heritage of Taekwang and set the course for how we should renew and maintain sustainable growth over the next 50 years. As we have pasted the halfway mark towards 100 years of Taekwang, 50th anniversary challenges the leaders with a significant question: How are we going to change for the better?

Through an internal employee workshop, we have set specific goals and an action roadmap to prepare for a new corporate culture for the next 50 years. Focusing on the key issues of Innovation and Health, we aim to involve our employees in our goal of becoming a 'Global Innovation Partner for a Healthy Lifestyle.'

The greatest strengths of TKG Taekwang has been our resiliency and agility. The true competitive edge of Taekwang is in its capacity to produce rapid results while securing high quality products. Whilst retaining these strengths, we are adopting three new innovations to achieve successful generational change over the next 50 years: Automation, Digital Eco-system and HRM Innovation. With these innovations , we will continue to lead the footwear manufacturing industry by embracing and adapting to diverse and constant changes.



1971.10.30
Founded Taekwang Ind Co., Ltd



New Design Plan of TKG Group Main Building
Expected completion July, 2023

Innovations that will Shape Our Next 50 Years

Over the past two years, the global economy has been severely affected with the unexpected shock of the pandemic. As COVID-19 greatly accelerated the introduction of new IT technologies, we contemplated on the business environment surrounding Taekwang and identified digital-based production as a key component for growth. To keep pace with the rapid developments in the business environment, we have drawn up three ways to achieve sustainable growth over the next 50 years.

01

Automation

In the past, footwear brands established the "standard" of good shoes and produced footwear according to their self-established standards. In current markets, business environments have shifted to where brands can now be more agile and launch their products in response to quickly evolving consumer demands. As product orders come in more quickly and frequently, Taekwang is striving to produce products in a timely manner and ensure consistent product quality by automating our existing manual-based production tasks.

* Please refer to p.46 for our progress on automation

02

Digital Ecosystem

We aim to manage the entire manufacturing process, which is composed of 50 to 100 stages - from shoe development to production - through the Digital Ecosystem. With the digitalization and integration of the various inputs of data on human resources and raw materials required for each processes onto a single system, we are able to produce high-quality products while minimizing the required lead time. Accordingly, TKG Taekwang has developed and applied the Manufacturing Execution System (MES) 3.0 and is leading innovations within the footwear manufacturing industry.

* Please go to p.46 for our progress on digital eco-system

03

Advancements in HRM

We consider talent acquisition a key task in the organizational development plan to prepare for future business growth. By reorganizing the existing performance-based pay system, we have re-established the HR system that we intend to move forward with for the next 50 years. Based on a balanced and transparent system, efforts were made to improve the recognition of individual abilities and reward those who contribute to value creation. With the HR system reform, we aim to foster young and capable leaders and delegate authority to talented young leaders to pursue the values of TKG Taekwang.

Special Interview

To praise the dedication of our employees on the 50-year heritage of TKG Taekwang, we interviewed Mrs. Ham Yeong Suk and asked her what Taekwang has meant to her. She is a retiree who has led the embroidery unit for the past 20 years.



Ham Yeong Suk,
Leader of the Embroidery Unit

"Looking back on my career, I was grateful to witness the sustained growth of both my personal life and the development of Taekwang as an industry leader. Taekwang has been a nesting ground and a supportive patron for me. When I joined Taekwang after facing personal difficulties in my life, I was able to receive a lot of help from both my associates and the Company, such as financial support for the care and education of my children.

There have been several challenges facing our Company due to COVID 19, but I have complete trust in Taekwang and my colleagues to persevere and see this through. Although it is by no means easy to say goodbye, I would like to thank everyone for their generous support. I would also like to wish for my daughter's future prosperity along with Taekwang's growth, as she is also working here. It has been a wonderful journey with TaeKwang for the past 20 years."

Special Thanks to

Employees over 20 years (Regular Retirees)

Park Hui Sun	Kwon Sun Hui	Jung Byeong Suk
Choi Jae Jun	Jung Jeong Sun	Ham Yeong Suk
Hwang Gap Yeong	Kim Mi Gyeong	Jung Mun Yeop

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01

ESG STRATEGY & PRIORITY



Global ESG Trends

The outbreak of COVID 19 and the ensuing national lockdown measures have created a multitude of disruptions in the supply chain. As the global economy recovers from the pandemic, industry leaders are facing intense pressure from stakeholders to fulfill their corporate social responsibility.



1) Product Passports : Digital labels containing coded information that are able to display information on product sourcing and processing, ensuring the working conditions and sustainability within the supply chain.

* Source : McKinsey & Company, December 1, 2021, State of Fashion 2022 : An uneven recovery and new frontiers. Retrieved from "https://www.mckinsey.com/-/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2022/the-state-of-fashion-2022.pdf"



Supply Chain Disruptions

49% of apparel brands signaled supply chain disruptions as the top theme to impact their business in 2022.

To learn how we respond to Supply Chain Disruptions, **Go to page 12-13**



Circularity

60% of apparel brands have already initiated or plan to invest in closed loop recycling in 2022.

To learn how we respond to Circularity, **Go to page 74-76**



Climate Change

130 major apparel brands have signed the Fashion Industry Charter for Climate Action following the COP 26 Climate Summit.

To learn how we respond to Climate Change, **Go to page 81-87**



Product Sustainability

Approximately 2 out of 5 fashion executives plan to adopt product passports¹ in 2022 or have already done so.

To learn how we respond to Product Sustainability, **Go to page 50-51**

In Dialogue with Stakeholders

Interview with Eva Eunkyung Lee,
Department Head, UNGC Korea

Numerous demands from stakeholders calling for a higher level of ESG management is serving as a clarion call for TKG Taekwang to elevate its overall sustainability levels throughout its value chain. To identify key areas of improvement and the opinions of our stakeholders, we interviewed Eva Eunkyung Lee.

What is your opinion regarding the need for major sustainability tasks and ESG trends in the footwear manufacturing industry?



Eva Eunkyung Lee,
Department Head, UNGC Korea

Whereas sustainability had before been considered a decisive ‘competitive edge’ for companies, nowadays it underscores their very survival. As a global manufacturer, there have been numerous demands on TKG Taekwang from its customers, partner firms and local community calling for a higher level of ESG management. This serves as a clarion call for Taekwang to improve and elevate its overall sustainability levels throughout its value chain, along with the company’s already-established executive priority to perfect its products through innovation.

To respond to the shifting market paradigm surrounding Taekwang, strategic efforts are required to ensure that the positive impact Taekwang generates adequately flow out to our society, while minimizing environmental impacts. Some of these positive efforts include the establishment of ESG targets, timely monitoring and the transparent disclosure of information aligned with international standards. Also instrumental in the process towards a more sustainable culture is Taekwang’s ability to identify and manage ongoing stakeholder expectations gathered through its various communication channels.

To increase its commitment in managing sustainability issues, Taekwang has newly established the ‘2025 Sustainability Targets’. Do you have any feedback concerning these respective targets?

I do think Taekwang’s ‘2025 Sustainability Targets’ adequately cover the major topics that correspond to global sustainability trends, including the reduction of CO2 emissions, an increase in the use of renewables, waste management and workforce management. In response to the strengthened regulations on sustainability disclosures and supply chain due diligence, further support measures for sustainability management should be established through the digitalization of management systems. Additional focus should also be given to various social issues such as supply chain health and safety, diversity, grievance mechanisms and compliance programs.

Since our participation in the UNGC in 2015, Taekwang has continued to do our utmost to fulfill our social responsibility commitments through a myriad of corporate activities. In 2021, we participated in the Women’s Empowerment Principles (WEPs), a UNGC initiative advocating for women’s rights in the workplace. What are your expectations for the future management of TKG Taekwang?

I applaud TKG Taekwang for its various sustainability efforts. In collaboration with numerous NGOs and international organizations, UNGC has been establishing several platforms to tackle a gamut of sustainability issues. As an exemplary member of the UNGC, it would be my wish for Taekwang to contribute to the achievement of the UN’s SDGs and advance its ESG management through the active monitoring of its material issues.

Sustainability Goals and 2025 Targets

Energy

Lead the industry towards energy neutrality

14.4%

Reduction in carbon per pair of shoes through renewable energy and energy efficiency

10%

Reduction in Energy Consumption

18.7 MWp

On-site solar PV System Capacity

Waste

Drive waste out of our value chain

100%

Waste diverted from landfill

7.1%

Reduction in operational waste

53%

Recycle/Reuse waste Ratio

People

Value people working in our workplace

5%

Reduction in the three-year average of recordable accident rates and severity levels

Lv.3↑

Culture of Safety

Lv.4

Gender Equity SDT

Compliance

Adhere to essential labor, health, safety and environmental standards. Demonstrate respect for the rights of our workers and for the communities in which we operate.

As a leading global footwear manufacturer, we at TKG Taekwang recognize the importance of sustainable value creation. With firm principles, creative mindsets, and commitment towards innovation, we push ahead, focusing on the following four key sustainability targets.

2022 Priorities	2021 Progress Against Target	
Offsite PPA ¹	Carbon Emissions per Pair	2.519kgCO2e/pair (CY20)
Rooftop Solar-PV		2.502kgCO2e/pair (CY21)
		2.370kg CO2e/pair (CY22 Target)
RECs ²	Electricity Consumption per Pair	5.428kWh/pair (CY20)
		5.025kWh/pair (CY21)
SCAP ³		4.89kWh/pair (CY22 Target)
Phylon/Rubber Defective Tracking	Waste Generation per Pair	90.9g/pair (CY20)
Phylon/Rubber BDTs Implementation		90.5g/pair (CY21)
		88.9 g/pair (CY22 Target)
Reduce Phylon Flashing	Waste Downcycling Rate	45% (CY20)
Reduce Rubber Flashing		45% (CY21)
		42% (CY 22 Target)
Reduce Energy Recovery	Waste Diverted From Landfill	100% waste diverted from landfill (CY 20)
		100% waste diverted from landfill (CY 21)
		100% waste diverted from landfill (CY 22Target)
Reduce Accident Rates	Occupational accident rates (RIR)	-6% (CY 20)
Workplace Safety Facilitator		-10% (CY 21)
Machine safety - CMSE ⁵	Occupational accident rates (DART)	+1% (CY 20)
Culture of Safety		-24% (CY 21)
EWB ⁴ Survey & Follow-up	Gender Equality - SDT Score	Lv3 (CY 20)
Self Diagnostic Tools (Gender Equity)		Lv3 (CY 21)
SLCP ⁶	100% Compliance 2.0	
ZDHC ⁷		
FEM ⁸		

* Please refer to Glossary for each Priority

Materiality Assessment

01

Identification of Issues

In accordance with the Global Reporting Initiative (GRI) Standards, we have conducted materiality assessments to identify key sustainability focus areas throughout our entire value chain.

02

Prioritization of Issues

In accordance with the Global Reporting Initiative (GRI) Standards, we have conducted materiality assessments to identify key impacts in the areas of the environment, economy, and society derived from our business operations and identified issues.

Based on the 18 identified issues, we conducted stakeholder (Employees, Customers, Partners, Local Communities, Governments) surveys to analyze the likelihood and impact of the issues. The 204 responses were incorporated with the analysis data from the issue identification stage.

03

Selection of Material Topics

The 18 sustainability issues were then classified into the three categories of Priority Issues, Strategic Issues, and Long-term Issues by considering the likelihood and impact of respective issues. Through the integration our sustainability strategies with the 18 issues, a total of 9 sustainability issues were selected as material topics.

04

Impact Assessment for Material Topic Management

By identifying and assessing the impacts, risks, and opportunities regarding selected material topics, we made decisions on operations and the management of impacts that could arise from each material topic. Relevant strategies and long-term plans for respective material topics were also established.

05

Reporting Progress

The effectiveness of our ESG management and performance are kept under continuous review and monitoring through ESG management units, and key issues are reported to the ESG Committee. Our policy and activities in respect to each of the material topics are then disclosed to our stakeholders in a transparent manner through our annual sustainability report.

Key Stakeholders

Stakeholder Groups	Significance	Communication Channels
Employees	Awareness on health & safety, welfare levels and competency for professional development is fundamental to our performance and is the key to achieving our vision of 'benefiting humanity and society'.	Employee home visits Grievance box Hotlines
Customers	Punctually delivering high-quality products is key to the continuous generation of financial capital and the reputation of our business operations.	Regular business visits Leadership meetings
Partners	We work closely with partners within our value chain to ensure that waste circularity, contractor safety and compliance with international standards are managed to create sustainable and mutual growth.	Whistleblowing website Annual Surveys
Local Communities & Governments	We cooperate with government agencies and regulators to respond to global risks and policy influence. Footwear manufacturing also creates many employment opportunities and leads to the vitalization of local communities.	Talks with local governments and representatives

Taekwang's Participation in Sustainability Initiatives

Supporting the 10 Principles of the UN Global Compact (UNGC) since 2015



Supporting the Women's Empowerment Principles (WEPs) since 2022

WOMEN'S EMPOWERMENT PRINCIPLES

Our GHG emission targets up to 2030, aligned with SBTi's 1.5°C scenario

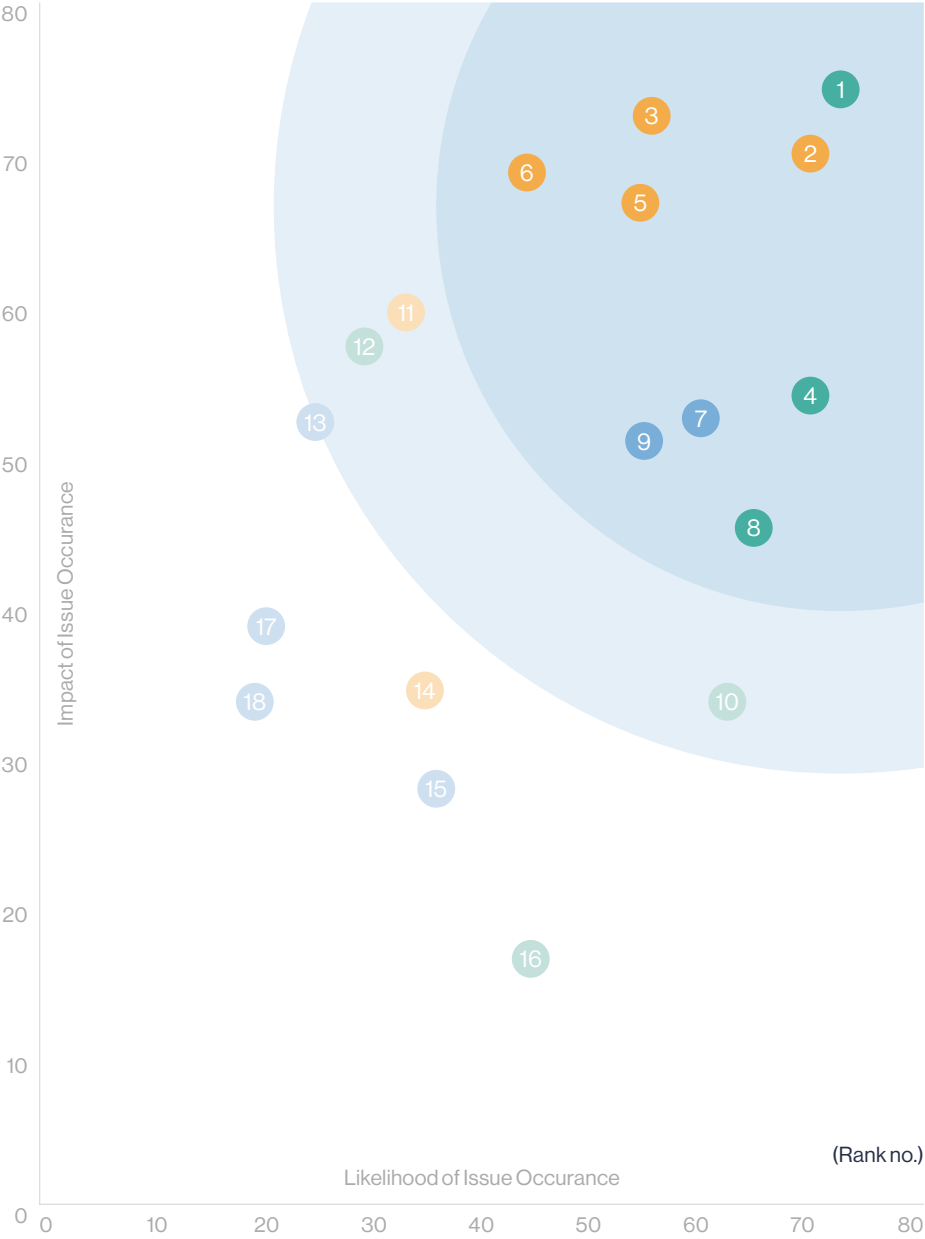


Received a Grade C through the CDP Climate Ratings in 2021



Identified Sustainability Issues

Rank	ESG Issues
1	Waste
2	Employees Benefits & HR Management
3	Diversity & Inclusion
4	Climate Change
5	Supply Chain
6	Human Rights
7	Global Risks
8	Energy
9	Quality
10	Water
11	Workplace Safety
12	Chemicals
13	BoD and Disclosure of Information
14	Local Community
15	Research & Development
16	Air Polution
17	Ethics & Compliance
18	Data Security



* Color by Part : ● Environment / ● Social / ● Governance

2021 Material Topics

Rank ¹	Material Topic	Impact of Material Topics	Page
1 (▲2)	Waste	Minimization of environmental impacts by increasing circularity measures. Financial impacts from the processing and regulatory costs of waste	p.70-79
2 (New)	Employee Benefits & HR Management	Encouraging employee engagement and motivation. Contribution to business growth and regional community/economy through employment opportunities and the nurturing of local talent	p.65-69
3 (New)	Diversity & Inclusion	Fostering creativity and accelerating innovation through securing diverse talents	p.35-41, 62-64
4 (▲5)	Climate Change	Strengthened regulations and stakeholder expectations on climate change mitigation	p.80-87
5 (New)	Supply Chain	Achieving mutual growth along with our business partners to secure supply chain stability and sustainability	p.12-13, 114
6 (▼2)	Human Rights	Embedding trust in the corporate culture through compliance with basic human rights regulations and obligations. Contribution towards non-financial business reputation and business continuity.	p.62-65
7 (New)	Global Risk	Financial risks derived from issues on a global scale. Impact on business stability upon the implementation of response measures	p.12-13
8 (-)	Energy	Financial impacts due to energy transition, Minimization of environmental impacts from the implementation of renewable energy	p.80-87
9 (▼8)	Quality	Securing competitiveness within the market through product perfection	p.52-53

1) Changes in ranks compared to previous materiality assessment

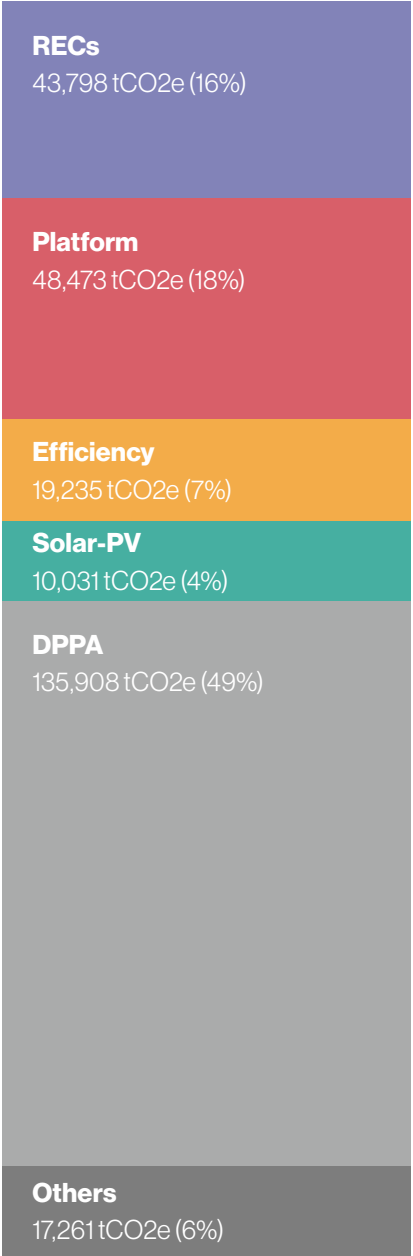
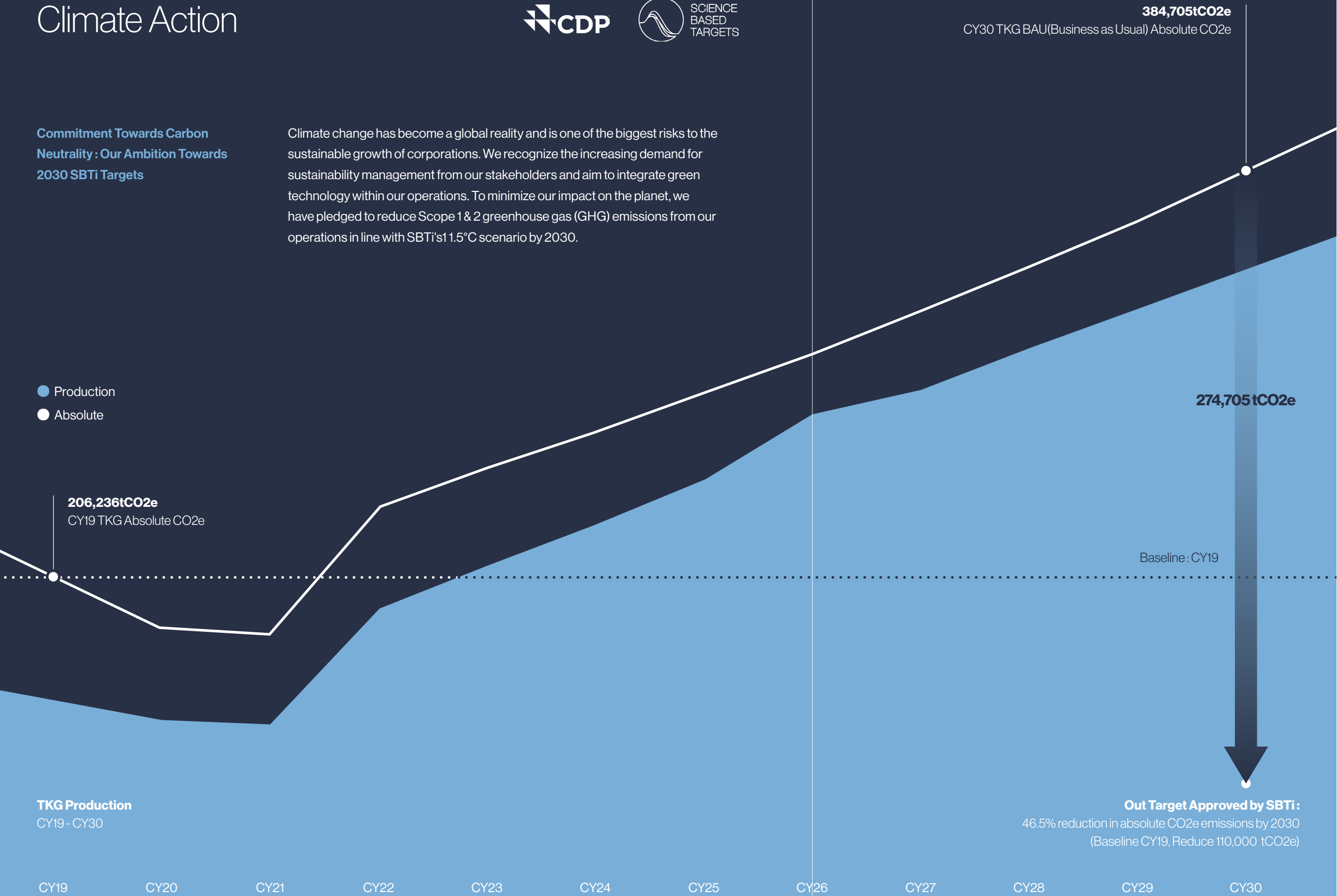
Climate Action



Commitment Towards Carbon Neutrality : Our Ambition Towards 2030 SBTi Targets

Climate change has become a global reality and is one of the biggest risks to the sustainable growth of corporations. We recognize the increasing demand for sustainability management from our stakeholders and aim to integrate green technology within our operations. To minimize our impact on the planet, we have pledged to reduce Scope 1 & 2 greenhouse gas (GHG) emissions from our operations in line with SBTi's 1.5°C scenario by 2030.

- Production
- Absolute



Hwang Eric, TKG Taekwang
Indonesia, Vice GM



“The race to net-zero is a marathon and we have taken the first step.”
As a company pursuing sustainable value creation, we actively join in on the journey of the global community to create a sustainable environment with robust and ambitious targets and initiatives, tailored to the achievement of SBTi targets. Together with the Indonesian government, we have committed to the REC (Renewable Energy Certificate) program and plan to source 50% of our total electricity consumption from renewable sources. Starting from this first step, we will keep searching for new opportunities to the best of our ability.

Our Performance on the Carbon Disclosure Project (CDP)

Despite the ongoing implementation of every accessible resource available to tackle our GHG emissions, we will still require some groundbreaking innovations in energy-saving technologies to meet our SBTi targets. Nonetheless, we have remained actively committed to reducing our impact on the environment. For the first time in 2021, we participated in the CDP and received a C rating. We will continue our trajectory towards sustainable manufacturing by categorizing our GHG inventories and implementing specific action plans up to 2025.

2021 CDP Rating C

A CDP Rating C corresponds to Awareness Level, awarded to companies who understand, measure and report their climate impacts

Vision

Lead the Industry toward
Energy Neutrality

Goals

46% GHG Reduction by 2030
(Baseline 2019, Scope 1 and 2)

Action Plans

On-site Solar PV	Renewable Energy Purchase	Energy Efficiency
10,031 tCO2e Reduction	43,798 tCO2e Reduction	Targeting the two largest areas of energy consumption :
On-site Solar PV Under Operation : 1.3MWp (VT2)	Direct energy purchase from off-site renewable energy plant in Indonesia	Heating & electric motors
Planned On-site Solar PV : + 7.3MWp (VCT) + 1.9MWp (VM) + 4.8 MWp (VT) + 3.5 MWp(VT2) + 1.2 MWp (TT)	+ planned energy purchase in Vietnam	<ul style="list-style-type: none">Minimizing energy lossImplementing energy efficient motors

* Refer to p.81 for further details about on performance

ESG Leadership

Accelerating Momentum : The Establishment of an ESG Committee

To create sustainable value, we implement strategic decisions based on the preemptive identification of risks in areas including, but not limited to, labor, human rights, safety, environment and mutual growth to create sustainable value. In view of the growing demand for sustainable business operations from our stakeholders, we have now established the ESG Committee, chaired by the CEO and the Senior Managing Director. The ESG Committee convenes once every quarter to set strategic targets that reflect our organization's strategy, vision and long-term goals regarding key ESG agendas.

To support the ESG Committee's decision-making process, the ESG Management Unit was also established, which includes the executives of our subsidiaries in Vietnam and Indonesia, and departmental heads from our headquarters in Korea. The ESG management unit reviews relevant subjects and arranges response plans to ensure that sustainability is considered in the Board's final decisions. The unit is delegated with the authority to implement strategic reviews of all of our operations, and reports directly to the ESG Committee.

Roles and Responsibilities of ESG Committee

Risk Identification	<ul style="list-style-type: none">Identifying the consequences of ESG risksAssessing risk identification and management processesIntegrating company-wide ESG risk management systems
Risk Assessment	<ul style="list-style-type: none">Assessing major ESG risks, risk priorities and materiality criteriasEnhancing the ESG evaluation capabilities of the Board of Directors
Decision-Making	<ul style="list-style-type: none">Consideration of ESG upon establishment of strategiesManagement of ESG risks and opportunities
Monitoring Risks	<ul style="list-style-type: none">Monitoring ESG management levelsArranging cooperation between offshore branches
Reporting Risks	<ul style="list-style-type: none">Reporting major ESG risks and activities

Diversity & Inclusion

Our definition of a strong company is a company that responds quickly and appropriately to changing environments. By looking back on the past 50 years of TKG Taekwang without being complacent of yesterday's success, we plan to make steady efforts to predict and prepare for the challenges ahead. Through the embracement of diverse cultural heritages and backgrounds of our colleagues, we are introducing systematic innovations to our organization which will allow us to empower the next generation of leaders and nurture a diverse and inclusive corporate culture.

“Inclusive corporate culture is the driver of creativity and innovation.”
Subconscious biases go undetected by the individuals who hold them. We may encounter numerous social and cultural biases in our daily lives that prevent us from accepting diversity.
I hope we can create an inclusive and mature corporate culture that can appreciate diversity by looking to our fellow associates.
- Excerpt from 2021 World Women's Day ceremony

Moving Forward Together : Fostering Local Women Leaders

JM Kim,
President of TKG Taekwang



Mission	<ul style="list-style-type: none">Create a diverse and innovative company cultureFostering an engaged, valued, and respectful work environmentFacilitate equal opportunities for career development
Target	Increasing the ratio of female leadership 19% (2021) → 35% (2025)
Action Plan	<p>Improve internal regulations & working conditions Utilization of ICRW Self Diagnostic Tool * Refer to p.63 for our performance details</p> <p>Foster female talent Implement leadership and Career Development Programs * Refer to p.64 for our performance details</p>

In Dialogue with Female Leaders

To focus on the current challenges of our female employees working within our factories, we have interviewed our female leaders. We will continue to pay attention to the voices of our stakeholders and seek for ways to achieve gender quality within our workplace.

What do you think of the status of a female worker in Taekwang and how do you see it in the future?

YM Lee

In the case of the VM factory where I work, about 75% of our employees are women. There are many percentages of women at the managerial level thanks to the career promotion activities in our factory in Vietnam. It means that there are lots of room for female leadership opportunities and I am so grateful that our company is working on it.

Monica Shin

There are approximately 30,000 employees working at TT, of which 95% are women. However, it is difficult for them to be cultivated as leaders considering the local culture and challenges of our female workers. Female workers are required to be fully engaged in the workplace and, at the same time, to take full time family responsibilities. Therefore, I think our company needs to continue to search for ways to support them to manage both sides simultaneously to keep their career path.



Monica Shin, TKG Taekwang Indonesia, Development & Production

What are your expectations for Taekwang's leadership in nurturing women leaders?

YM Lee

First, I think career development paths should be devised for female employees based on fair evaluation and assessment. According to research, you are likely to be assessed favorably by the same gender. Considering the gender ratio of the current management, there needs to be a supporting system to offset gender bias. Second, I want to emphasize the importance of fair access to job opportunities as well. A business leader is expected to have acquired insights into the diverse aspects of business. Job experience in various functions is necessary to promote their understanding.

Sarah Kim

Most women employees are faced with childcare or family care responsibilities during their career journey. It becomes the biggest challenge for women employees when they are forced to choose only one. I wish the company takes the gender equality issue critically seriously and work out ways to guarantee for both male and female workers a parent-friendly working environment.



YM Lee, TKG Taekwang Moc Bai, Sr. Director of Production Part

Do you have any ideas that you want to share with your female colleagues?

Monica Shin

My wish is that we are not confined by our conditions or environments. Carefully speaking, I think we must work towards expanding the scope of our work without setting a limit. We should focus on “What can I do in this time and place?” and work around, enhancing our capabilities and performances. No matter how many social barriers and challenges there may be, I hope we will walk our own paths, if needed, along with the training and support provided from the company.

Sarah Kim

It was a great opportunity to hear the advice of senior managers who had already experienced the same difficulties and share my own expat experience with my juniors and colleagues. I wish that more opportunities are made in the future where we can exchange positive feedback with each other among peer group members within our workplace.



Sarah Kim, TKG Taekwang Vina PCC, Kids Category Development

Women in Leadership in Vietnam and Indonesia

When women become leaders, they bring a different set of skills, imaginative perspectives, and, importantly, structural and cultural differences that drive effective solutions within the workplace. The need for more female leaders has never been more critical, and there is no shortage of data to support this claim. There have been calls for greater gender equality and tremendous strides have been made in this aspect. However, there is still a fundamental lack of women in leadership roles.

Our Effort to Advance Women in Leadership

As of 2021, over 50% of managerial positions are held by women in our manufacturing factories in Vietnam. We will now put a particular emphasis on increasing the proportion of women in the upper/senior management positions up to 35% by 2025. To make progress toward achieving this goal, we are engaged in the following activities in 2022 :

- To ensure that all managers are trained on unconscious bias, a part of gender equity and diversity training program
- To accelerate succession planning, setting a clear target for female representatives and systematic delegation of authority at Head of Department level
- To enhance successor and Hi-Po training programs for high-potential female employees
- To implement the Evidence and Data for Gender Equality (EDGE) project, a leading global standard for gender equality in the workplace
- To organize D&I committee to ensure equal opportunity for leadership positions in multiple business functions for women with senior leaders' buy-in from T2 and VT
- To regularly monitor and report progress to the Board of Directors



Tran Thi Hoa, TKG Taekwang Vina, Plant Director

- 1995 Joined VT as Team leader in stitching area
- 2008 Promoted as Plant Manager in stitching area (Plant A)
- 2017 Director in charge of Plant A & B

"The bigger the barrier, the higher we jump."

TKG Taekwang Vina is my second home
- A platform to bridge our values in life

In 2013, the Jordan model was first produced in plant A of Taekwang Vina factory in Vietnam. It was the most impactful moment in my career because the Jordan model requires high craftsmanship not only in stitching but in attaching process, and I did not have much experience in attaching. To master the level of attaching skill and succeed in production of this model, I collaborated with Korean expats daily and led my team members.

This experience motivated me to learn the Korean language and enroll in the Succession Training Program. It felt as if our company had already prepared a solution for me to do away with all the difficulties I had to face, all together: from language and soft skill programs to visioning and strategy coaching program. At Taekwang Vina, I have always been able to acquire all the effective competencies in timely manner to deal with the expanding scope of work.

"Everyone deserve to be a leader.
So, let's chase and make our dreams come true!"

Since joining Taekwang Indonesia as a founding member in 2013, my life has changed a lot. Although there were many difficulties in stabilizing the ramp-up of the initial plant, I felt proud to share Taekwang Indonesia's growth in the process. I sincerely thank the management for giving me the opportunity to grow continuously.

This year, I became the first local woman to be a plant director in TKG Taekwang Indonesia. Now I have another dream. I firmly believe women can overcome social prejudice and become leaders if they have commitment to their roles and responsibilities. With effort and passion, women can succeed in an organization not only as a field manager but also as a mother of a family. And, in TKG Taekwang Indonesia, there is hope that the dream can come true.



Ami Sumiati, TKG Taekwang Indonesia, Director

- 2013 Joined TT entitled as Plant Manager in stitching area
- 2016 Senior Plant Manager and HOD (Head of department) in Plant C & D
- 2022 Promote as Director in charge of Plant C & D

Product

- 46 Digital Innovation
- 50 Product Sustainability
- 52 Product Quality

People

- 56 Health & Safety
- 64 Embracing Diversity and Equality
- 65 Professional Workforce
- 67 Community Engagement

Waste

- 72 Minimizing Environmental Impacts
- 74 Our Circularity Measures
- 77 Additional Waste Reduction Initiatives

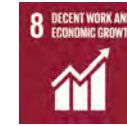
Energy & Carbon

- 82 Our Response to Climate Change
- 84 Renewable Energy
- 86 Energy Efficiency



Product

- 46 Digital Innovation
- 50 Product Sustainability
- 52 Product Quality

**Target 8.2**

Achieve higher levels of economic productivity through technological upgrading and innovation

**Target 9.4**

Retrofit industries to make them sustainable, with increased resource use efficiency

**Target 12.4**

Achieve environmentally sound management of chemicals throughout their life cycle

Manufacturing footwear is undoubtedly an arduous process requiring the integration of chemicals, machinery and manual labor. In 2021, we continued to implement the MES 3.0 management system and improved robot technologies to secure product quality consistency while increasing the productivity of our manufacturing lines.

To safeguard both our customers and employees, we have also reduced the excessive use of toxic chemicals. We have effectively reduced our chemical use by improving efficacy and introducing bio-based materials based on two broadly accepted international compliance standards, namely the Manufacturing Restricted Substance List (MRSL) and the Restricted Substance List (RSL).

As far as our internal quality management goes, we will continue to enhance quality management systems and incentive programs to effectively diagnose and maintain the quality of our products.

Next Plan : In pursuit of perfection

We will continue to manufacture world-class footwear without compromising quality through digital transformation and chemical engineering innovations.

Digital Transformation

**2021 Performance**

CY21 core tech development

**2025 Target**

Automation assembly & stockfit line

Product Sustainability

**2021 Performance**

CY21 collaboration with suppliers for eco-friendly chemical

**2025 Target**

10 chemical phase out

Product Quality

**2021 Performance**

CY21 silver in MI-Q

**2025 Target**

MI-Q Gold

Digital Innovation

Process Optimization through Systematic and Mechanical Innovations

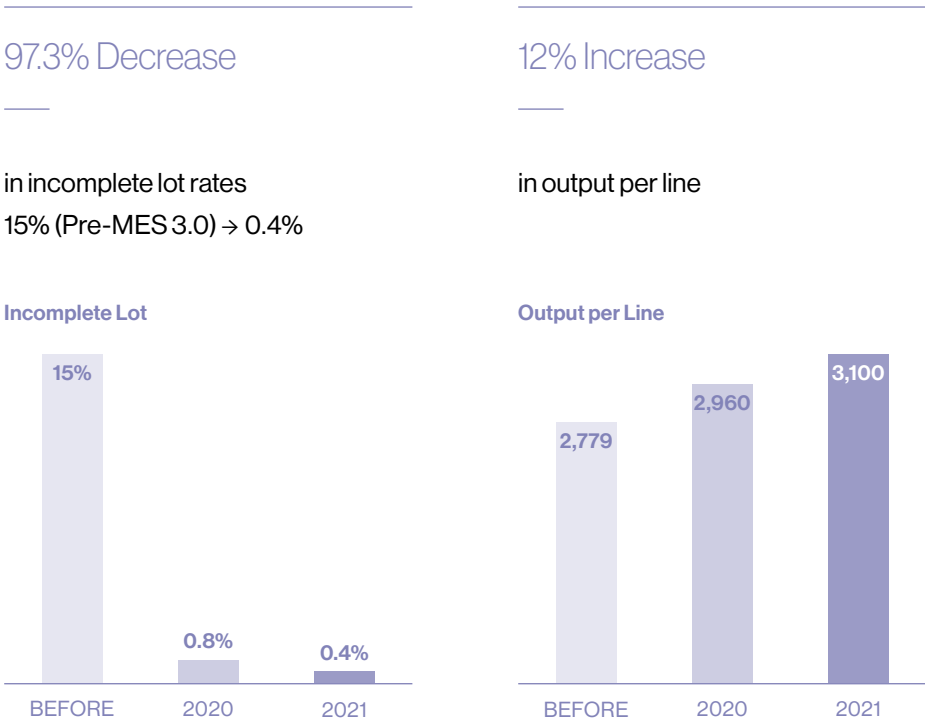
Standardization of Work Processes and the Digital Ecosystem

Considering the labor-intensive nature of the footwear manufacturing industry, we have focused our efforts on innovating our operations to maximize automation and enhance our manufacturing capabilities. We aim to maximize efficiency and optimize manufacturing processes through the standardization of work processes with support from digital systems and mechanical innovations.

To optimize our business operations, we first standardized our work mechanisms based on a firm understanding of our core work principles. After optimizing our work process, we created digital systems based on our standardized work procedures. The MES 3.0 system is an aggregation of all the individual processes in a single system. Before entering actual manufacturing, the MES 3.0 allows our employees to systemize work processes and designates detailed production targets down to the level of individual machines according to the overall production plan. We consider the MES 3.0 as a groundbreaking system that marks a milestone in the footwear manufacturing industry.

Improvements in Manufacturing Efficiency through MES

Footwear manufacturing requires a complex integration of numerous materials, machinery and manufacturing processes. The Manufacturing Execution System (MES) allows these complex processes to be integrated and monitored through a single system. Since the introduction of the MES, we have been able to improve our efficiency by utilizing an integrated monitoring system and shortening our response times to address evolving consumer needs.



Innovations in Sensor Technology

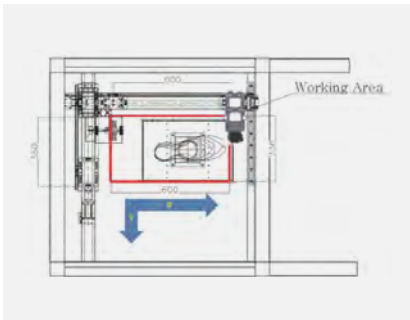
Our primary goal in supporting the actualization of our production targets is to increase the efficiency of our existing resources through automation. This year, we focused on two areas to expand automation: the development of Depth Vision sensors, and the Multi Axis Robot.

Vision sensors are used to recognize objects through calculating height differences by distinguishing contrasts in light. To create a controlled environment for the vision sensors, we had to install a separate booth with an artificial light source to block out natural light. 2021, we applied depth sensing technologies and developed a vision program, allowing our vision sensors to adjust the data input according to the varying angles of patterned light.

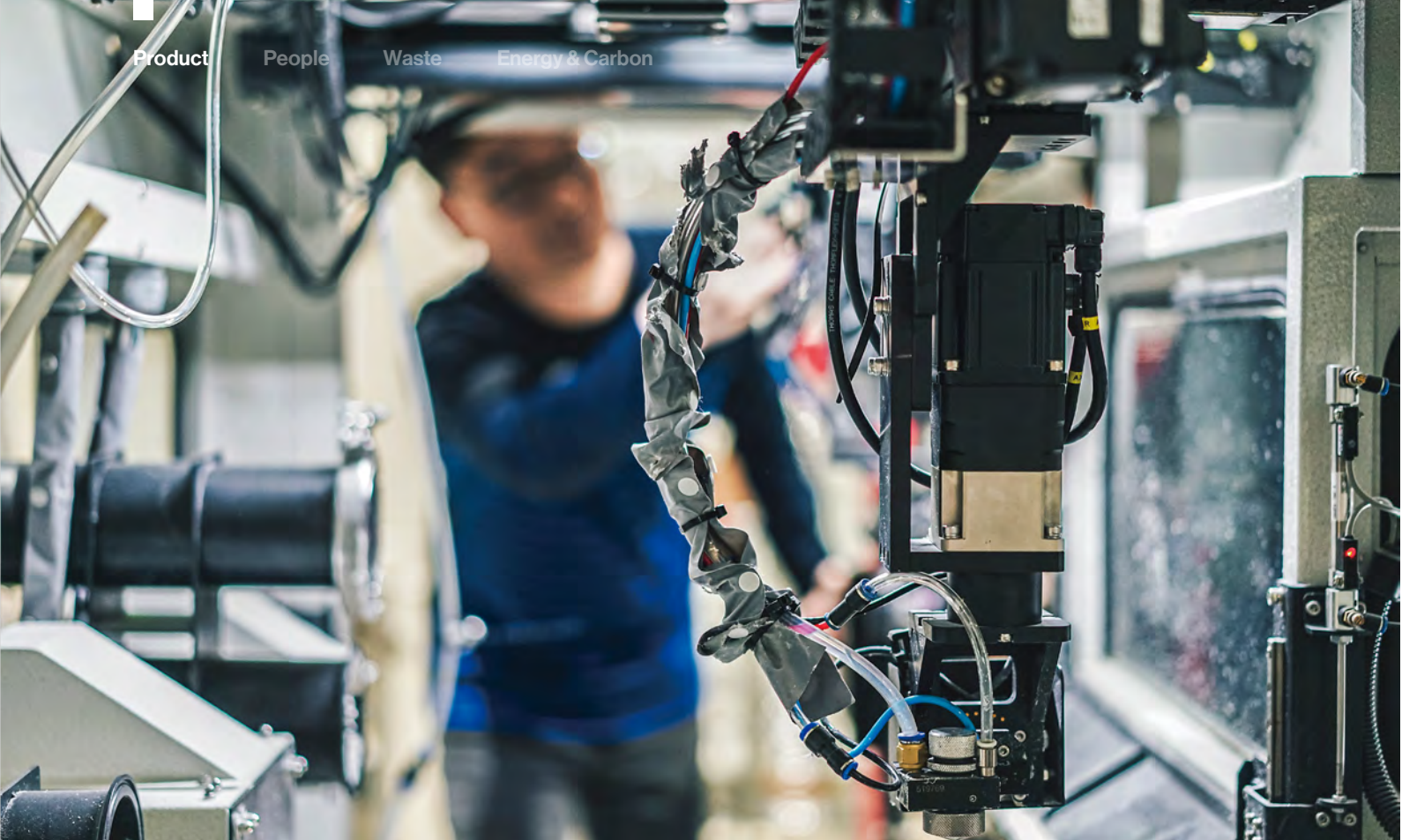
After the implementation of depth sensing technology, the sensors were able to distinguish the contrast of light which eliminated the need for a separate direct white light booth. This allowed us to fabricate the compact size of our manufacturing machines which led to increased production efficiency and product quality. In 2021, we applied the depth sensing technology to 13 machines in our VM and VT factories in Vietnam and plan to continue enhancing our machines through the expansion of our depth sensing technology.



Development of Vision Sensors



Newly Developed Multi Axis Robot



Development of Multi Axis Robots

Unlike most industry norms, footwear manufacturing utilizes 5-axis robots: the x-y-z axis and two additional axes for rotating and tilting. Although existing industrial robots were available, they proved difficult to integrate into footwear manufacturing automation due to space limitations, productivity, and price. As such, we decided to independently develop a new multi-axis robot on our own.

Initially, we envisioned a system able to simultaneously control two axes (x-y). Through gradual technology development, we have developed a robotic system that can simultaneously control up to five axes (x-y-z-rotate-tilt). This technology has been applied to the glue spraying equipment and is being used in various factories such as the VT factory in Vietnam. In 2021, a total of six robots were upgraded with newly developed 5-axis technology.

As multi-axis robot functionality can be extended and applied to other various manufacturing processes, we expect it to emerge as a core technology for realizing process automation. Through continuous expansion and integration of automation technology, such as our vision sensor and multi axis robot technology, we aim to automate the entire manufacturing line in the near future.

Product Sustainability

Minimizing the Use of Hazardous Chemicals

20% Reduction

In solvent use per pair through the newly developed adhesive



Our sustainability efforts are focused on reducing the use of solvents through improvements in our manufacturing processes and eco-friendly substances. Reducing the use of chemicals within our manufacturing processes is crucial; not only for reducing our environmental impact, but also to ensure the safety of our consumers and employees.

We base our product sustainability against the Manufacturing Restricted Substances List (MRSL) and Restricted Substances List (RSL). The MRSL is a collective standard that lists out chemicals that are prohibited in the manufacturing processes of several industries, which includes: footwear, apparel, and textiles. The RSL is an industry-specific standard tailored to the production of footwear, regulating the chemicals that could cause toxicity when swallowed, chewed or ingested by infants. The RSL also outlines toxic substances such as carcinogens and endocrine-disrupting chemicals.

We are working to reduce the use of solvents through minimizing human error through improvements in manufacturing processes. Through our specialized machinery, we are reducing the use of solvents by preventing over-cementing during the glue spraying stage for the outsole.

Apart from technical innovations, we also strive to reduce the number of chemicals we use. In 2021, we developed a new adhesive that allowed us to maintain the same level of performance while eliminating the need for a separate hardener. This was an instrumental imperative for the health of our employees as the excessive inhalation of the isocyanate hardener may cause occupational asthma and/or other lung problems.

Implementing Bio-based Materials

We are also engaged in replacing the existing petrochemical-based compounds with bio-based compounds. Through a thorough Life Cycle Assessment (LCA) of our manufacturing processes, we were able to replace Naphtha, a raw material used for many of our manufacturing processes, with bio-based Ethylene Vinyl Acetate (EVA). Specifically, we fermented sugar cane to acquire glucose, replacing the crude-oil based Naphtha.

While the bio-based glucose effectively reduces the need for synthetic chemicals, it also helped to reduce our CO2 emissions by 20-40% as it eliminated the need for the heavily polluting petrochemical processes required to manufacture naphtha. The Bio-EVA will be applied to the manufacturing of two distinct models over the 2023 Summer and Fall seasons.

Another example of a bio-based material is the husk silica. Before, silica powder had been made with silica sand, commonly acquired through the grinding of stone. The Husk Silica project aims to replace ordinary silica with silica acquired from the burnt ashes of rice husks. We are currently validating the performance of husk silica in our manufacturing lines and expect to reduce CO2 emissions by 70%.

Eco-friendly Blowing Agents and Crosslinking Agents

A blowing agent is a raw material used for mixing different chemical compounds. During delivery from our suppliers to our factories, the blowing agent becomes highly enriched inside the containers and generates ammonia. The workers on the loading dock filed several official claims regarding the pungent odors produced from the highly enriched ammonia gas, and even organized several demonstrations.

By replacing the existing blowing agent with the eco-friendly/low-toxic blowing agent we developed, we were able to reduce the generation of ammonia gas by 50-60%. Apart from ammonia, we were also able to reduce the generation of two toxins, the Acetophenone¹ and 2-phenyl-2-propanol², from 913ppm to 11.8ppm and from 2,200ppm to 24.7ppm respectively.

1) Acetophenone: A chemical that triggers a stinging sensation in the nostrils and skin irritation
2) 2-phenyl-2- propanol: A chemical that causes bronchial diseases when inhaled. May cause vomiting, diarrhea, nausea and irritation to the eyes and skin

Product Quality

Exceeding Quality Expectations

TKG Taekwang has been steadily striving for quality innovation and assurance along with process enhancement to achieve world-class quality in product development and manufacturing. To emphasize the importance of quality and establish awareness on a culture of quality assurance, various quality management systems have been introduced in each of our manufacturing operations.

We evaluate our quality management efforts through the Taekwang Group Manufacturing Index Quality (TKG MI-Q), an internal scoring system based on three indicators: Factory Cost Per Pair (FCPP), Inbound Inspection and Bonding. The FCPP combines the losses from defects and returned shipments. Inbound Inspection checks for defects in end products upon arrival, and Bonding checks for the cementing integrity of end products on a monthly basis.

In 2021, we outlined four key factors for spreading the culture of quality assurance: Leaders' Commitment, Reliability, Co-participation and Ownership. Based on the four factors, we executed the following improvement tasks with annual goals for each of our offshore operations. Through improved process optimization, we will continue to encourage our employees to actively pursue quality improvement activities.

Actions to Implement Quality Culture

Top-down Drive

Leader's Commitment / Reliability

- Announced of quality-first management
- Established KPIs for quality management
- Regular leadership messages on the importance of quality

Bottom-up Wave

Ownership / Co-participation

- Implemented real-time quality reporting systems
- Compliance of global & internal quality standards
- Improvement activities through the Plan-Do-Check-Act (PDCA) upon occurrence of quality issues

Actions to Implement Quality Culture

Create the World-class Quality



01

Customer & Quality-Oriented Mind from Top to Bottom



02

Proactive Quality Improvement Activities



03

Process Optimization for Quality Management System Enhancement

FY22-25

GOLD

FTY	MI-Q
VM	Gold
TT	Gold
VT	Gold

FY21

SILVER

FTY	MI-Q
VM	Gold
TT	Bronze
VT	Silver

FY20

SILVER

FTY	MI-Q
VM	Gold
TT	Gold
VT	Silver

FY19

SILVER

FTY	MI-Q
VM	Bronze
TT	Bronze
VT	Gold

People

- 56 Health & Safety
- 62 Embracing Diversity and Equality
- 65 Professional Workforce
- 67 Community Engagement

**Target 5.5**

Ensure full participation in leadership and decision-making

**Target 8.8**

Protect labour rights and promote safe and secure working environments for all workers

**Target 10.3**

Ensure equal opportunity and end discrimination

Manufacturing footwear involves the continuous input of manpower, and the quality of our products directly depends on the competence and wellness of our employees. For this reason, we focused on occupational safety and health (OSH), diversity & inclusion, and community engagement.

In 2021, we renovated our machineries, educated machine safety experts, and utilized external diagnostic tools to secure a safe working environment. We also focused on encouraging the engagement level of our employees by conducting gender equality surveys and providing cross cultural education.

We also strive to fulfill our duties as a responsible corporate citizen. By providing regular scholarships, investing in regional infrastructure projects, and contributing to community sporting events, we aim to achieve mutual growth with our local stakeholders.

Next Plan : Prioritizing our people

We aim to continue utilizing diagnostic tools of Culture of Safety Maturity Assessment (CoSMA) and Self Diagnostic Tools (SDTs) to improve internal policies and practices to facilitate equal opportunity and workplace safety. We will also continue providing vocational trainings to our employees.

Occupational Accident Rates

2021 Performance

RIR	CY20	-6%
	CY21	-10%
DART	CY20	+1%
	CY21	-24%

2025 Target

-5% Reduce the average accident rate by 5% within three years

Gender Equality - SDT Score

2021 Performance

CY20	LEVEL 3
CY21	LEVEL 3

2025 Target

LEVEL 4 Achieve Level 4 in gender equality

Health and Safety

Securing a Safe and Productive Workplace

Vision	Establish a safe and productive workplace where employees look out for one another in a risk-free environment
Goals	<ul style="list-style-type: none">• Zero fatality• Culture of safety-skilled and capable workforce• 5% reduction in the three-year average of recordable accident rates• 5% reduction in three-year average of severity levels
Action Plan	<ul style="list-style-type: none">• Transformational leadership• Culture of safety maturity assessment (CoSMA)• Machine safety• Contractor safety

At TKG Taekwang, health and safety KPI is cascaded down to each overseas subsidiaries. Setting zero fatality as the base, each subsidiary works towards reducing their accident rates by 5% per annum from the three-year average. We are also focusing on establishing a culture of safety amongst our employees.

“There is nothing more important than human life and safety”
It is a core responsibility of our leadership team to facilitate establishing a healthy workplace for our employees and return them home safely.
By prioritizing H&S in all our actions decision-making processes and by ensuring that employees recognize and act from a H&S focused mindset, I believe that TKG Taekwang's sustainable culture can be further improved.
We are all working hard to build the best factory in the world where everyone works safely and happily, and the best sustainable business partner with our stakeholders.

YS Kang, TKG Taekwang
Cantho, Vice GM

Transformational Leadership Program

We understand that the leadership team's commitment is one of the most important factors in strengthening our occupational safety and health (OSH) management. To enhance the efficiency of OSH governance, we worked with the Institute of Occupational Health and Safety (IOSH), a third-party organization specialized in OSH leadership development, and implemented the Transformational Leadership Program in 2021. Based on the results of the Transformational Leadership Program, we reexamined our group-wide OSH vision and have now established the ESG Committee, tasked to examine OSH issues from the Board level and strengthen leadership engagement of OSH capabilities.

Transformational Leadership Program Courses

Assessment of OSH Maturity Levels
<ul style="list-style-type: none">• Selected 14 members of the Board and Senior Leadership Team in Korea and Vietnam• Inspected overall maturity levels of OSH management
Governance
<ul style="list-style-type: none">• Organized ESG Committee• Set ESG framework with vision & strategies
Leading Safely
<ul style="list-style-type: none">• Trained on recent developments in OSH management practices• Held discussions on ways to reinforce company-wide OSH management capabilities
Technical Security
<ul style="list-style-type: none">• Drafted specific action plans for managing corporate risks associated with OSH

Maturing Culture of Safety
(CoSMA)

CoSMA is an assessment tool that assesses the maturity level of OSH management in terms of Leadership, People and Process. To prioritize our OSH focus areas and identify support needs, we evaluate the strengths and opportunities for our business operation's culture of safety and communicate on the improvement expectations.

In 2021, we conducted the assessment and achieved Maturity Level 3 in all our business operations. Based on the results, specific improvement areas outlined by CoSMA include the integration of safety metrics into KPI's, the establishment of a safety committee and multi-year safety priorities. To further embed the Culture of Safety mindset within our operations, we incorporated the CoSMA guidelines into the OSH management systems of our manufacturing sites.

CoSMA Results & Target

	VT	VM	TT
2021 Score	69% (Level 3)	69% (Level 3)	61% (Level 3)
2022 Target	70% (Level 3)	70% (Level 3)	62% (Level 3)
Long-term Target	Achieve 76% or higher (Level 4) by CY25		

* CoSMA assessment scoring scheme: Maturity Level 1 (0-20%), Maturity Level 2 (21-50%), Maturity Level 3 (51-75%), Maturity Level 4 (76-90%), Maturity Level 5 (91-100%)



Contractor Safety

Apart from securing our own occupational health and safety, we recognize our partners as a major stakeholder and aim to strive for unified improvements. To help mitigate the OSH risks of our partners, we evaluate their safety management capabilities in terms of their management system, level of execution, performance management and accident rates. We then share our OSH management strategies based on the results of the evaluation so that our partner firms are able to improve their OSH management capabilities. In 2021, we conducted a total of 26 contractor safety evaluations in Korea, Vietnam and Indonesia.

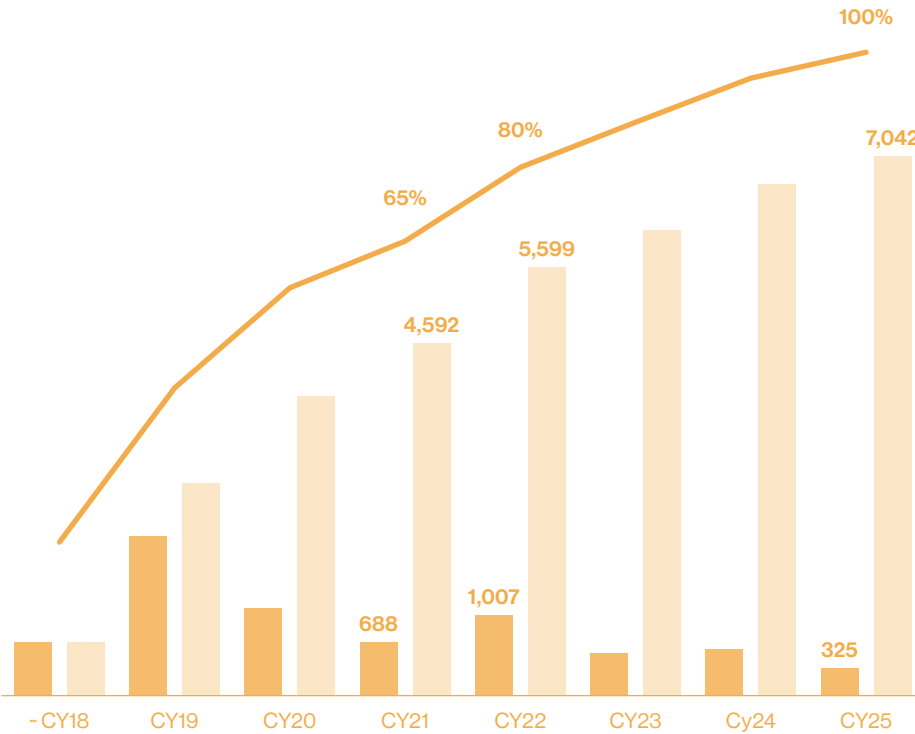
Safe Machine :
Accident Prevention Activities

‘Safe Machine’ is an initiative to ensure the safety of our business operations. To secure facility safety, we perform risk assessments in cooperation with third party organizations and identify potential safety loopholes at our manufacturing facilities. Based on the risk assessment results, we plan safety improvement for the facilities identified to have major risks and provide company-wide safety protection guidelines.

Among the 37,000 machines in use, 7,042 machines from 43 machine types have been classified as high risk machines. Our target is to safely renovate all 7,042 machines by CY25. From 2018 to 2021, we have secured facility safety for a total of 4,592 machines from 27 machine types, achieving a cumulative progress rate of 65% against our CY25 target.

Safe Machine Targets

Target (CY)
Target (Accumulated)
% Target (Accumulated)



We are further securing facility safety by fostering additional Certified Machinery Safety Experts (CMSE) at offshore manufacturing hubs through CMSE training, an internationally accredited machinery safety expert course. In cooperation with an automation safety technology supplier, we provided expertise training in areas of risk identification and machine safety through ISO 12100 and ISO 13849. According to the international laws, regulations and standards related to machine safety, we will continue to apply risk-based compliance obligations & safety measures during the design, manufacture, and purchase of machines.

7 Employees

Received CMSE expert training on machine safety (CY21)



668 Machines

Retrofitted to improve machine safety (CY21)



Embracing Diversity and Equality

An Inclusive Culture Built Upon Diversity

Diversity :
Anti-Discrimination Policy

Due to the multinational nature of our factory sites, our employees share diverse religious and cultural backgrounds of such respective nations. Our offshore employees are also likely to hold and prioritize different values that stem from differing gender perceptions and generational characteristics. Based on respect and acceptance, we focus on operating cross-cultural and gender awareness activities while reinforcing relevant internal policies to foster an engaged, valued, and respectful workforce.

Our anti-discrimination policy is reflected in the prohibition of discrimination provisioned under Article 68 of our employment regulation. The article prohibits discrimination based on gender during all the stages of recruitment, education, promotion, retirement and dismissal. Discrimination based on gender, nationality, religion, or social status is also prohibited in the computation of one's retirement age and affiliated benefits, working conditions and/or wages. The anti-discrimination policy also includes the grievance redressal procedure, prohibition of retaliatory behaviors and awareness training on anti-discrimination policies and compliance.

We also conduct mandatory, cross-cultural education courses for relevant employee groups, designed to help employees understand the behaviors and cultural differences of their coworkers so that any unnecessary and/or unintentional offences are easily avoided. In 2021, a total of 909 Indonesian employees received 1.5 hours of cross-cultural training.

Gender Equality : ICRW
Self Diagnostic Tools (SDT)

To increase access to career opportunities and upward mobility for women employed in our facility, we are committed to implementing strong equality policies and practices that incorporate gender equity. From the analysis of annual assessment results from our internal employee Engagement Well-Being surveys(EWB), each of our factories cooperated with the International Center for Research on Women (ICRW: A global non-profit specializing in female empowerment and gender equality research).

In line with the results from the Self Diagnostic Tool provided by ICRW, we diagnosed the integration levels of the strategies, practices, and operations of 10 domains, in the areas of hiring, wages, OSH, etc. We then identified some primary areas for improvement and devised additional action plans in terms of gender representation, abuse and harassment.

Based on the results of the SDT in 2021, we have implemented various ‘Small Win’ projects as part of our action plan. Other actions implemented include employee living cost surveys for pay compensation, and instructions for using the online grievance QR code to counter incidences of sexual harassment. We plan to make continued efforts in each domain to improve overall gender equity maturity with a view to achieving Maturity Level 4 by 2025.

	Critical Enabler	Current SDT Score	Maturity Level
TT	97%	78%	Lv.3
VM	92%	64%	Lv. 3
VT	92%	69%	Lv.3
2025 Target	Achieve Maturity Level 4		



Advocating for Female Leadership

Considering that the majority of our employees in our offshore factories are women, nurturing competent and capable female leaders is essential to better meet the demands of our employees. TKG Taekwang aims to increase the ratio of our female leadership from 19% (2021) to 35% (2025) by implementing various programs in leadership and career development, along with awareness campaigns. Through the 'Potential TL (Team Leader) Training' and 'Leadership Development Training', we are providing opportunities for our working level employees to reach managerial positions or higher. We have also participated in the WEP (Women's Empowerment Principles) initiative, with the CEO's commitment statement which has already been submitted to pledge support.

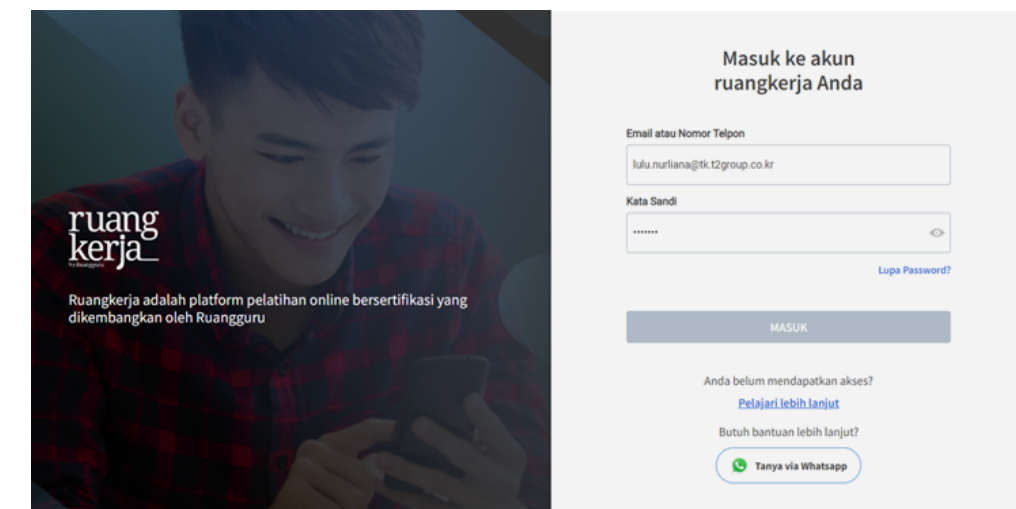
Professional Workforce

Nurturing Competent and Skilled Employees

Under the vision "Attract and Develop World Class Talent", we are providing leadership and vocational training to secure expertise and increase the productivity of our workforce. With investments in employee training and development, we strive to strengthen cooperation among functions and secure our business competitiveness. In 2021, it was important to continue our education program, even amidst the COVID-19 pandemic and the subsequent disruptions in working conditions.

Digital Transformation of our Educational Platform

In response to COVID 19, we focused on digitalizing our educational courses for capacity building and stress management. In Korea, five shoe academy curriculums were uploaded to our online education platform, covering topics of quality management and chemical engineering. In our TT factory, five mandatory training courses and two additional self-development courses were uploaded through a mobile app from a local online platform in Indonesia. The essential training courses included topics such as product security, anti-abuse measures and safety regulations.



Leadership Pipeline and
Production Training

To provide effective training for our local employees, we provide various skill-based programs on a regular basis, focusing on the three aspects of leadership, production skills and administrative expertise. Out of the leadership training courses, the High-Potential (Hi-PO) program provides 5 weeks of soft skill training in the areas of leadership, intercultural understanding and office program utilization skills. On an annual basis, we provide the Hi-PO program to employees in the Director Potential (DP), Manager Potential (MP) and Leader Potential (LP) levels. The Craftmanship program is another primary course on production skills, equipping our employees with skillsets in the multiple areas of stitching, manufacturing, and processing. Over the course of 4 months, the participants are trained on work process manuals and standard manufacturing uptimes. At our TT factory, we are empowering our local employees by providing additional vocational training through the in-house stitching school and Multi Skill Training course.

Expenditure on
Employee Training

	Unit	CY19	CY20	CY21
VT	USD	222,206	229,911	142,735
VM	USD	78,534	113,760	58,942
TT	USD	133,211	62,956	88,955
T2	USD	249,662	151,730	206,718

Community Engagement

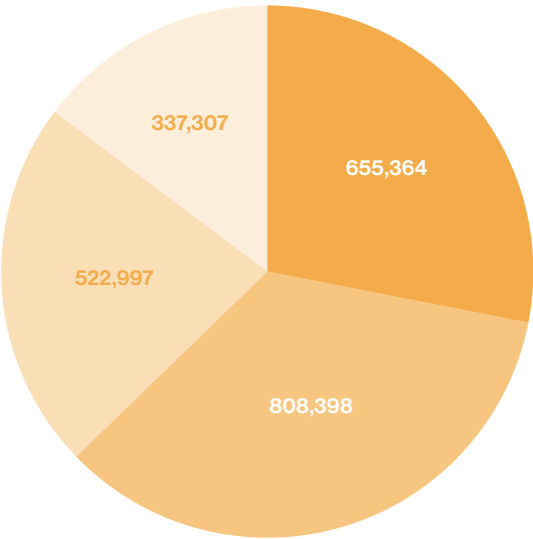
Our Approach to Community Engagement

As we develop into a global shoemaker, our relationship with the local community deepens. We acknowledged the importance of achieving mutual growth with our stakeholders, and have made regular contributions to public welfare, reinvestments in society and communication with provincial governments and communities to build credibility and establish a solid foundation for our business operations.

We have focused our community engagement efforts in three key areas to bring a positive difference to our stakeholders and communities: Sports & Culture, Social Welfare and Scholarships. Based on the needs of our neighboring stakeholders, we seek to advance our contribution to continue fulfilling our social responsibility.

21 TKG Community
Commitment (In USD)

- Scholarship
- Community Donation
- Covid 19 Support
- Sports & Culture



Jeongsan Scholarship Foundation;
The Bedrock of our Contribution
Efforts

The Jeongsan Scholarship Foundation is our core activity for social responsibility. The scholarship fund aims to foster future generations of science and engineering students in Korea. Through the foundation, we have provided a total of USD 4,000,000 to 1,791 students from its establishment in 1999. In 2021, we have supported scholarships totaling up to USD 10,677 through the Jeongsan Scholarship Foundation.

Expenditure on
Employee Training

	Scholarship (KRW)	Recipient
2000 - 2004 Total	340,000,000	409
2005 - 2010 Total	1,250,000,000	369
2011 - 2015 Total	1,830,000,000	616
2016 -	1,240,000,000	454



Case Study #1:
Sponsorship of the
Women's Kendo Team in Gimhae



Signing agreement for the foundation of professional women's Kendo team in Gimhae, Korea

Case Study #2:
Sponsorship for Infrastructure
Renovation Projects in Vietnam



Photo of renovated roads and local parks built through our sponsorship program

As a sporting footwear manufacturer and a local corporation representing Gimhae, we have provided ongoing sponsorships to local sporting events in an effort to nurture community engagement. To aid the hosting of the 2023 National Sports Festival in Gimhae, we committed to support the establishment of a new professional women's Kendo team, consisting of 2 coaches and 5 players.

1.7 Billion KRW

Sponsorship towards
the operation of local sports teams
from 2020 to 2023

4 Sports Teams

Received support from our
sponsorship commitments
(Soccer, Hockey, Kendo and
Baseball)



In the Trang Bom district in Vietnam, we initiated a renovation project for roads leading to our VT factory where there have been numerous traffic accidents. To reduce safety risks and enhance the living conditions of the local community, we have initiated various renovation projects. We have also donated USD 30,000 to the local government project to pave roads and to a local park within the Bau Ham-Song Thao community, where a considerable number of our employees reside.



Waste

- 72 Minimizing Environmental Impacts
- 74 Our Circularity Measures
- 77 Additional Waste Reduction Initiatives



Target 8.4
Global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation



Target 11.6
Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



Target 12.5
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Despite our continued efforts to reduce waste, it is inevitable that waste is generated during the manufacturing of footwear. Waste incurs disposal costs, thereby negatively effects the productivity of our factories at TKG Taekwang by increasing indirect costs.

By implementing circularity measures, we are opening up new possibilities to create sustainable value from generated waste. The waste scraps from our manufacturing facilities are collected and reprocessed into a variety of by-products ranging from sofas and mattresses to tables and chairs. We will continue to explore innovative solutions and create sustainable value from the utilization of waste.

Next Plan : Reducing generated waste and maximizing waste circularity
We aim to focus on expanding circularity measures to reduce the rate of waste processed through energy recovery. We will find new external vendors who can utilize the waste from our factories to produce by-products to maximize downcycling and in-house recycling. We will also continue to ensure that 100% of our waste is diverted from landfills.

* Data coverage : TT, VM, VT

Reduce Operational Waste

2021 Performance



2022 & 2025 Target

Reduction in operational waste



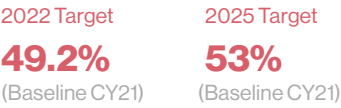
Downcycling

2021 Performance



2022 & 2025 Target

Recycle & Reuse Waste



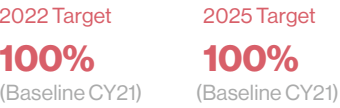
Diverted from Landfill

2021 Performance



2022 & 2025 Target

Waste Diverted from Landfill



Minimizing Environmental Impact

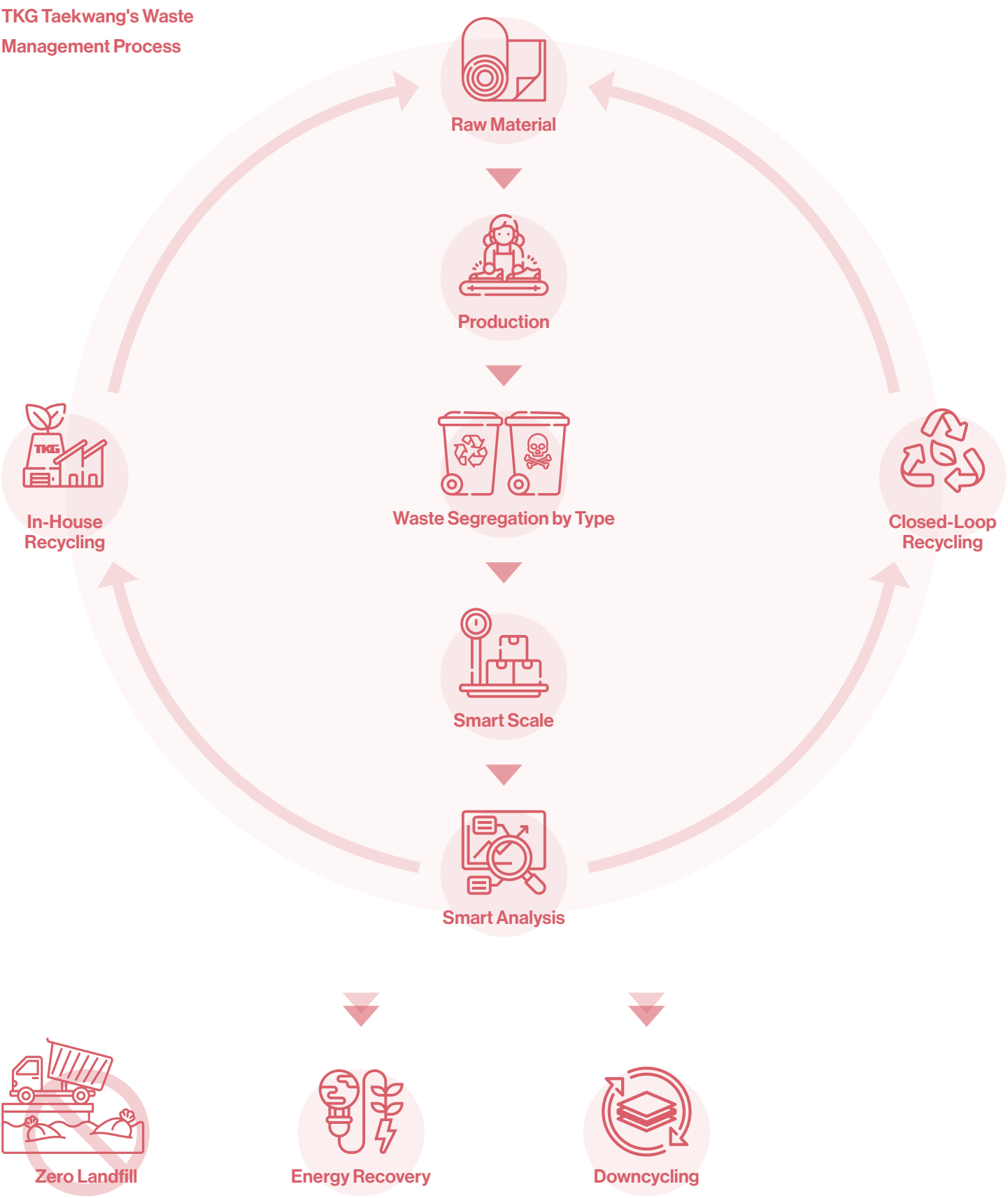
TKG Taekwang’s Waste Targets and Strategy

Vision	Driving waste out of our value chain
Goals	<ul style="list-style-type: none">• 100% waste diverted from landfill• 7.1% reduction in operational waste• 53% downcycling of waste
Action Plan	<ul style="list-style-type: none">• Defective rate management• Reduce rubber flashing• Reduce energy recovery

Regarding our waste disposal, we chose to avoid landfills and incineration, and rather focus on circularity. Under the vision of ‘Driving waste out of our value chain’, we are aiming to achieve a downcycling rate of 53% for the waste generated within our business operations. To reach this target, we are engaged in three main activities, namely: In-house Recycling, Downcycling, and Closed Loop Recycling. The remaining waste, left unaddressed by these three circularity methods, is sent to Energy Recovery (ER) facilities.

1)The conversion of non-recyclable waste materials into useable heat, electricity, or fuel through a variety of processes, Including combustion, gasification, etc. Converting non-recyclable waste materials into electricity and heat generates a renewable energy source and reduces carbon emissions by offsetting the need for energy from fossil sources and reduces methane generation from landfills (Source: EPA, Sustainable Materials Management, Non-Hazardous Materials and Waste Management Hierarchy, Energy Recovery)

TKG Taekwang's Waste Management Process



Our Circularity Measures

In-house Recycling

Through in-house recycling, we use a controlled environment to process and grind certain waste materials into the quality equivalent to that of virgin materials. Recycled chips are then mixed with virgin materials to a prescribed percentage threshold so that the quality of the end product is not compromised. We are currently applying in-house recycling technologies to our EVA Foams and Phylon, used in the production of insole bases and midsole components.

Case Study : Recycling EVA Scraps

At our VCT (Vietnam Can Tho) factory, we implemented the phylon recycling program. After classifying waste scraps according to color and MCS¹, the generated phylon waste scraps are ground into recycled chips to be reused as raw materials. In 2021, we reincorporated an approximated 18 tons² of leftover scraps into raw materials.

Leftover EVA Foam before the grinding process



1) MCS (Material Control Sheet): The data sheet on material such as color and code
2)Unit: Metirc Tons

Closed Loop Recycling

We implement closed loop recycling by reprocessing waste scraps in cooperation with our suppliers. During our production process, we collect and send our leftover film scraps to back to the original suppliers, who then melt and reprocess them back to their original form. The reprocessed materials are then supplied back to our factories, along with the virgin material. In 2021, we were able to utilize such recycled raw materials in a variety of our products, including Milspeed Toebox, Texon Toe box, Lasts and Cosmo Strobel.

Downcycling

Regardless of how much we optimize our manufacturing processes, the accumulation of leftover materials such as plastic and textile scraps is inevitable. In cases such as this, we downcycle, which effectively means the production waste is collected and sold to third parties or reutilized by Taekwang for other applications. Identifying external vendors by monitoring various industries for the demand of the waste scraps from our factories is key to maximizing downcycling.

In 2021, we established new partnerships with external vendors in Vietnam to create supplementary value from waste through downcycling production waste. PU,Pad and Jig waste from our VT factory are collected, separated and washed, and then heat pressed into plastic plywood. The plastic plywood is then exported to Europe and Southeast Asia to create desks or chairs. Through our new partnerships, we were able to increase our downcycling rate by 2% and save USD 5,000 USD per month.



Case Study :
Greenovation Initiatives

We have implemented the Greenovation initiatives to identify innovative ideas for downcycling waste within our factories. In 2021, we reused rubber waste scraps to create rubber foot massage mats for our office staff. By combining rubber trimmings (30%), rubber scraps (30%), and pre-cured rubber (40%), we were able to create 500 massage mats, effectively reusing 442kg of rubber waste.

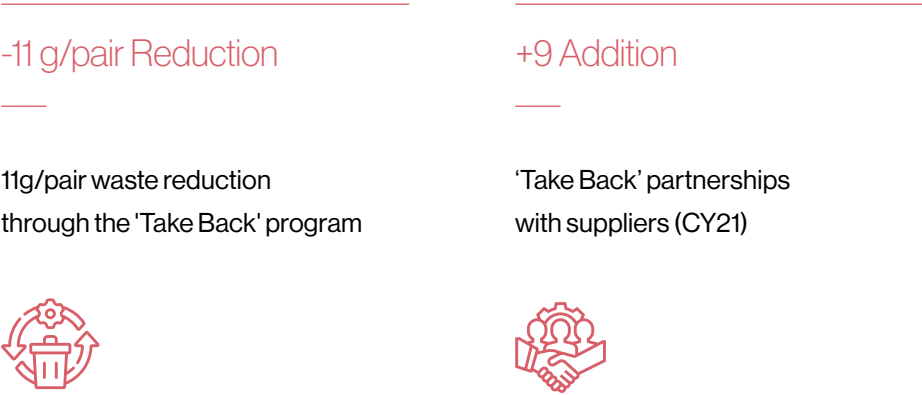
Massage mats made from reused rubber



Additional Waste Reduction Initiatives

Maximizing Circularity in
Cooperation with Suppliers

In addition to aiming our targeted efforts towards circularity, we operate the 'TAKE-BACK' program with our suppliers to prevent the unnecessary generation of packaging waste. We send back packaging items such as disposable plastic bags, paper cartons, and chemical drums to our suppliers for reuse. We will continue to collaborate with our suppliers to identify additional waste-saving measures and implement new types of containers that generate less waste.



Reducing Waste by Minimizing Defective Rates : QMS & Vocational Training

To reduce waste generation within our operations, it is also important that we aim to reduce defective products. For this purpose, we strive to enhance our Quality Management System (QMS) and the craftsmanship of our employees. We monitor generated waste and pinpoint the specific models with high incidences of defects using the QMS, programmed to monitor defect rates every two hours. This System plays a critical role in our ability to operate circularity measures more effectively.

With the QMS, waste generation patterns are tracked, and errors are identified to determine defects according to the respective composition of waste. From the analysis results this year, we discovered that phylon scraps constitute the largest component of waste generation during our manufacturing processes. To decrease the ratio of defects, we provided additional vocational training to all team members within the phylon press stage, which has led to a decrease in phylon defection rates and ultimately to the minimization of waste generation.

Defective Rate Management

Category	CY20	CY21
Phylon Defect Rate	3.2%	3.5%
Outsole Defect Rate	2.6%	2.1%

* Data Coverage : TT, VM, VT
1) Waste treated with in-house recycling (IHR), closed-loop program (CLP), Nike-sponsored program (NSP) and downcycling (DC)
2) Solid waste which cannot be recycled is treated through the energy recovery method
3) Hazardous waste disposed in cooperation with licensed and qualified hazardous waste disposal facilities

Waste

Category	Unit	CY19	CY20	CY21
Waste Generated				
Non-hazardous Waste	ton	16,648	16,161	16,584
Hazardous Waste		2,464	2,621	1,985
Total Waste Generated	ton	19,112	8,782	18,569
Waste Diverted from Disposal ¹				
Recycled Waste (Non-hazardous)	ton	8,120	8,250	8,017
Reused Waste (Non-hazardous)		1,027	1,004	1,076
Total Waste Recycled & Reused	ton	9,147	9,254	9,092
Waste Directed to Disposal				
Non-hazardous Waste				
Incineration		0	0	0
Landfill	ton	0	0	0
Others ²		7,500	6,906	7,491
Hazardous Waste				
Incineration		0	0	0
Landfill	ton	0	0	0
Others ²		2,464	2,621	1,985
Total Waste Disposal	ton	9,964	9,527	9,477

Breakdown of Waste Recycling & Disposal Procedures

CY21	IHR (In-House Recycling)	CLP (Closed Loop Program)	NSP (Nike Sponsored Program)	DC (Downcycling)	ER (Energy Recovery)	LF (Landfill)	ICN (Incineration)
TT	4%	3%	0%	29%	64%	0%	0%
VM	6%	6%	10%	49%	29%	0%	0%
VT	2%	3%	1%	58%	36%	0%	0%
Total	3%	3%	2%	47%	45%	0%	0%

Energy & Carbon

- 82 Our Response to Climate Change
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- 86 Energy Efficiency



Target 7.2
Increase substantially the share of renewable energy in the global energy mix



Target 13.1
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters



Target 17.7
Promote the transfer, and diffusion of environmentally sound technologies to developing countries

To minimize our impact on the environment, we are striving to transition our energy source to renewables and reduce the exposure to greenhouse gas (GHG) emissions and fossil fuels. We aim to identify further opportunities of sustainable value creation through energy efficiency measures, allowing for lower energy costs while minimizing our environmental impact.

Next Plan : Leading the footwear manufacturing industry towards energy neutrality
In cooperation with the CDP¹, TKG Taekwang will regularly examine the overall impact of our business operations.

1) CDP (Carbon Disclosure Project): A leading non-profit helping companies & cities to disclose their environmental impact

Carbon Reduction Target

2019 · 2020 · 2021 Performance

CY19	2,542 kgCO2e/pair
CY20	2,519 kgCO2e/pair
CY21	2,502 kgCO2e/pair

2022 & 2025 Target

Reduction CO2e/pair

2022 Target	2025 Target
-3% (Baseline CY21)	-14.4% (Baseline FY20)

Energy Consumption

2019·2020·2021 Performance

CY19	5,521 kWh/pair
CY20	5,428 kWh/pair
CY21	5,025 kWh/pair

2022 & 2025 Target

Energy Reduction kWh/pair

2022 Target	2025 Target
-3% (Baseline CY21)	-10% (Baseline FY20)

Our Response to Climate Change

First Step : Measuring our GHG Emissions Inventories

To draft specific action plans according to the SBTi for reducing 47,834 tons of CO2e¹, we first took inventory of GHG emissions for our entire operations. An analysis of our GHG emissions inventory in 2021 showed that over 94% of our energy footprint arose from our factories, and mainly stemmed from electricity usage at these sites. Based on this result, we have concluded that we should focus our efforts on decreasing our electricity consumption to reduce overall energy use, which will ultimately lead to reduce GHG emissions.

Breakdown of our Footprint by Energy Type and Gas

Energy Type	tCO2e CY21	%	Gas	tCO2e CY21	%
Diesel	526	0.29%	CO ₂	183,335	99.6%
Gasoline	33	0.04%	CH ₄	62	0.0%
Kerosene	36	0.02%	N ₂ O	696	0.4%
LPG	178	0.10%	Total	184,093	100%
LNG	33	0.02%			
Steam	366	0.20%			
Electricity	182,887	99.35%			
Renewable	179	0.10%			
Total	184,093	100%			

1) CO2e : carbon dioxide equivalent- a metric measure used to compare the emissions from various greenhouse gases, by converting amounts of other gases based on the equivalent amount of carbon dioxide with the same global warming potential.

Breakdown of our Footprint by Operation

Operation	tCO2e CY21	%
QT	13,594	7.4%
TT	65,097	35.4%
VT	12,971	7.0%
VT2	14,141	7.7%
VT1	3,047	1.7%
SKH	377	0.2%
C&K	959	0.5%
TMTC	21,551	11.7%
JH	2,792	1.5%
VCT	27,570	15.0%
VM	19,182	10.4%
T2	2,812	1.5%
Total	184,093	100%

TKG Taekwang's GHC Reduction Strategy

Vision	Lead the industry toward energy neutrality
Goals	14.4% GHG reduction per pair (47,834tCO2e) by 2025 (Baseline 2019, scope 1 and 2)
Action Plan	<ul style="list-style-type: none">On-site solar PVRenewable energy purchaseEnergy efficiency

Renewable Energy

Implementing On-site Solar PV Systems

Renewable energy is one of the most effective ways to reduce GHG emissions. We have completed the 1.3 megawatt-peak (MWp) solar photovoltaic (PV) system on the roof of our VT2 factory in Vietnam, which accounts for 4.7% of the total electricity usage in the factory. We are planning to construct 18.7MWp of solar PV systems on the roof of other factory buildings as follows :
1.2 MWp (TT) + 1.9 MWp (VM) + 3.5 MWp (VT2) + 4.8 MWp (VT) + 7.3 MWp (VCT)

We are currently reviewing the required reinforcement procedure for the installation, and energy generation is scheduled to begin within 2023. For the VCT factory, we are expecting solar PV system to be operable by the first half of 2023. Technical reviews are also in progress at the TT factory, for the on-site confirmation regarding the structural load capacity of the buildings.

18.7 MWp

1.2 MWp (TT) + 1.9 MWp (VM)
+ 3.5 MWp (VT2) + 4.8 MWp (VT)
+ 7.3 MWp (VCT)

On-site solar PV System

10,031 tCO2e Reduced

with On-site Solar PV system
(5% of our total GHG emissions)

Rooftop solar PV panels installed in VT2



Expanding Renewable Energy through Off-site Purchase

Off-site purchases are used to accredit a company's use of renewable energy through REC's, which can be acquired for every Megawatt-hour (MWh) of generated electricity from a renewable energy site.

Case Study- Bundled REC Purchase in TT

In Indonesia, we signed a contract with the local utility provider PLN to purchase 50% of TT factory's electricity usage from renewable energy sources. Starting from January 2022, we are planning to use the renewable energy for the next 15 years.

50% of Energy Use

43,798 tCO2e Reduction

In TT factory accredited with bundled REC purchase

Expected from RECs in TT

Official REC purchase agreement ceremony with local government

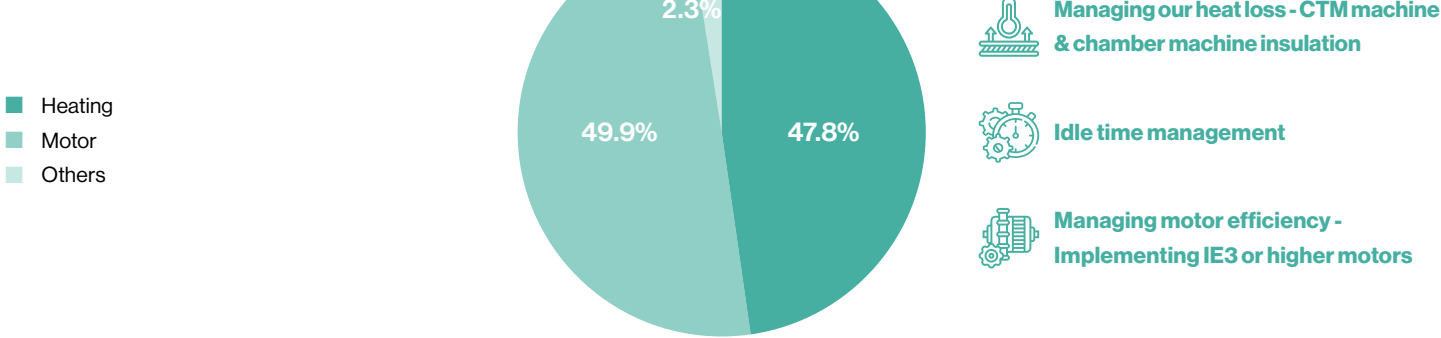


1) Renewable Energy Certificate (REC) : A market-based certificate which certifies the generation of electricity from a renewable source. RECs can be openly traded on the market to be utilized in offsetting the carbon emissions of a company

Energy Efficiency

To increase the efficiency of our manufacturing processes, we first need to fully understand the status of our energy usage to set a foundation from which to improve. From our analysis of energy usage during each stage of the manufacturing process, we have found that heating and motors are the two largest consumers of electricity, accounting for 47.8% and 49.9%, respectively. To improve overall energy efficiency, we have concluded that we should focus on preventing energy loss for heating machineries with high energy use through insulation, idle time management, and high efficiency motors.

Breakdown of Energy Consumption by Energy Source and Use



Reduction Performance and Plan for Improved Energy Efficiency Measures

Category	Unit	CY19	CY20	CY21	CY22 Expectation
CTM Machine Insulation	tCO2e	-	1,380	594	594
Chamber Insulation	tCO2e	-	-	-	352
IE3 Motors	tCO2e	159	90	77	-
Idle Time Management	tCO2e	-	-	1,810	-
Total	tCO2e	159	1,470	2,481	946

Recognition of our Energy Saving Efforts

Reception of the 'VM Economic and Efficient use of Electricity' award



Taekwang's continuous innovation efforts on energy reduction led to external recognition. In 2020, we received the 'VM Economic and Efficient use of Electricity,' awarded by the Industrial and Commercial Department of the Tay Ninh Provincial government in Vietnam.

2,481 tCO2e Reduction

from various energy efficiency measures (CY21)



Energy Consumption

Category	Unit	CY19	CY20	CY21
Non-renewable Fuel Consumption (Petroleum)	kWh	3,482,216	3,316,469	2,933,871
Renewable Fuel Consumption (Solar)	kWh	30,753	479,662	776,612
Electricity Consumption	kWh	443,107,749	392,269,264	358,647,880
Steam Consumption	kWh	1,297,965	584,662	534,592
Total Energy Consumption	kWh	447,918,683	396,650,057	362,892,955
Energy Consumption per Pair	kWh/pair	5,521	5,428	5,025

* Data coverage: VT, TT, VM, T2, VT2, and Satellite Factories (QT, VT1, SKH, C&K, TMTC, JH, VCT)



Governance

Governance Structure

We aim to fulfill our corporate social responsibility by promoting conscientious business practices under a transparent governance structure. The Board of Directors is the highest decision-making body within TKG Taekwang, retaining jurisdiction over major operational issues or business decisions delegated from the shareholders. Regular meetings are held once a quarter, and additional meetings are arranged when/if deemed necessary. In 2021, the Board discussed agenda items such as providing security bonds and making loans from foreign banks for the operation of our offshore subsidiaries.

 19 board meetings held in 2021

 37 agenda items discussed through the board

Board of Directors¹

	Executive Director				Auditor
	Park, Joo Hwan	Kim, Jae Min	Jin, Sang Young	Shin, Jung Hwa	Shin, Yong Woo
Gender	Male	Male	Male	Female	Male
Position	CEO (Chairman)	CEO (President)	COO (EVP)	Honorary Chairman	Auditor
Tenure Expire	2011. 09. 23 - 2023. 09. 23	2020. 01. 29 - 2023. 01. 29	2020. 01. 29 - 2023. 01. 29	2020. 09. 23 - 2023. 09. 23	1999. 01. 01 - 2023. 03. 31
Principal Work Experience	Chairman of TKG Group	President of TKG Taekwang	Samsung SDI	CEO, Yongjin Industrial	CEO, Kyungbu Construction

Board Committees

TKG Taekwang currently operates two committees established under the Board: the New Business Portfolio Steering Committee and the ESG Committee. Committees are established to secure efficiency within the operations of the Board, as it is more efficient than addressing and reviewing each item at the Board meetings. The Board may delegate partial decision-making authority to separate committees regarding items that require processional or independent inquiries.

Committee within the Board

	Board Members within the Committee	Committee Function
New Business Portfolio Steering Committee	Kim, Jae Min Jin, Sang Young Nam, Sang Ho	Securing transparency within TKG Taekwang's operations through professional decision making procedures regarding the issues of real-estate acquisition, strategic investments, etc.
ESG Committee ²	Kim, Jae Min Jin Sang Young	Promoting sustainability management and ensuring stakeholder values in the areas of Environment, Society and Governance

1) There are currently no external directors within the Board in TKG Taekwang.
2) To ensure the fulfillment of responsibilities of the ESG Committee, induction programs and refresher trainings are provided to individual members of the committee as well as on a committee-wide level.

Ethics

TKG Taekwang's Ethical Management

Ethical management at TKG Taekwang refers to transparent and appropriate corporate activities that focus on the three pillars of Leadership, Consensus, and Systems. We have developed the Code of Conduct (CoC), which outlines detailed practical guidelines on an operational level for our employees based on comprehensive business principles. We will continue to emphasize actions in accordance with the CoC as the underlying framework for our sustainable and ethical management policies and ensure that ethical management is fully embraced by our employees each level.

Business Principles and Code of Ethics

<div>01</div> <div>Fulfill customer satisfaction and protect shareholder rights</div> <div><ul style="list-style-type: none">• Honoring customer input• Providing top quality products and values• Protection of shareholder rights• Transparent management disclosures</div>	<div>02</div> <div>Pursue mutual prosperity with partners</div> <div><ul style="list-style-type: none">• Equal opportunity• Fair trade and evaluation• Coexistence and cooperation• Prohibition of bribery</div>
<div>03</div> <div>Build mutual trust and respect within a safe working environment</div> <div><ul style="list-style-type: none">• Protection of privacy• Prohibition of discrimination• Discovery and development of talents• Fair evaluation and compensation</div>	<div>04</div> <div>Contribute to the sustainable growth of communities</div> <div><ul style="list-style-type: none">• Prohibition of political activism• Contribution to country and society• Protection of the environment</div>

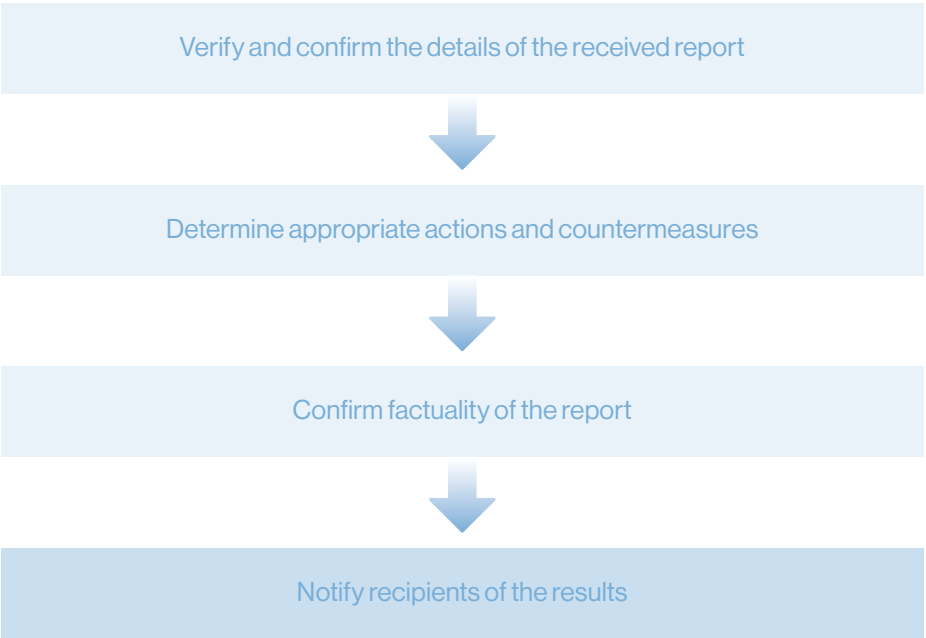
Source : TKG Taekwang Ethical Management website (http://ethics.tkggroup.co.kr/eng/02_pattern/02.php)

Demonstration of Leadership and Reporting Channels for Ethical Management

Our executive officers are encouraged to demonstrate our commitment towards ethical management through various channels such as the CEO message. Under the coordination of the Business Consulting Team at our Gimhae HQ, each overseas subsidiary operates an independent secretariat for ethical management.

We are also operating concrete reporting hotlines for ethical violations that require more stringent corporate action. Internal issues such as HR and labor relations are resolved through the grievance redress system. Severe violations such as sexual abuse, workplace harassment, and the unjustifiable use of violence are addressed through the reporting procedure. To improve the effectiveness and accessibility of the hotlines, we ensure there are diversified channels to communicate through our TKG Ethical management website, messnger, email and telephone. Disclosing on the identity and/or location of any reporter is strictly protected.

Reporting Handling Procedure



Employee Surveys and Ethical Management Training

To better diagnose and identify the weak links in our ethical management activities, we conduct annual surveys for employees and vendors under the supervision of the Business Consulting Team. Survey questions are classified into three categories: leadership, activities, awareness and practices.

Through the analysis of the 2021 survey results, we have identified areas for improvement in terms of reporting facilitation and fine-tuning our leadership team's awareness on bribery. There were also complaints regarding workplace and sexual harassment. Accordingly, we have implemented the following improvement measures:

- Reinforced the protection of reporters' identity and personal
- Expanded the scope of ethical management training to cover all employees
- Increased the allocation of KPI points towards education, communication events, etc. in the evaluation criteria for ethical management activities
- Made bimonthly announcements of internal/external ethical management cases
- Established improvement measures for each subsidiary based on survey results

 896 ethical education sessions provided to employees

 59 ethical campaigns on workplace harassment, anti-bribery, fair business practices, etc.

"What was 'right' then, may be wrong now." The Ethics CoC will serve as our compass on the brink of each choice we make. sometimes it may look as if we were led down a rough path. In the end, however, it will preserve our value and our company.

Considering today's business diversity and corporate value inspiration, ethical management becomes a key value to our emphasis on ESG management. We gaurantee our statement and promote our mission for ethical manangement. By devoting ourselves to ethical practices, we will make a monumental step forward in our journey to becoming the company stakeholders respect and trust even more.

We plan to hold educational and training sessions to raise awareness for Employee Support Programs and Internal Complaint Procedures. We also provide 'Zero Tolerance' training and ethical management training to our employees. We have arranged and provided regular group training sessions for our suppliers through the Cyber Academy and Multi Campus based on the relevant ethical education and training materials.

Category	CY19	CY20	CY21
T2 HQ	65.0	75.2	73.7
VM	81.9	90.0	84.8
VT	79.2	79.3	81.2
TT	78.4	81.3	80.4

Mitchell Lee, TKG Taekwang, Vice President of Business Strategy & Operations



Ethical Survey Result (Unit : Points out of 100)

Product Security

Product Security Management

Our security management focuses on four areas: Physical Security, Human Security, Product Security and Information Security. Apart from securing basic physical security, we are encouraging awareness building activities for security initiatives by distributing security posters and handouts on regulations. To protect our products, all the way from the development stage, we strengthened our KPI deductions to ensure the security of our samples, photos and videos within the development and manufacturing processes.

Action Plans for Security Focus Areas

01

Physical Security

- Multi-layered access control
- Biometric authentication
- Optimized CCTV & Detection systems
- Minimized physical vulnerabilities against intrusion and theft

03

Product Security

- Tightening and optimizing sample handling processes
- Chain-of-custody and accurate handling of CO/UPC labels
- Optimize online investigations, root cause analysis and monitoring

02

Human Security

- Employee security trainings
- Employment and termination process with binding agreements
- Engagement and active collaboration with other functions

04

Information Security

- Automatic file encryption and USB port blocking
- Minimum internet access and protection from malicious codes
- Develop a secure and convenient photography process

Acquisition of ISO 27001

0 identified leaks, thefts of loss of customer data

0 substantiated complaints received concerning breaches of customer privacy

Among the four focus areas, information security is becoming increasingly important for the survival of the company in the current environment where a significant amount of digital information and data is utilized to increase work efficiency. In accordance with the newly acquired ISO 27001 Standards, we are in the process of expanding our Information Security Management System (ISMS) to include our offshore factories to better protect information assets from internal leaks and/or external hacks.

In July 2021, we newly acquired the international certification ISO 27001 for Information Security Management System (ISMS) to advance our information security. Through this acquisition, we aim to enhance our external reliability and strengthen our ISMS for both tangible and intangible information assets.



Organizational Structure of
Information Security Management

We have also set up organizational structures to increase the effectiveness of information security measures. Based on strategic decisions made by the information security organization, a separate information security working group has been established to increase engagement from each department. Through regular consultations, department heads from each division share their perspectives and coordinate issues in response to potential information security issues in the information security working group.

CISO		
<ul style="list-style-type: none">• Establish and manage of information security management systems• Command/control information security organizations• Support the establishment and implementation of information security regulations• Check the progress of information security initiatives		
Security Team		
<ul style="list-style-type: none">• Manage the planning, execution, evaluation and improvement of information security systems• Establish and implement guidelines for information security• Check status of information security in accordance with information security regulations		
Technical Security	Physical Security	Personal Security
Chan Woo Kim / Manager	Jin Ho Seo / Senior Manager	Jong Woo Won / Senior Manager

Levelling-up Information
Security Measures

We continue to strive towards reducing security incidents to zero through strengthening our security system and introducing new protective solutions. Even after the introduction of the digital security systems, it is essential that systematic management and optimization are continued thereafter. We will continue to manage and introduce various information security systems under the goal of ‘maintaining zero information leaks.’

File Security

Transmission Tracking System	System Network Monitoring
<p>Data Loss Prevention (DLP)</p> <p>Tracks transmission records and prevents the external transmission of data to unapproved access points</p> <p>Enterprise Network Immune (ENI)</p> <p>Learns transaction patterns of digital information and responds to abnormal activities such as malicious codes and viruses</p>	<p>Security Information and Event Management (SIEM)</p> <p>Analyzes and detects anomalies from security-related records within the corporate system network</p> <p>Identity and Access Management (IAM)</p> <p>Supports the integrated management of user authentication and access rights</p>

* Data Coverage : T2

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Financial Performance Data

Consolidated Financial Statements

(Unit : KRW)

	Category	CY19	CY20	CY21
Assets	Current Assets	685,771,009,471	798,205,433,719	980,444,091,777
	Cash and Cash Equivalents	43,804,491,427	63,617,504,158	52,469,765,428
	Trade and other Reveivables	218,052,396,656	180,377,474,246	237,058,011,111
	Trade Receivables and Other Receivables	80,555,051,007	232,464,217,250	298,491,054,414
	Inventories	300,450,958,286	302,664,541,055	335,633,203,415
	Other Current Assets	36,980,015,854	18,650,185,627	53,081,997,288
	Current Tax Assets	5,928,096,241	431,511,383	3,710,060,121
	Non-current Assets	1,587,253,702,865	1,532,252,439,702	1,619,585,720,439
	Financial Assets at Fair Value Through Profit or Loss	113,028,055,425	85,720,017,296	100,960,312,621
	Financial Assets at Fair Value Through Other Comprehensive Income	3,401,457,749	3,401,457,749	4,837,377,749
	Investments in Associates, Subsidiaries and Joint Controlled Entities	305,325,109,718	360,130,511,209	375,413,605,526
	Property, Plant and Equipments	850,286,641,897	781,967,654,777	824,671,693,229
	Investments in Real Estate	100,971,357,682	94,931,306,613	96,416,218,871
	Intangible Assets	42,398,520,524	45,579,975,941	47,491,978,422
	Right-of-Use Assets	106,341,570,717	97,602,335,904	105,906,819,255
	Other Non-current Financial Assets	6,158,574,153	5,989,036,629	7,802,230,041
	Other Non-current Assets	42,493,731,610	42,125,785,147	45,520,329,472
	Derivative Financial Assets	16,848,683,390	14,804,358,437	10,565,155,253
	Non-current Assets Planned for Sale	23,899,486,013	1,017,474,393	12,226,425,631
		Total Assets	2,296,924,198,349	2,331,475,347,814

For more information, please check our annual report (Available from: https://dart.fss.or.kr/dsaf_001/main.do?rcpNo=20210331001937)

(Unit : KRW)				
	Category	CY19	CY20	CY21
Liabilities	Current Liabilities	745,607,341,836	559,335,169,840	918,062,417,150
	Trade and Other Payables	193,177,132,019	176,965,844,936	217,138,027,659
	Short-term Borrowings and Current Bonds	379,485,368,444	243,797,855,169	560,173,334,702
	Estimated Liabilities	465,775,344	248,184,771	151,476,324
	Other Current Financial Liabilities	51,879,426,150	34,267,073,950	24,797,630,462
	Other Current Liabilities	76,174,551,161	80,235,040,472	94,556,408,535
	Current Tax Liabilities	44,425,088,718	23,821,170,542	21,245,539,468
	Non-current Assets	299,157,325,435	411,917,365,216	467,745,436,097
	Trade and Other Payables	195,476,730	166,760,000,000	166,245,694,453
	Long-term Borrowings and Bonds	77,965,000,000	166,760,000,000	180,869,964,271
	Post-employment Benefit Obligation	58,223,983,118	48,549,910,603	58,554,697,174
	Other Non-current Financial Liabilities	61,422,805,062	85,001,855,498	87,575,586,099
	Other Non-current Liabilities	5,126,414,343	6,245,538,277	9,682,257,373
	Deferred Tax Liabilities	96,223,646,182	105,360,060,838	131,062,931,180
	Non-current Liabilities Planned for Sale	866,744,122	0	1,065,976,024
		Total Liabilities	1,045,631,411,393	971,252,535,056
Equities	Controlling Shareholder Equities	1,173,105,976,484	1,287,308,952,439	1,148,241,344,994
	Capital	955,420,000	955,420,000	955,420,000
	Retained Capital	136,374,199,388	135,786,064,519	136,536,173,856
	Accumulated Other Comprehensive Income	33,857,292,615	2,823,263,385	54,770,332,101
	Capital Adjustments	(17,400,760,243)	(17,400,760,243)	(299,284,646,863)
	Retained Earnings	1,019,319,824,724	1,165,144,964,778	1,255,297,631,333
	Non-controlling Interest	78,186,810,472	72,913,860,319	77,141,063,582
		Total Equities	1,251,292,786,956	1,360,222,812,758
	Total Equities and Liabilities	2,296,924,198,349	2,331,475,347,814	2,612,256,237,847

(Unit : KRW)			
Category	CY19	CY20	CY21
Revenue	2,649,021,241,005	2,299,196,618,688	2,141,748,302,652
Cost of Sales	2,023,951,534,865	1,821,179,990,061	1,694,177,013,328
Gross Profit	625,069,706,140	478,016,628,627	447,571,289,324
Selling and Administrative Expenses	293,389,927,727	292,465,387,907	321,875,669,727
Operating Profit	331,679,778,413	185,551,240,720	125,695,619,597
Other Income	25,191,201,725	51,449,798,271	12,089,417,981
Other Expenses	29,615,531,096	65,207,702,911	22,062,161,726
Finance Income	67,216,215,801	87,557,891,081	57,276,761,689
Finance Costs	64,059,376,507	72,138,826,820	40,652,854,934
Net Gains on Valuation Using the Equity Method	25,085,940,137	20,131,516,444	33,950,628,999
Profit Before Income Tax	355,498,228,473	207,343,916,785	166,297,411,606
Income Tax Expense	100,037,863,202	74,844,130,181	69,365,659,907
Net Income	255,460,365,271	132,499,786,604	96,931,751,699
Net Income Attributable to the the Controlling Shareholder	258,240,637,877	134,512,925,734	97,062,580,076
Net Income Attributable to Non Controlling Shares (Losses)	(2,780,272,606)	(2,013,139,130)	(130,828,377)
Other Comprehensive Income	6,219,247,998	(21,895,657,754)	49,061,069,161
Items that are Not Reclassified as Net Income (Other Comprehen-sive Income after Taxation)	(6,144,948,638)	11,381,914,638	(8,229,033,548)
Net Gains on Valuation of Equity Instruments at Fair Value (Other Comprehensive Income)	(246,562,956)	-	-
Share Premiums on Other Comprehensive Income from Associates and Joint Controlled Entities Subject to the Equity Method (Other Comprehensive Income after Taxation)	688,414,862	(133,451,756)	(1,769,615,188)
Remeasurements of Net Defined Benefit Liability	(6,586,800,544)	11,515,366,394	(6,459,418,360)
Items that may be Reclassified to Profit or Loss (Other Comprehen-sive Income after Taxation)	12,364,196,636	(33,277,572,392)	57,290,102,709
Other Income from Exchange Rate Differences for Offshore Operations (Other Comprehen-sive Income after Taxation)	12,364,196,636	(33,277,572,392)	57,290,102,709
Total Comprehensive Income	261,679,613,269	110,604,128,850	145,992,820,860
Income Attributable to the Shares of the Controlliing Shareholder	264,321,102,652	114,842,685,325	142,665,811,768
Income Attributable to Non-controlling Shares	(2,641,489,383)	(4,238,556,475)	3,327,009,092
Earnings per Share			
Basic Earnings per Share	27,029	14,079	10,232

Environmental Performance Data

(Year: CY21)						
GHG Emissions by Energy Type	Category	Data Coverage	Unit	Scope 1	Scope 2	Ratio
	Diesel	VT,VM,TT,T2, Other Satellite Factories (QT, VT1, SKH, C&K, TMTC, JH, VCT)	tCO2e	454.98		0.25%
	Motor Gasoline			76.71		0.04%
	Kerosene			37.48		0.02%
	LPG			146.17		0.08%
	LNG			28.35		0.02%
	Steam				334.7	0.19%
	Electricity				179,610.5	99.40%
	Renewable				(286.1)	0.16%
	Total			743.69	179,945.1	180,688.79
Energy Consumption by Energy Type	Category	Data Coverage	Unit	Scope 1	Scope 2	Ratio
	Diesel	VT,VM,TT,T2, Other Satellite Factories (QT, VT1, SKH, C&K, TMTC, JH, VCT)	kWh	1,700,013.37		0.47%
	Motor Gasoline			306,420.65		0.08%
	Kerosene			144,296.67		0.04%
	LPG			642,905.56		0.18%
	LNG			140,235.20		0.04%
	Steam				534,592.1	0.15%
	Electricity				358,647,880	98.83%
	Renewable				776,611.7	0.21%
	Total			2,933,871.45	359,959,084	362,892,955
GHG Emissions by Gas Type	Category	Data Coverage	Unit	Scope 1	Scope 2	Ratio
	CO2e	VT,VM,TT,T2, Other Satellite Factories (QT, VT1, SKH, C&K, TMTC, JH, VCT)	ton	741.66	179,204.71	99.6%
	CH4			0.73	61.01	0.0%
	N2O			1.31	679.45	0.4%
	Total			743.69	179,945.17	180,688.86

Environmental Performance Data

Generation of Waste	Category	Data Coverage	Unit	CY19	CY20	CY21
	Total Waste Generated			19,112	18,782	18,569
	Non-hazardous	VT,VM,TT	Ton	16,648	16,161	16,584
	Hazardous			2,464	2,621	1,985
Waste Diverted from Disposal	Category	Data Coverage	Unit	CY19	CY20	CY21
	Total Waste Diverted from Disposal			9,147	9,254	9,092
	Non-hazardous, Recycled	VT,VM,TT	Ton	8,120	8,250	8,017
	Hazardous, Recycled			-	-	-
	Non-hazardous, Reused			1,027	1,004	1,076
	Hazardous, Reused			-	-	-
Disposal of Waste	Category	Data Coverage	Unit	CY19	CY20	CY21
	Total Disposed Waste			9,964	9,527	9,477
	Incineration (Non-hazardous)	VT,VM,TT	Ton	0	0	0
	Landfill (Non-hazardous)			0	0	0
	Other (Non-hazardous ¹)			7,500	6,906	7,491
	Incineration (Hazardous)			0	0	0
	Landfill (Hazardous)			0	0	0
	Other (Hazardous ²)			2,464	2,621	1,985
Water	Category	Data Coverage	Unit	CY19	CY20	CY21
	Total Volume Consumption	VT,VM,TT, T2	Ton	1,514,589	1,331,443	1,240,518
	Total Volume Reused			244,966	220,205	54,426

1) Non-hazardous waste processed through energy recovery
2)Hazardous waste processed by licensed and qualified hazardous waste disposal facilities

Energy ³	Category	Data Coverage	Unit	CY19	CY20	CY21
	Total Energy Consumption			447,918,683	396,650,057	362,892,955
	Non-renewables	VT,VM,TT,T2, Other Satellite Factories (QT, VT1, SKH, C&K, TMTC, JH, VCT)	kWh	-	-	-
	Petroleum			3,482,216	3,316,469	2,933,871
	Coal			-	-	-
	Nuclear			-	-	-
	Renewables			-	-	-
	Geothermal			-	-	-
	Wind			-	-	-
	Solar			30,753	479,662	776,612
	Hydrogen			-	-	-
	Biomass			-	-	-
	Electricity Consumption			443,107,749	392,269,264	358,647,880
	Heating Consumption			-	-	-
	Cooling Consumption			-	-	-
	Steam Consumption			1,297,965	584,662	534,592
	Energy Consumption per pair		kWh/pair	5.521	5.428	5.025
Emissions ³	Category	Data Coverage	Unit	CY19	CY20	CY21
	Total GHG Emissions	VT,VM,TT,T2, Other Satellite Factories (QT, VT1, SKH, C&K, TMTC, JH, VCT)	tCO2e	206,236	184,093	180,689
	Direct (Scope 1)			884.5	839.7	744
	Energy Indirect (Scope 2)			205,352	183,253	179,945
	Other Indirect (Scope 3)			-	-	-

3) Source of the conversion factors used :
- Electricity Emission Factors - International Energy Agency (IEA), Emission Factors, 2019
- Fuel Emission Factors - Guidelines for National Greenhouse Gas Inventories. Volume 2, Ch. 2, Table 2.2, Intergovernmental Panel on Climate Change (IPCC), 2006
- Global Warming Potentials - Intergovernmental Panel on Climate Change (IPCC), Fifth Assessment Report (AR5), "The Physical Science Basis", Working Group 1, Ch. 8, (p. 73-79 of pdf), 2014

Social Performance Data

Information on Employees and Other Workers

Category	Data Coverage	Unit	CY19	CY20	CY21
Total Number of Employees	VT, VM, TT, T2	Number	92,178	85,332	93,585
Ratio (Female)			83.5	83.7	82.2
Ratio (Male)			16.5	16.2	17.7
Ratio (Under 30)		%	43.4	42.9	45.6
Ratio (30~50)			53.7	54.5	52.1
Ratio (Over 50)			2.9	2.6	2.3
Permanent (Female)			76,941	71,750	78,133
Temporary (Female)	Number	7	4	5	
Permanent (Male)		15,190	13,539	15,411	
Temporary (Male)		40	39	36	
Permanent (Korea)	T2	Number	1,086	1,107	1,115
Temporary (Korea)		47	43	41	
Permanent (Vietnam, Indonesia)	VT, VM, TT	Number	91,045	84,182	92,429
Temporary (Vietnam, Indonesia)			0	0	0
Employee Tenure (Average)	VT, VM, TT, T2	Years	5.05	5.74	6.04
Employee Tenure (Female)			5.24	5.91	6.27
Employee Tenure (Male)			4.81	5.54	5.71

New Employee Hires

Category	Data Coverage	Unit	CY19	CY20	CY21
Total Number of New Hires	VT, VM, TT, T2	Number	32,806	15,090	30,504
Under 30			21,276	10,291	21,564
30~50			11,398	4,771	8,890
Over 50			165	38	67
Ratio (Under 30)		%	56.03	62.30	61.31
Ratio (30~50)			40.93	35.37	36.46
Ratio (Over 50)			3.04	2.33	2.23
Female		Number	25,272	12,060	23,635
Male			7,567	3,040	6,886
Ratio (Female)		%	61.89	64.46	63.26
Ratio (Male)			38.11	35.54	36.74

Employee Turnover

Category	Data Coverage	Unit	CY19	CY20	CY21
Employee Turnover (Female)	VT, VM, TT, T2	Number	16,260	17,246	17,323
Employee Turnover (Male)			4,680	4,685	5,080
Employee Turnover Ratio (Female)		%	67.59	64.14	68.38
Employee Turnover Ratio (Male)			32.41	35.86	31.62

Vocational Training and Education

Category	Data Coverage	Unit	CY19	CY20	CY21
Training Provided Per Employee (Average)	VT, VM, TT, T2	Hours	96.37	102.34	78.69
Training Provided Per Employee (Male)			133.59	122.26	101.17
Training Provided Per Employee (Female)			84.22	96.20	73.99
Total Employee Training Expenditure		USD ¹	683,602	558,350	497,342
Training Expenditure Per Employee			234.89	147.58	189.69

Expenditure on Employee Training

Factory	Unit	CY19	CY20	CY21
VT	USD	222,206	229,911	142,735
VM	USD	78,534	113,760	58,942
TT	USD	133,211	62,956	88,955
T2	USD	249,662	151,730	206,718

1) Average Exchange Rates from 2020.01.01~2020.12.31 applied (KRW to USD)

Occupational Health and Safety¹

Category	Data Coverage	Unit	CY19	CY20	CY21
Number of Work-related Fatalities	VT, VM, TT, T2	Number	0	0	0
Ratio of Work-related Fatalities		%	0	0	0
Number of Major Work-related Injuries		Number	62	61	43
Ratio of Major Work-related Injuries		%	0.064	0.064	0.049
Number of Recordable Work-related Injuries		Number	169	147	102
Ratio of Recordable Work-related Injuries		%	0.174	0.154	0.115
Total Number of Hours Worked		Hours	194,706,349	190,293,929	177,219,416
Rate of Employees Inflicted with Work-related Fatalities/Injuries		%	0.2	0.2	0.1

Parental Leave

Category	Data Coverage	Unit	CY19	CY20	CY21
Employees Entitled to Parental Leave (Female)	T2	Number	205	201	197
Employees that Took Parental Leave (Female)			7	7	7
Employees that Returned to Work After Parental Leave Ended (Female)			6	6	7
Employees that Returned to Work After Parental Leave Ended that Were Still Employed 12 Months After their Return to Work (Female)			6	6	7
Return to Work Rates of Employees that Took Parental Leave (Female)		%	86	86	100
Retention Rates of Employees that Took Parental Leave (Female)			100	100	100
Employees Entitled to Parental Leave (Male)		Number	588	572	568
Employees that Took Parental Leave (Male)			1	1	2
Employees that Returned to Work After Parental Leave Ended (Male)			1	0	2
Employees that Returned to Work After Parental Leave Ended that Were Still Employed 12 Months After their Return to Work (Male)			1	0	2
Return to Work Rates of Employees that Took Parental Leave (Male)		%	100	0	100
Retention Rates of Employees that Took Parental Leave (Male)			100	0	100

1) Rates calculated by (Number of Injuries) / (Number of Hours Worked) * (200,000)

Maternity Leave¹

Category	Data Coverage	Unit	CY19	CY20	CY21
Employees Entitled to Maternity Leave (Female)	VM, VT, TT	Number	44,270	41,091	41,882
Employees that Took Maternity Leave (Female)			6,169	5,183	4,795
Employees that Returned to Work After Maternity Leave Ended (Female)			5,405	4,515	4,583
Employees that Returned to Work After Maternity Leave Ended that Were Still Employed 12 Months After their Return to Work (Female)			5,179	4,144	4,532
Return to Work Rates of Employees that Took Maternity Leave (Female)		%	88	87	96
Retention Rates of Employees that Took Maternity Leave (Female)			96	92	99
Employees Entitled to Maternity Leave (Male)		Number	6,452	5,759	6,146
Employees that Took Maternity Leave (Male)			1	0	0
Employees that Returned to Work After Maternity Leave Ended (Male)			1	0	0
Employees that Returned to Work After Maternity Leave Ended that Were Still Employed 12 Months After their Return to Work (Male)			1	0	0
Return to Work Rates of Employees that Took Maternity Leave (Male)		%	100	N/A	N/A
Retention Rates of Employees that Took Maternity Leave (Male)			100	N/A	N/A

Employee Rights

Category	Data Coverage	Unit	CY19	CY20	CY21
Number of Employees in Trade Unions	VT, VM, TT, T2	Number	68,850	68,471	75,410
Ratio of Employees in Trade Unions		%	65.05	69.06	68.29

1) There are differences in laws and regulations regarding parental leaves between our HQ in South Korea and our offshore operations in Vietnam and Indonesia.

Diversity¹

Category	Data Coverage	Unit	CY19	CY20	CY21
Basic Salary Ratio of Women to Men	VT, VM, TT, T2	%	83.94	81.11	82.18
Remuneration Ratio of Women to Men			76.63	77.44	80.24

Customer Privacy

Category	Data Coverage	Unit	CY19	CY20	CY21
Number of Substantiated Complaints Received from Outside Parties Concerning Breaches of Customer Privacy	VT, VM, TT, T2	Number	0	0	0
Number of Substantiated Complaints Received from Regulatory Bodies Concerning Breaches of Customer Privacy			0	0	0
Identified leaks, thefts, or losses of consumer data			0	0	0

Community Engagement

Category	Data Coverage	Unit	CY19	CY20	CY21
Donations Made to the Local Community	VT, VM, TT, T2	KRW	2,735,275,576	1,341,062,872	2,063,903,020

1) Excluding Leadership Levels

Governance Data

Diversity of Governance Bodies

Category	Data Coverage	Unit	CY19	CY20	CY21
Ratio of Board Directors (Under 30)	VT, VM, TT, T2	%	0	0	0
Ratio of Board Directors (30-50)			50	20	20
Ratio of Board Directors (Over 50)			50	80	80
Ratio of Board Directors (Women)			50	20	20
Ratio of Board Directors (Men)			50	80	80

Operation of Governance Bodies

Category	Data Coverage	Unit	CY19	CY20	CY21
Number of Board Members	VT, VM, TT, T2	Number	4	5	5
Number of External Directors			0	0	0
Number of Board Meetings Held			20	25	19
Number of Agendas Proposed			20	25	37
Average Attendance Rate of Board Members		%	90	85	81

Anti Corruption

Category	Data Coverage	Unit	CY19	CY20	CY21
Confirmed Incidents of Corruption	VT, VM, TT, T2	Number	2	5	2
Number of Confirmed Incidents in which Employees were Dismissed or Disciplined			0	1	1
Number of Confirmed Incidents when Contracts with Business Partners were Terminated or Not Renewed due to Violations Related to Corruption			0	0	0

GRI Content Index

Universal Standards

GRI 102 : General Disclosure

Topic	Disclosure		Pages	Notes																										
Organizational Profile	102-1	Name of the organization	p.7	Our primary business is in footwear Original Equipment Manufacturing (OEM), and our products are distributed globally, by way of our partners.																										
	102-2	Activities, brands, products and services																												
	102-3	Location of headquarters																												
	102-4	Location of operations																												
	102-5	Ownership and legal form																												
	102-6	Markets served																												
	102-7	Scale of the organization																												
	102-8	Information on employees and other workers	p.108	For more information on ownership, please check our annual report: https://dart.fss.or.kr/dsaf001/main .																										
	Supply chain (Raw materials: fabrics, rubber, chemicals, etc.)																													
	102-9	<table><tr><th rowspan="2">Category</th><th colspan="3">Number of Suppliers</th><th rowspan="2">Trade Volume (in 1,000\$)</th></tr><tr><th>Korea</th><th>International</th><th>Vietnam, Indonesia</th></tr><tr><td>Materials</td><td>33</td><td>92</td><td>48</td><td>491,800</td></tr><tr><td>Chemicals</td><td>22</td><td>25</td><td>45</td><td>90,650</td></tr><tr><td>Other</td><td>98</td><td>0</td><td>290</td><td>311,200</td></tr><tr><td>Total</td><td>153</td><td>117</td><td>383</td><td>893,650</td></tr></table>	Category	Number of Suppliers			Trade Volume (in 1,000\$)	Korea	International	Vietnam, Indonesia	Materials	33	92	48	491,800	Chemicals	22	25	45	90,650	Other	98	0	290	311,200	Total	153	117	383	893,650
		Category		Number of Suppliers				Trade Volume (in 1,000\$)																						
			Korea	International	Vietnam, Indonesia																									
		Materials	33	92	48	491,800																								
		Chemicals	22	25	45	90,650																								
	Other	98	0	290	311,200																									
	Total	153	117	383	893,650																									
	102-10	Significant changes to the organization and its supply chain	p.73,82	<ul style="list-style-type: none">• Changed corporate name from Taekwang Industries to TKG Taekwang• Withdrawal of business operations in China• Changes in majority shareholder (check our annual report for additional details : https://dart.fss.or.kr/dsaf001/main.																										
	102-11	Precautionary principle or approach																												
	102-12	External initiatives																												
102-13	Membership or associations	Taekwang does not participate in external memberships or associations																												

Topic	Disclosure	Pages
Strategy	102-14Statement from senior decision-maker	p.4-5
	Ethics and Integrity102-16Values, principles, standards, and norms of behaviour	p.8-9
	102-17Mechanisms for advice and concerns about ethics	p.92-95
	102-18Governance structure	p.90-91
Governance	102-20Executive-level responsibility for economic, environmental and social topics	p.34
	102-22Composition of the highest governance body and its committees	p.90-91
	102-23Chair of the highest governance body	
	102-26Role of highest governance body in setting purpose, values and strategy	
	102-29Identifying managing economic, environmental, and social impacts	
	102-31Review of economic, environmental, and social topics	p.26-29
Stakeholder Engagement	102-40List of stakeholder groups	p.27
	102-41Collective bargaining agreements	100%
	102-42Identifying and selecting stakeholders	p.27
	102-43Approach to stakeholder engagement	p.27
	102-44Key topics and concerns raised	p.26-29
	102-45Entities included in the consolidated financial statements	p.102-103
	102-46Defining report content and topic boundaries	p.1
	102-47List of material topics	p.29
Reporting Practice	102-48Restatements of information	-
	102-49Changes in reporting	p.29
	102-50Reporting period	p.1
	102-51Date of most recent report	
	102-52Reporting cycle	
	102-53Contact point for questions regarding the report	
	102-54Claims of reporting in accordance with the GRI Standards	p.106-113
	102-55GRI content index	
	102-56External assurance	

GRI Content Index

Topic-specific Standards

Material Topic #1 : Waste

Topic	Disclosure		Pages	Notes
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.71	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 306 : Waste 2020	306-2	Management of significant waste-related impacts	p.72-73	The management of our products (shoes) at the end-of-life stage is under the control of our customer at downstream
	306-3	Waste generated	p.79	
	306-4	Waste diverted from disposal	p.74-76	
	306-5	Waste directed to disposal	p.79	

Material Topic #2 : Employee Benefits & HR Management

Topic	Disclosure		Pages	Notes
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.55	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 401 : Employment 2016	401-1	New employee hires and employee turnover	p.108-109	
	401-3	Parental leave	p.110-111	
GRI 404 : Training and Education 2016	404-1	Average hours of training per year per for employees	p.109	
	404-2	Programs for upgrading employee skills and transition assistance programs	p.65-66	

Material Topic #3 : Diversity & Inclusion

Topic	Disclosure		Pages	Notes
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.35	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 405 : Diversity & Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	p.112	

Material Topic #4 : Climate Change

Topic	Disclosure		Pages	Notes
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.81	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 305 : Emissions 2016	305-1	Direct (Scope 1) GHG Emissions	p.105	
	305-2	Energy indirect (Scope 2) GHG Emissions		
	305-4	GHG emissions intensity	p.107	
	305-5	Reduction of GHG emissions	p.81-87	

Material Topic #5 : Supply Chain

Topic	Disclosure		Pages	Notes
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.12-13	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
-	-	Supply Chain Management	p.25	We are requiring our suppliers to comply with basic international standards to maintain sustainability. Our suppliers are obliged to follow SLCP, ZDHC, and FEM targets.

Material Topic #6 : Human Rights

Topic	Disclosure		Pages
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.55
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 412 : Human Rights Assessment 2016	412-2	Employee Training on human rights policies or procedures	p.62-64

Material Topic #7 : Global Risks

Topic	Disclosure		Pages
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.12-13
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
-	-	COVID-19 Response	

Material Topic #8 : Energy

Topic	Disclosure		Pages
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.81
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 302 : Energy 2016	302-1	Energy consumption within the organization	p.87
	302-3	Energy intensity	p.84-87
	302-4	Reduction of energy consumption	

Material Topic #9 : Quality

Topic	Disclosure		Pages
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its boundary	p.45
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
-	-	Product Quality	p.52-53
-	-	Product Sustainability	p.50-51

Non-material Topics

Topic	Disclosure		Pages
GRI 201 : Econimic Performance 2016	201-1	Direct economic value generated and distributed	p.102-104
GRI 205 : Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	p.92-95
GRI 303 : Water and Effluents 2018	303-5	Water Consumption	p.106
GRI 401 : Employment 2016	401-3	Parental Leave	p.110-111
GRI 418 : Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p.112
GRI 403 : Occupational Health & Safety 2018	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p.56-61
	403-9	Work-related injuries	p.110

Awards and Associations

Name of Award	Awarded Year	Benefactor
Excellent contribution in Covid-19 pandemic prevention	2022	Tien Giang People's Committee
Excellent achievement in Covid-19 pandemic prevention		Dong Nai People's Committee
Excellent achievement in the "Exemplary business - Exemplary household" program		Can Tho Export Processing and Industrial Park Zone Authority
Merit Award - Exemplary production and strengthening of trade union competition program		Trade Union of Can Tho city
Achievement of cooperation and support for Trade union activities Award		Trade Union of Can Tho city
Merit Award - Achievement in Covid-19 pandemic prevention and production recovery	2021	Can Tho City Department of Industry and Trade
Merit Award - Participation and support for Covid-19 pandemic prevention activities		Can Tho City People's Committee
Merit Award - Excellent Achievement in National security		Can Tho City Police Department
Best Fire Safety Company (10 consecutive years)		Police of Tay Ninh City
Blue Award, PROPER		Ministry of Environment and Forestry, Republic of Indonesia
Platinum Award on Covid-19 Prevention and Mitigation	2020	Ministry of Manpower, Republic Indonesia
Mitra Bhakti Husada (Women's Health Award)		Ministry of Health, Republic of Indonesia
Excellent Achievement in Implementing Health Insurance & Social Insurance Policy		Tay Ninh Provincial Government
Merit Award - Exemplary Commitment to Social Contributions and Donations		Tay Ninh Provincial Government
Merit Award- 'Integration and Development of Vietnamese Coporates' Movement		Tay Ninh Provincial Government
Best Fire Safety Company (9 consecutive years)		Police of Tay Ninh City
Certificate of Sustainable Businesses in Vietnam		VCCI (Vietnam Chamber of Commerce and Industry)
Excellent achievement in Safety - Labor Hygiene – Fire & Explosive Prevention		VCCI (Vietnam Chamber of Commerce and Industry)
Excellent achievement in Fire Prevention		Dong Nai People's Committee

TCFD Index

TCFD Recommendations	Our Response
<div><div>Governance</div><div><div>Core Elements</div><div>Disclose the organization's governance around climate-related risks and opportunities</div></div></div>	<p>To establish a unified governing body and allow for effective and agile decision-making in the areas of the environment (including climate-related areas), labour, human rights, and safety, we have recently established the ESG committee in 2021 and identified potential risks and opportunities. The ESG committee consists of the CEO, the Executive Directors from our offshore operations, and organizational heads from each of the functions. The ESG committee hosts biannual meetings, and the chair of the ESG committee is supported by the T2 RSM Director who provides a secretary to the committee. Roles and working procedures of the ESG committee include:</p> <div><div><div>1. Fully understand and keep significant ESG risks under review; Establish effective risk control and assurance mechanisms for identified ESG risks</div><div>2. Provide an independent, objective viewpoint for the Board of Directors on important ESG issues and support the Board with its decision making and leadership of ESG matters</div><div>3. Set and monitor of leading and lagging ESG KPIs; Linkage of ESG KPIs to the Leadership Behaviors Framework when possible</div><div>4. Identify and act on ESG incidents posing a high-risk potential and other areas in need of improvement</div><div>5. Ensure that effective processes are in place for the delivery, execution, and tracking of ESG improvements based on real data and the accurate prioritization of issues</div><div>6. Ensure that ESG performance is overseen through a coordinated, risk-based annual OSH audit program that provides reliable assurance to the Board</div><div>7. Provide appropriate information to the Board, including trends, risks, and opportunities across the ESG topic.</div></div></div>
<div><div>Strategy</div><div><div>Core Elements</div><div>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material</div></div></div>	<p>Taekwang has established reduction plans for our Scope 1 and 2 emissions in line with the 1.5°C scenario pathway through the participation of SBTi. We are committing to a 46.5% reduction (274,705 tCO2e) in our absolute emissions by 2030 (Baseline CY19). More details on our strategy in regard to the SBTi 2030 Target can be found on p.30-31 of this report. The Board also incorporates sustainability risks and opportunities identified by the ESG Committee during the establishment process of the KPIs, group vision, mission, long-term strategies and action plans.</p>
<div><div>Disclosure Recommendations</div><div>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</div></div>	

TCFD Recommendations	Our Response
Risk Management	The ESG committee identifies, assesses and manages the climate-related risks of our business operations through the risk management processes as outlined below.
Core Elements Disclose how the organization identifies, assesses, and manages climate-related risks	<div>1. Risk Identification<ul style="list-style-type: none">Identify the influence of ESG risksAssess the risk management processesAssure of ESG reporting channelsConfirm risk identification scenariosIntegrate company-wide ESG risk management systems</div>
Disclosure Recommendations <ul style="list-style-type: none">Describe the organization's processes for identifying and assessing climate-related risks.Describe the organization's processes for managing climate-related risks.Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<div>2. Risk Assessment<ul style="list-style-type: none">Assess risk prioritiesAssess materiality criterionEnhance the ESG evaluation capabilities of the BoDAssess major ESG risks</div> <div>3. Decision Making<ul style="list-style-type: none">Consider ESG when establishing of strategiesManage ESG risks and opportunitiesOutline the responsibilities of executives regarding ESG risks</div> <div>4. Monitoring Risks<ul style="list-style-type: none">Monitor ESG management levelsFacilitate cooperation on ESG issues between the HQ and the offshore subsidiaries</div> <div>5. Reporting Risks<ul style="list-style-type: none">Report the duties of the BoDReport major ESG risks and activities</div>

TCFD Recommendations	Our Response																
Metrics and Targets	We are promoting a 46.5% reduction (274,705 tCO2e) in our absolute emissions by 2030 (Baseline CY19) through the implementation of energy efficiency measures and renewable energy. More details on our mid-to-long term emissions reduction targets for CY 2025 and CY 2030 can be found on p.30-31 and p.81 of this report.																
Core Elements Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<div>[GHG Emissions Performance] (Unit: tCO2e)</div> <table><tr><th></th><th>CY19</th><th>CY20</th><th>CY21</th></tr><tr><td>Scope 1</td><td>884.49</td><td>839.68</td><td>743.69</td></tr><tr><td>Scope 2</td><td>205,351.84</td><td>183,252.94</td><td>179,945.17</td></tr><tr><td>Total</td><td>206,236.33</td><td>184,092.62</td><td>180,688.86</td></tr></table>		CY19	CY20	CY21	Scope 1	884.49	839.68	743.69	Scope 2	205,351.84	183,252.94	179,945.17	Total	206,236.33	184,092.62	180,688.86
	CY19	CY20	CY21														
Scope 1	884.49	839.68	743.69														
Scope 2	205,351.84	183,252.94	179,945.17														
Total	206,236.33	184,092.62	180,688.86														
Disclosure Recommendations <ul style="list-style-type: none">Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	* Data Coverage : VM, VT, TT, T2																

Third party Assurance Statement

To : The Stakeholders of TKG Taekwang



By Royal Charter

Introduction and Objectives of Work

BSI Group Korea (hereinafter "the Assurer") was asked to verify TKG Taekwang Sustainability Report 2021 (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. TKG Taekwang is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to TKG Taekwang by applying the verification methodology and to provide this information to all stakeholders of TKG Taekwang.

Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the Core Option of GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report.

The Type 2 assurance was applied to the following disclosure of the GRI Specific Topic Standards related to material topics:

- GRI 300(Environmental): 302-1, 302-3~4, 305-1~2, 305-4~5, 306-2~5
- GRI 400(Social): 401-1, 401-3, 404-1~2, 405-2, 412-2

Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st, 2021 included in the report
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- Appropriateness and consistency of processes and systems for data collection, analysis and review
- The following items were not included in this assurance
- Financial information
- Disclosures in the international standards and initiatives index excluding GRI
- Other related additional information such as the website presented in the report

Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

Assurance Opinion

On the basis of our methodology and the activities described above, it is our opinion that

- The information and data included in the TKG Taekwang Sustainability Report 2021 are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows

AA1000 AP (2018)

Inclusivity : Stakeholder Engagement and Opinion

TKG Taekwang defined employees, customers, suppliers, business partners and local communities & governments as key stakeholder groups, and operates communication channels for each group for stakeholder engagement. They conducted a survey on internal and external stakeholders and collected various opinions and expectations of stakeholders based on the response results, and reflect the derived material issues in decision-making on sustainability management.

Key Areas for
Ongoing Development

Materiality : Identification and reporting of material sustainability topics
TKG Taekwang derived the issue pool of 18 topics through the risk assessment process and communication with stakeholders, based on a comprehensive analysis of international sustainability standards, sector-specific benchmarking, and press analysis and they conducted stakeholder surveys to analyze the risk, opportunity and impact for the 18 issues identified. TKG Taekwang conducted a materiality assessment that comprehensively considered stakeholder interest and business impact, and selected nine material topics.

Responsiveness : Responding to material sustainability topics and related impacts
TKG Taekwang reflected the expectations of stakeholders on material topics derived through the materiality assessment and reflected them in the strategies and long-term plans to respond. The effectiveness of their ESG management and performance are kept under continuous review and monitoring through ESG management units, and key issues are reported to the ESG Committee. Their policy and activities in respect to each of the material topics were then disclosed to stakeholders through the annual sustainability report.

Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders
TKG Taekwang implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics. By identifying and assessing the impacts, risks, and opportunities regarding selected material topics, TKG Taekwang make decisions on operations and management of impacts that could arise from each material topic.

- Each section of the report describes the positive aspects and expresses efforts to further develop them. However, at the same time, identifying issues with poor performance and specifying specific plans for resolving them will help improve the balance of reporting.
- In order to identify material issues, it is necessary to include a wider range of sustainability themes in the pool, and when selecting material topics, it is necessary to increase the proportion of external stakeholders so that issues with high social interest can be selected.

**Statement of Independence
and Competence**

The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with TKG Taekwang. The assurer have conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

**Evaluation Against GRI 'In
Accordance' Criteria**

The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by TKG Taekwang.

- [Universal Standards]**
Organizational Profile 102-1-13/ Strategy 102-14/ Ethics and Integrity 102-16-17/ Governance 102-18, 102-20,102-22-23, 102-26, 102-29, 102-31/ Stakeholder Engagement 102-40-44/ Reporting practice 102-45-56/ Management Approach 103-1-3
- [Topic-specific Standards]**
- Economic: 201-1, 205-3
- Environmental: 302-1,303-5, 302-3-4, 305-1-2, 305-4-5, 306-2-5
- Social: 401-1, 401-3, 403-7, 403-9, 404-1-2, 405-2, 412-2, 418-1



12nd May 2022
S. H. Lim / BSI Group Korea,
Managing Director




Glossary

Page 25.

Sustainability Goals and 2025 Targets

- 1) PPA: Offsite Power Purchase Agreement: An agreement for the sourcing of renewable energy via external providers
- 2) RECs: Renewable Energy Certification (RECs): A tradable credit issued to each MWh of renewable energy generated. In collaboration with the Indonesia state electricity provider PLN, TKG Taekwang purchases 50% of the total energy consumption in the Indonesia TT factory from renewable sources
- 3) Supplier Climate Action Program (SCAP): A program to encourage participation in initiatives such as the SBTi and CDP to minimize carbon impact.
- 4) Employee Well-being survey (EWB survey): An annual survey in collaboration with third party surveyors to identify areas of improvement for our employees
- 5) Certified Machine Safety Expertise (CMSE): An internationally certified, third party-led machine safety expert course. Provides expertise on domestic and international safety regarding machinery and manufacturing plants.
- 6) Social Labour Convergence Program (SLCP): A verification tool used to access labour, health and safety conditions designed for the global apparel/footwear industry. Verified issues are as follows: Factory profile/ Recruitment & Hiring/ Work Hours/ Wage & benefits/ Employee treatment/ Employee Involvement/ H&S/ Termination/ Management System
- 7) Zero Discharge Hazardous Chemicals (ZDHC): A compliance tool to analyze levels of hazardous chemicals from discharged waste within our factories in accordance with international RSL and MRSL standards
- 8) Facility Environment Management (FEM): A verification tool designed to analyze Environmental System/ Waste/ Water/ Wastewater/ Energy/ Air emissions/ Chemical levels for the global apparel and footwear industry

COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

This report can be viewed and downloaded on TKG Taekwang's website.
For any inquiry regarding our report, please contact to :

TKG Taekwang RSM Team
26 Andong, 2635beon-gil, Gimhaedaero, Gimhae, Gyeongsangnam-do, South Korea
Tel : +82-55-330-1974 | Email : t2sm@t2group.co.kr | Website : tkg.taekwang.com/en/index.do



- 01** Pursuit for Perfection
- 02** Communication for Growth
- 03** Ownership & Accountability
- 04** Challenge for the Future
- 05** Fair & Safe Workplace