

Challenge Towards A Greater Future

Ha Hae Corporation
Sustainability Report 2015

Ha Hae Corporation



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About This Report

Ha Hae Corporation’s first sustainability report ‘Challenge towards a Greater future’ narrates the performance and activities from our point of view that managing a business in a sustainable manner will result in continuous success and stable growth of the organization.

While preparing this sustainability report, we not only were able to look back on our accomplishments, but were able to further seek out opportunities for creating a better future for ourselves and our valued stakeholders.

This report describes the performances and activities of Ha Hae Corporation’s head office and owned factories in the year 2015 (some data from 2013 and 2014 were used for trend comparison).

Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines were contained in this report and our next report will be published in 2017.

You may communicate with us about this report through:
hahae@hahae.co.kr and www.hahae.co.kr

CEO MESSAGE



Jae Won Kim

CEO. Ha Hae Corporation

Dear Stakeholders,

I would like to express my gratitude towards all of our partners and organization members who have shown unwavering support and interest in Ha Hae Corporation.

I am extremely pleased to announce the publication of our very first sustainability report to introduce our will and effort in the field of sustainability management. This report contains the values we hold in sustainability management in which we would like to base our ideology, activities, and future implementations through. Through this reading, we would like to deliver our belief in the importance of establishing a sustainable business and hope this can be a chance to communicate for future growth.

Since its establishment in 1994, Ha Hae has focused mainly on OEM based garment business and provided goods of exceptional quality to customers worldwide in the NA regions, Europe, Japan and so on. By running a substantial and transparent business, we were able to maintain continuous growth throughout the course of our journey. Centered in on our head office in Seoul, around 10,000 members of our organization throughout Vietnam, Myanmar, and Indonesia are giving their utmost individual efforts in their positions to provide customers with apparels of outstanding quality.

October 2014, under our new mission “To leap to a global export company with continuous growth”, we changed our company name to Ha Hae Corporation to mark the beginning of a refreshing start. Not only are we focused on the growth of our company, we believe it is important to implement corporate social responsibility by conducting business in a sustainable manner, thus maturing together with society.

Ha Hae has established manufacturing facilities in three different countries and currently successfully operate all in Vietnam, Myanmar, and Indonesia. We actively aid the economy of the local communities by providing support and

employment to local people. We help to protect the human rights of these employees and Ha Hae runs various education programs to enhance the overall competence of the workers which results in a win-win scenario between labor and management.

Ha Hae also actively participates in the practice of sharing. Under the belief that the growth of the company correlates with the advancement of the region, we participate in giving back to the stakeholders who help us to grow, an alienated class of the local community. In the countries where our manufacturing facilities are operating, we make donations to schools, public institutions, social welfare facilities, disaster relief activities and also participate in diverse social activities. We also strive to protect the environment of the communities, abiding to the environmental laws of the host countries, managing waste water, reducing usage of fossil fuel, and energy conservation.

To escalate towards a global export company with continuous growth, Ha Hae will agonize diverse problems such as the concern of local communities and the environment and continue to share with the community to mature together with the local regions. As we deeply believe that the core to sustainability management lies within practice, Ha Hae will continuously search for and practice methods to advance together with the community.

On the basis of our management philosophy of “Harmony among people of confidence”, we promise you that we, Ha Hae, will strive towards a better tomorrow by acting on today as one.

Thank you.

Jae Won Kim



Company Overview

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Company Profile

Company Name: Ha Hae Corporation
Established: 2002
CEO: Jae Won Kim
Address: Digital-ro 173, Geumcheon-gu, Seoul, Korea

Overseas Subsidiaries

Vietnam: Ha Hae Vietnam Corporation
Branch of Ha Hae Vietnam Corporation in Thai Binh
Myanmar: Myanmar Ha Hae Co., Ltd
Indonesia: PT. Sukwang Indonesia

Financial Performance

Unit : Million Won

Sales: 160,143
Operating Profit: 5,721
Assets: 57,449
Liabilities: 37,668

Employees

Korea: 115
Vietnam: 4,500
Myanmar: 2,600
Indonesia: 1,950

Production Capacity

Unit : 1,000 pcs

Vietnam: 11,500
Myanmar: 2,200
Indonesia: 3,000

Vision & Management Philosophy

Management Philosophy

Harmony among people of confidence

Mission

To leap to a global export company with continuous growth

Vision

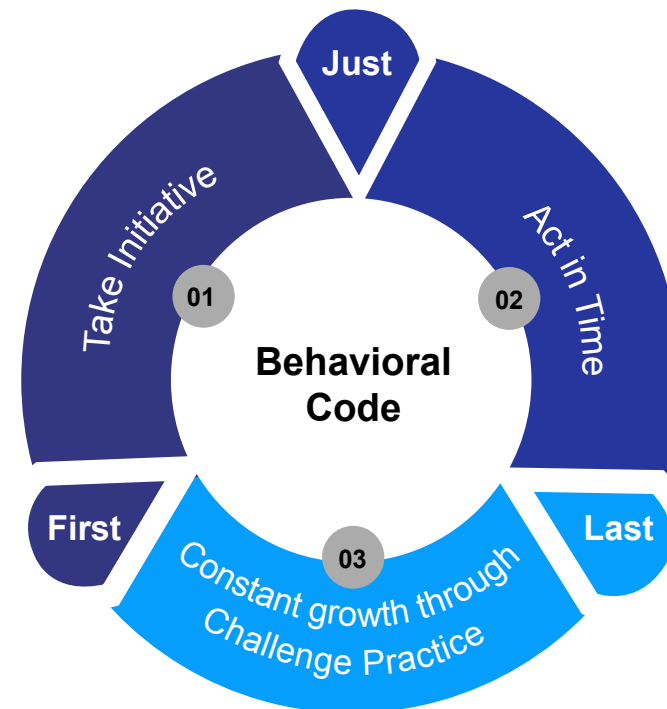
Amazing 2024, Achieving \$500 million on sales

Strategic Target

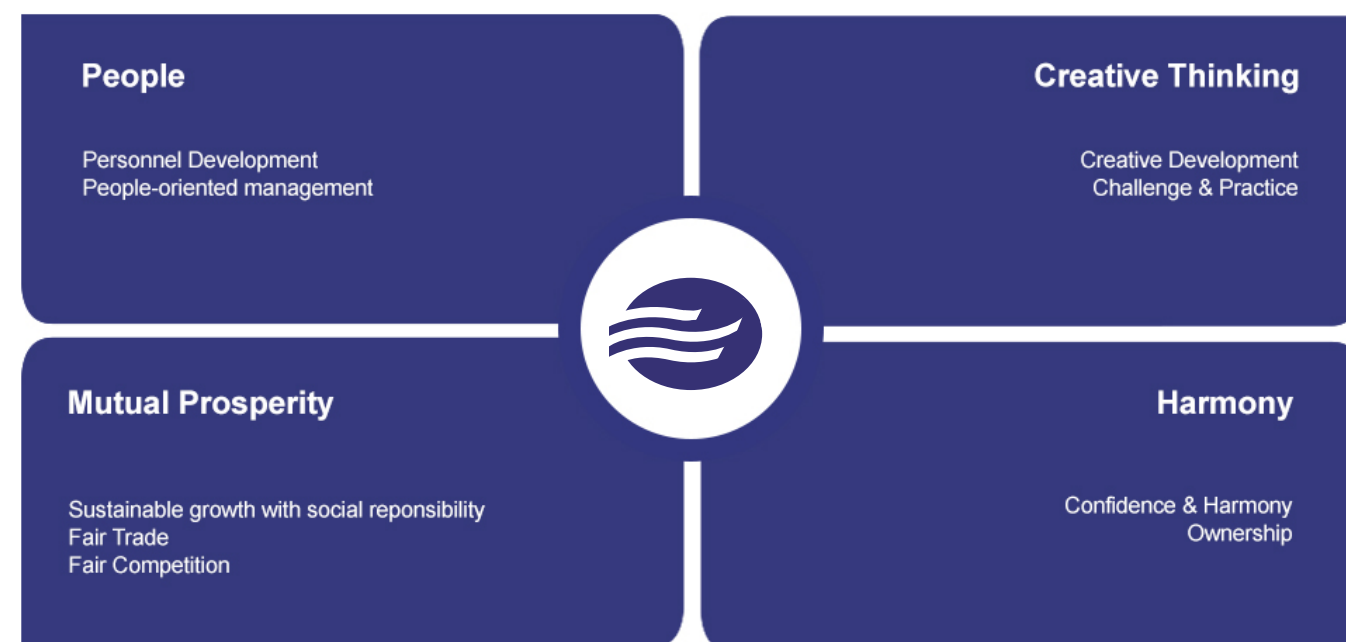
- Continuous growth by 10% each year
- Expanding Global production base
- Securing for new growth engines

Behavioral Code

Ha Hae Corporation runs 3T campaign.
 firstT, the meaning of ownership
 justT, the meaning of timely action
 lastT, the meaning of constant challenge and practice
 All employees join in 3T campaign to grow up together.



Core Value



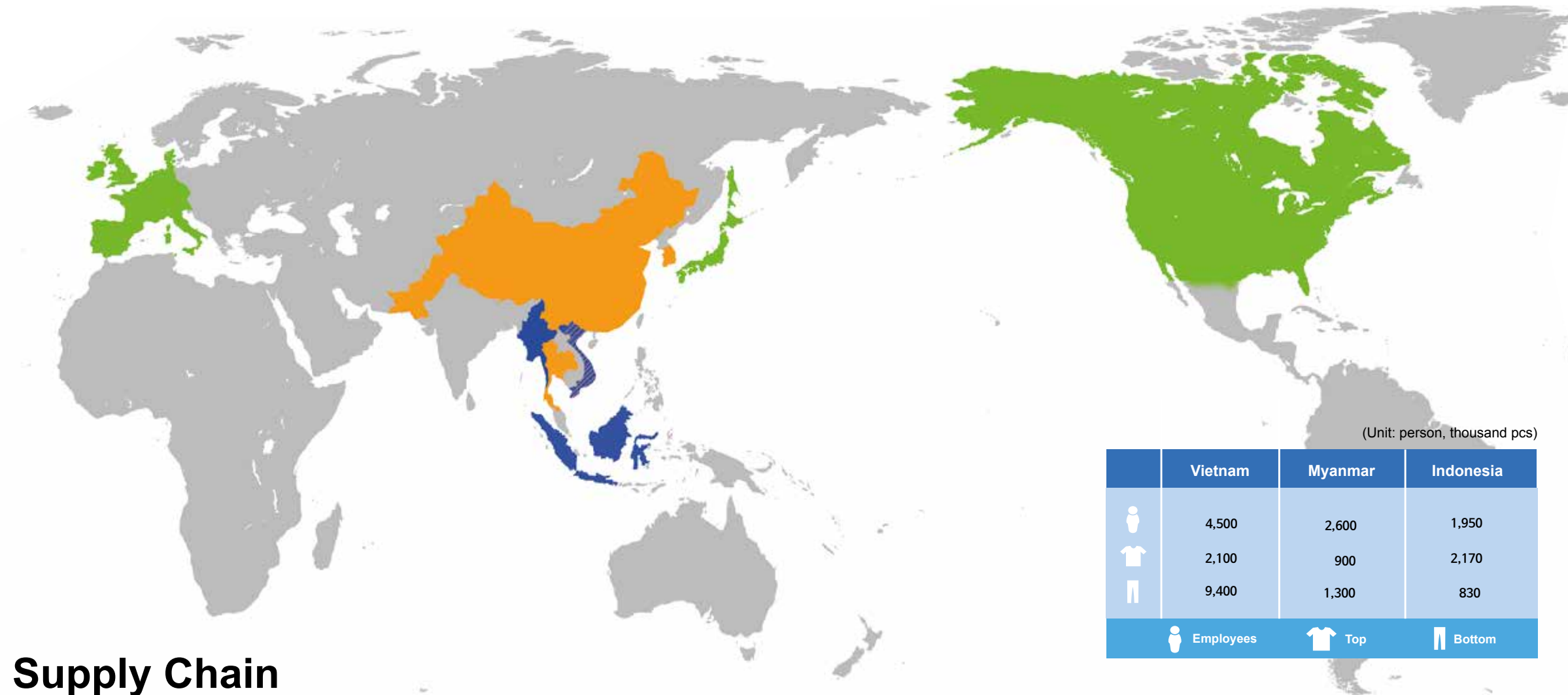
History

- 2014** Head office's Legal Name changed to "Ha Hae Corporation"
- 2013** Expansion of 'Global Mfg Vietnam Co., Ltd' (Adding in-house washing facility)
- 2012** Took over 'PT. Sukwang Indonesia' (Garment manufacturing factory) in Indonesia
- 2011** Relocated head office
Acquired SA8000 certificate in 'Global Mfg Vietnam Co.,Ltd' & 'Branch of Global Mfg Vietnam Co.,Ltd in Thai Binh'
- 2010** Establish 'Branch of Global Mfg Vietnam Co., Ltd in Thai Binh' (Garment manufacturing factory) 'Man Seon Global Garment Limited Liability Company' (Garment manufacturing factory) in Vietnam
- 2009** Expansion of 'Myanmar Glogon Co.,Ltd' (Adding in-house washing facility)
- 2008** Established 'Pearl Garment Vietnam JSC' (Garment manufacturing factory) in Vietnam
- 2003** Established 'Global Mfg Vietnam Co.,Ltd' (Garment manufacturing factory) in Vietnam
- 1997** Established 'Myanmar Glogon Co.,Ltd' (Garment manufacturing factory) in Myanmar
- 1994** Established company

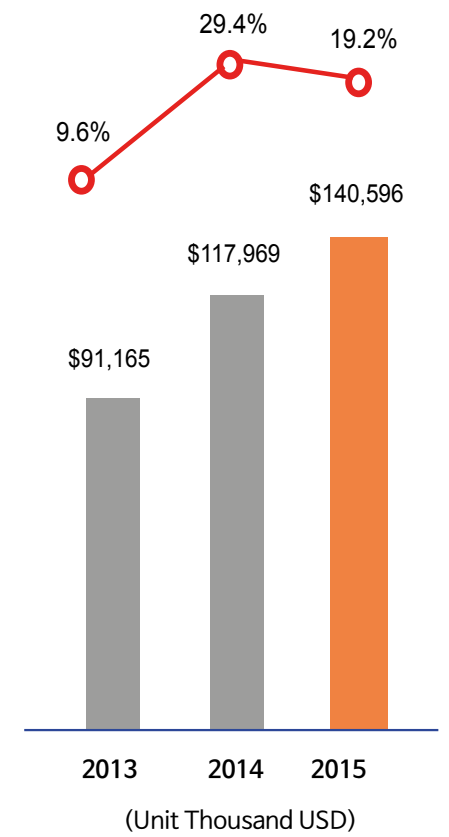
Head Quarter Organization



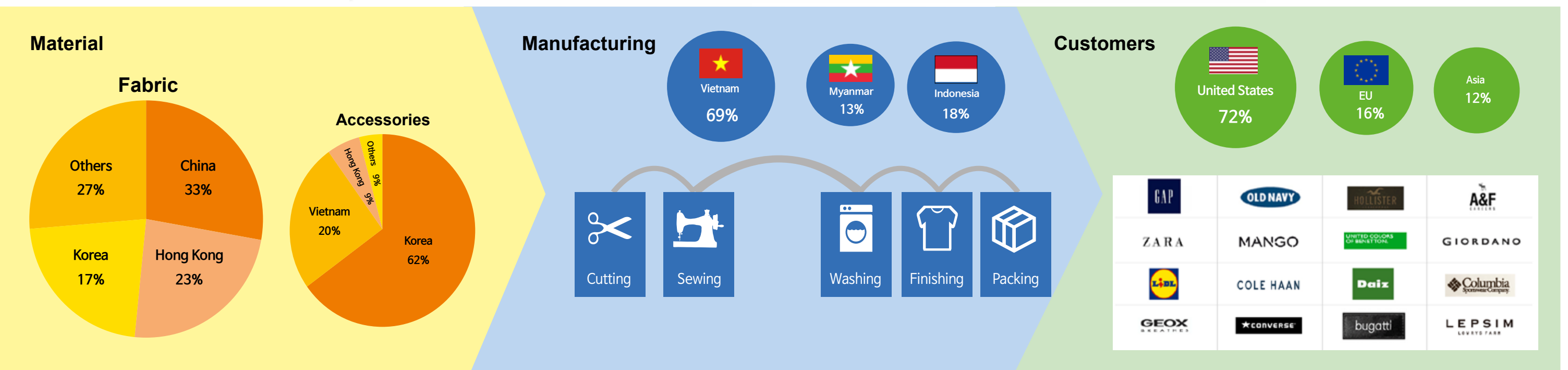
Business Performance



Annual Sales



Supply Chain





Business in a Sustainable Manner

Ha Hae Corporation believes that to deliver customers highest quality products and service through manufacturing process in a sustainable manner underlies our company mission.

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Production Process

Management Approach

From managing production integrity to conducting environmentally friendly practice, Ha Hae is approaching various methods to creating a better production process. We believe these efforts not only provide ourselves with an edge, but also our customers with the efficiency that is needed to stay ahead of competitors. We will keep adapting to new challenges and tackle for solutions from various angles.

01. Product Integrity

Producing garments always requires dedication and utmost attention on the integrity of the product. Especially for companies like Ha Hae, whose garments for babies and kids amount to nearly 60% of the entire production, higher standards should be applied and a secure safety system should be in place to ensure no risks or defects will remain on the garments when in the hands of the valued consumers. Inspections and tests along the production process helps to ensure product safety and quality.

Moreover, investments are constantly made in new technologies, developing various attachment processes, advanced machineries in operations to dehumidifying areas for stabilization of product quality and higher productivity. Factory's Quality Assurance teams are trained thoroughly and go through the 'QA Knowledge Runway Progress' in which their qualifications are met once they have passed this strict program. Roving QCs who also have an important role in checking garment quality at the very first stage of sewing lines are also qualified outputs through 'correlation audits'.



Ha Hae's Products categorised by gender (2015, pcs)



02. Lean System & 5S

Since 2012, Ha Hae's Indonesian factory, PT. Sukwang, implemented a Lean manufacturing system and the 5S (Sort, Stabilize, Shine, Standardize, Sustain) program to keep pace with the rapid changes in the industry and the challenges for quality improvement, agile manufacturing ability for mass production, and savings in production cost.

Through persistent trainings and implementation programs, PT. Sukwang's Lean system led to such fruitful outcomes as

- Reduce extra work for repair
- Prevent from product-missing in advance
- Save more space in packing area
- On-time Delivery
- Cost cutting
- Provide competitive price due to eliminating waste and high productivity

Before system implemented



After system implemented



The next generation of Lean system we call 'LEAN Ver. 2.0', will mostly focus on improving quality and productivity starting from 2016. We are expecting productivity to increase 10~15% every year through the new Lean system.

03. VMI

Vendor Managed Inventory (VMI) program, which is a collaborative model with one of our customers to accelerate flexibility, leads lower risk of the whole supply chain process. By interchanging inventory data between Customer and Vendor, this program enables the balance of supply and demand and consequently gives both parties advantages such as efficient production planning and higher sales. Ha Hae Vietnam Corporation has been working on VMI since 2013.

04. On-Time Delivery

Delivering customer's orders in a timely manner is one of Ha Hae Corp.'s most prioritized values. It starts from setting up a reasonable production plan and requires great effort in systematic cooperation. We were recognized by Gap Inc. as one of 2015's outstanding vendors for on-time delivery in denim and woven bottoms category.



05. Conflict Mineral

Ha Hae Corp. recognizes the severity of using metals through any illegal forms of mining and is endeavoring to ensure that minerals from conflict mines do not enter our supply chain. In line with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Conflict Mineral Rule"), many of our valued customers are required to report annually the presence of conflict minerals (tin, tungsten, tantalum and gold) originating in the Democratic Republic of the Congo or adjoining countries since 2014.

We have a set statement on Conflict Minerals shared with our concerned suppliers and have been assisting our customers in implementing their conflict minerals programs in order to comply with their reporting requirements.



06. Higg Index

In terms of measuring Environmental performance, all of Ha Hae’s owned and joint stock factories are self-assessing via Higg Index Web Tools on a yearly basis since 2013. It helps us to understand more about our environmental activities through our supply chain. We plan to verify factory’s assessment data in the upcoming year.

07. CO2 emission

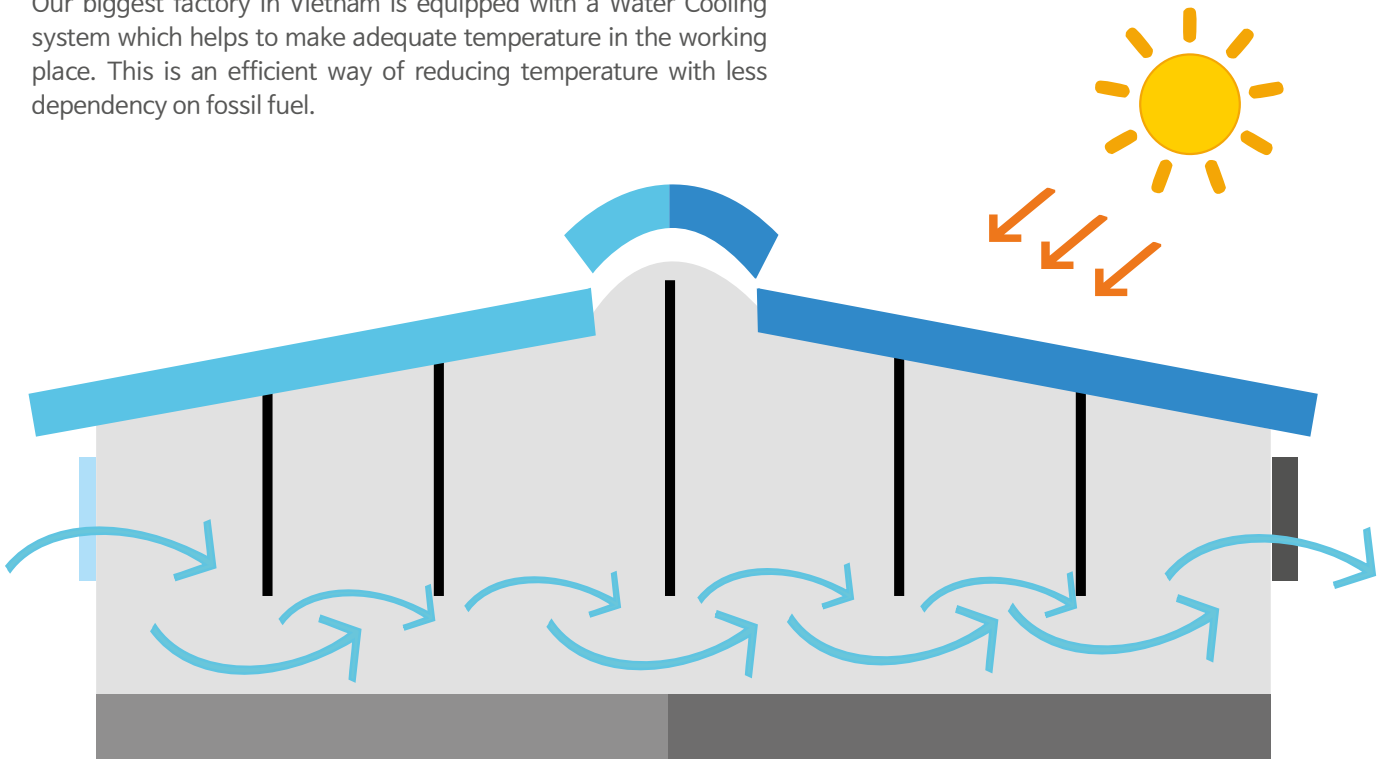
Ha Hae Corp. understood how much CO2 we produce during our operation globally. We shall study our system to find out ways how to manage better our CO2 emission and eventually GHG footprint.

CO2 emission in factories (2015, tCO2)

Ha Hae VN	Ha Hae VN TB	Myanmar Ha Hae	PT Sukwang	Total
981.66	378.97	669.18	307.47	2337.3

08. Water Cooling System

Our biggest factory in Vietnam is equipped with a Water Cooling system which helps to make adequate temperature in the working place. This is an efficient way of reducing temperature with less dependency on fossil fuel.



09. Wastewater Treatment

Two of our production units have in-house garment washing facilities capable of normal/enzyme/silicon wash with the capacity of over 400,000 pcs/month each. Both facilities are equipped with wastewater treatment system which produce disposable wastewater which meet with local standards and discharges its outlets.



10. LED Lighting

Replacing lighting lamps in 2 factories in Vietnam and Myanmar will foresee 55% in electricity reduction. LED lamps also radiate less heat, approximately 2 Celsius degrees, while 40% brighter, which will relatively reduce fire hazard risks and make better working conditions. We are now considering to replace other lamps for other factories excluding a few sections where it is preferred to use normal lighting for fabric color sensitivity.



Compliance

Management Approach

Our endeavors to make a better & happier working place are always underway in all production units operating under the name of Ha Hae Corp. It is no doubt complying with local laws and requirements from our customers are fundamental for compliance management in which our own Code of Conducts and Code of Ethics underlie. In faith that employees’ awareness and mindset have the potential of bringing timeless positive impact in the workplace, we also keep training our employees in a wide concept of subjects.

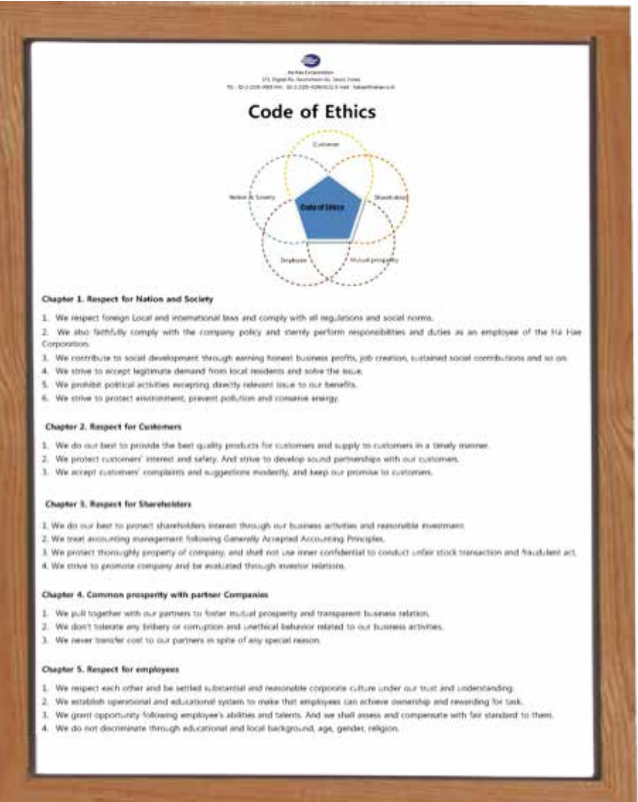
To project forward, we would like to set up plans to improve our internal monitoring system and cascade down these actions to our business partners who are indispensable in our supply chain.

Name of the Award	Awarder	Awardee
2015 Smart Award Winner	Myanmar Ha Hae Corporation	Smart Myanmar

01. Code of Conducts



02. Code of Ethics



03. Training



Internal Training

Head office and factories are striving to deliver our people with a variety of educations and trainings that construct foundation of skills and knowledge in the workplace. Increasing employees’ awareness is essential to making a safer and happier work place.

Title	No. of Participants
Fire Evacuation Drill and fire safety	7,146
PPE Safety	4,858
Wage Calculation	4,683
Workers’ Benefit	4,653
Anti-Harassment / Discrimination / Retaliation	4,642
New workers’ Orientation	3,459
First Aid	369
Machinery Safety	240
Disciplinary Policy and Procedure	119
Chemical Handling	108
Electricity Safety	96
Environmental Policy and Program	59
Waste Management	24
Grievance and Investigation	13

External Training

We are also willing to participate in external trainings held by ILO and buyers that help broaden our view and continuously seek ways for making a better working environment.

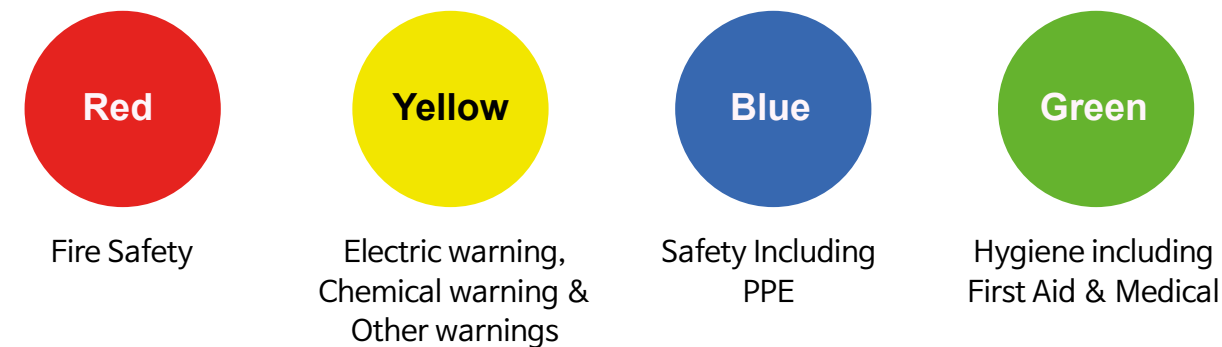


Management training (ILO)

04. Safe workplace

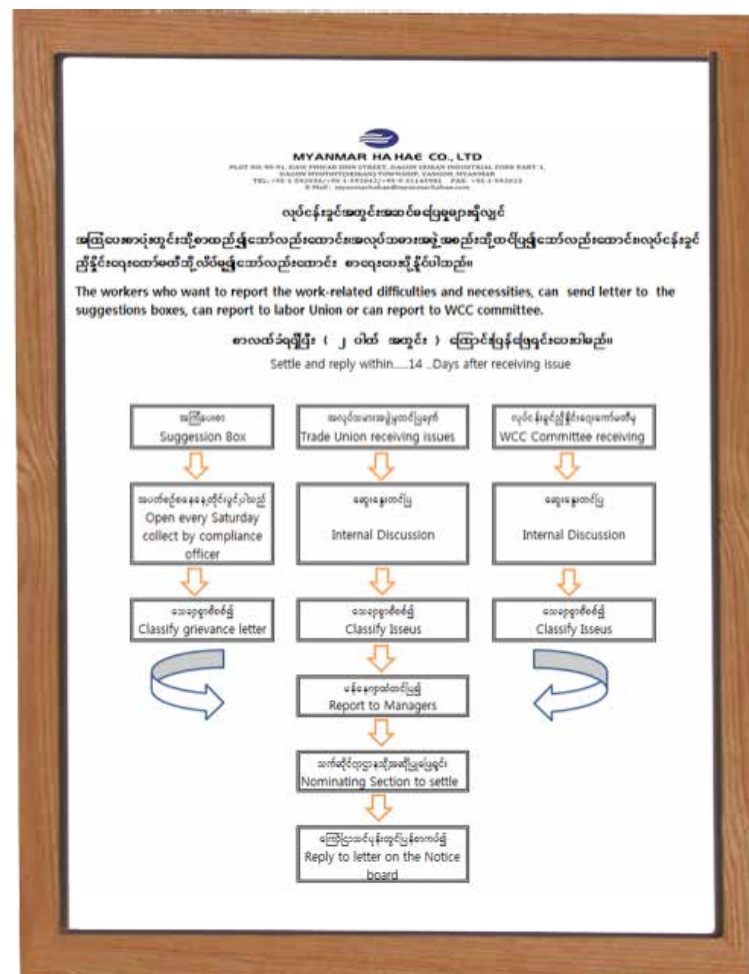
Color Coded System

Color coding systems act as visual symbolizations for which all employees in the workplace can understand the warnings of health and safety with ease and quickly respond to protect themselves from the various types of risks and dangers at hand. It is also helpful to have easy to understand cautions as part of the working environment as workers will be able to comprehend the system without complication.



05. Communication

Factories under Ha Hae Corporation respect the voice of employees and their rights of FOA (Freedom of association). All of our manufacturing factories have labour unions and grievance systems that employees can freely raise their thoughts and ideas. One of the factories have been effectively running an active 'Workplace Coordinating Committee' which is formed with the same ratio of representatives from employee and management. This WCC acts as a middleman between employees and management.



Grievance Mechanism

1st election in Myanmar Ha Hae

In Sept 2015, all employees in Myanmar Ha Hae held their first ever in-factory election to select the representatives for WCC in the upcoming year. All voters were eager to participate in the voting similarly to the recent general election held in the country. 2 employees were selected as workers representatives (non-union members) as a result and Ha Hae Corporation interviewed one of them.

“I feel proud of having WCC member and they hope WCC committee would be better and successful in future.” - (One of voters in Myanmar Ha Hae)



2016 WCC member

Company asked one of elected representatives what her reaction to the results were like.

- How do you feel that you become a member of WCC in 2016?

I feel very happy because most employees recommend that I am a right one as a WCC member.

- What do you want to do as a member?

I want to learn as much as I can and try the best and cooperate to get good relationship between employees and factory management.

- What is the expectation on WCC?

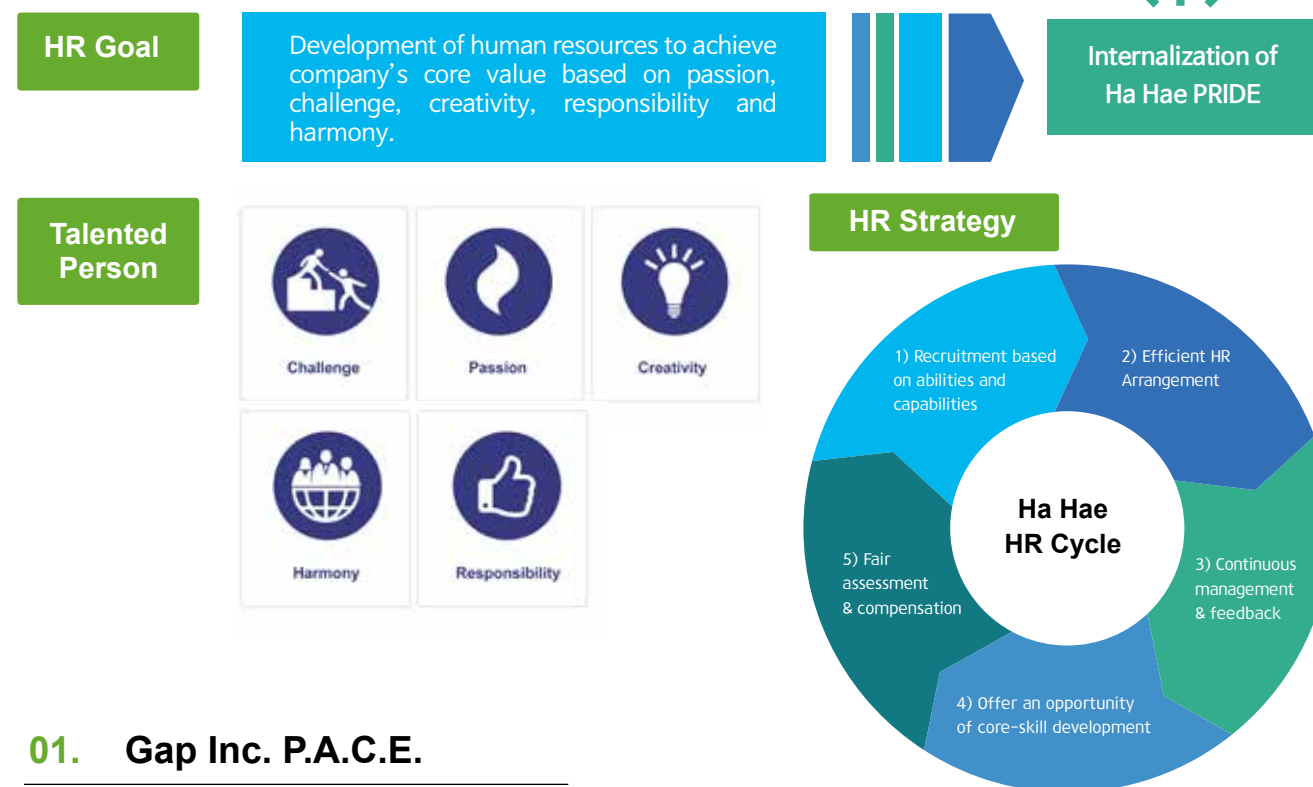
I hope WCC Committee well operates for all employees in the Myanmar Ha Hae. The present WCC committee would be better and successful in future.

Employees

Management Approach

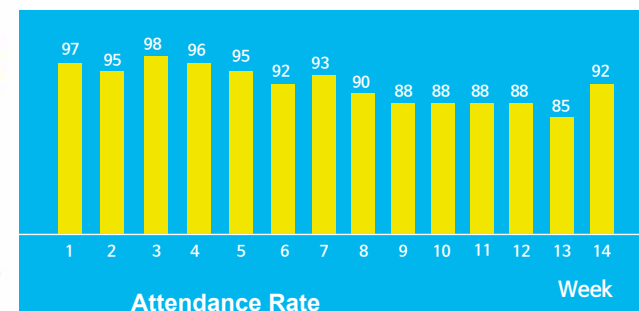
Based on the belief that “the most important asset is human resource”, Ha Hae incorporates HR development policies to enhance competitiveness of the organization and each individual employee’s competency. Ha Hae supports continuous career development opportunities within the organization and provides compensations based on achievements and welfare to keep the harmonious balance between work and home life.

HR Policy



01. Gap Inc. P.A.C.E.

P.A.C.E. (Personal Advancement & Career Enhancement), an award winning program of Gap Inc., recognized for its strategic and innovative approach to empowering women, has been launched for female employees in Myanmar Ha Hae Corporation on Sep 2014. The first module has been successfully completed in Dec. 2015. and knowledge of communication skills of our P.A.C.E. participants have significantly improved according to post test result studied by a program education NGO partnered with GAP Inc, CARE Myanmar. Ha Hae aims to empower our female employees with better life skills and hopes that the new skills gained through this program will positively impact their families and communities.



Interview with PACE Trainer

Ha Hae: Hello, please introduce yourself first.

Daw Swe Swe Win: I am Daw Swe Swe Win. I am working as a community facilitator (Trainer) at CARE International in Myanmar. I deliver P.A.C.E. training for female garment workers at Myanmar Ha Hae.

Ha Hae: Can you describe PACE program in Myanmar Ha Hae?

Daw Swe Swe Win: We launched the life skill program on 12th September 2015 at Myanmar Ha Hae. The program's duration is going to take one year. 130 female garment workers enrolled in the P.A.C.E classes, and were divided into five groups

The P.A.C.E. educational learning program at Ha Hae has completed two modules out of a total of 8 modules. In addition, CARE delivered TOT to potential teachers of Ha Hae in July 2015. One Ha Hae potential teacher and one trainer of CARE facilitate in each session. Now CARE trainers are main facilitator and Ha Hae potential teachers are co-facilitator of the sessions. At the same time we coach Ha Hae teachers by weekly technical meeting. Facilitation skill of Ha Hae teachers is also improved.

The participants acknowledge and are thankful to Ha Hae for giving them a chance to learn. The factory management team takes care about the P.A.C.E program and they are ready to support. The training sessions take place after working hours of every Saturday. So Ha Hae management team arranges busses for participants to go back to their home after classes. This is needed for participants because there are no bus stops near the factory. The factory also provides snacks for participants in the program. With all the support from Ha Hae management team, we can deliver productive training session to workers.

Ha Hae: Do you see any difference of participants before and after they joined PACE program?

Daw Swe Swe Win: Every module we conduct pre and post test for knowledge situation. According to the test result their knowledge are improved. On a weekly basis, workers share their learning application of the P.A.C.E. content to the class and the trainers. We listens their voice of learning application weekly. Most of them said that they apply their knowledge at workplace and they feel the benefit of communication skill improvement and they got appreciation from co-workers, line leaders and supervisors. They are more self confident.

I believe when the participants complete all modules, their personal skills will improve significantly and they will gain better skilled labor. When they become better skilled, they will have more opportunities to advance in the workplace. So their income can also improve.



Daw Swe Swe Win (CARE Myanmar)



02. Outstanding Employees trip

Ha Hae Corporation annually invites outstanding employees from manufacturing countries to Seoul, Korea, one of the most popular places for tourism from people all over the world. They get the chance to visit Seoul head office and the entire trip is an unforgettably enjoyable experience for these employees.



03. Mini Mart for Employees

Since 2013, 'Mini Mart' in Vietnamese factories offer our employees daily necessities such as cooking oils, tissue papers, hygienic products, etc with cheaper prices than outside shops. It also provides location-convenience to our Vietnamese employees.



04. Celebration

Special occasions such as establishment anniversaries are celebrated together with our employees. Sometimes we intentionally make special events to get a chance to spend time with our employees.

International Women's Day



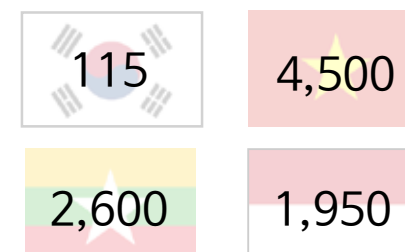
Company Anniversary



05. Creating employment opportunities all over the world

Around 10,000 people globally are employed under the name of Ha Hae Corporation. We also indirectly contribute to job creations all over the world through purchasing of materials from 3rd world countries.

Employees of Ha Hae Corporation



Suppliers in the globe



Community

Management Approach

Ha Hae Corporation realizes that we have been able to run a business up to date because there are communities and people where and when we need. We highly value them and try to deliver our appreciation. Especially we believe that children and students are potential to advance their communities once they are grown without lack of fundamental educations. From this point of view, we will find suitable ways to make their brighter future.

01. Philanthropy

– Donation to Ministry of Social Welfare, Relief & Resettlement in Myanmar (2015 Mar. 20)
: T-shirt 610 Pcs, Jacket 1377 Pcs, Trousers 570 Pcs (equivalent to MMK 12,785,000)

– Donation to National Race Private School in Myanmar (2015 Nov. 26)
: Household items (equivalent to MMK 2,200,000)

– Donation to Flood Victims in Myanmar (2015 Aug. 15)
: Cash MMK 500,000



Appendix

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30	Membership in Associations
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Key Indicators

Total workforce

9,165

Total workforce by region

Female 8,353
Male 812

Workforce by gender by region

	Indonesia	Korea	Myanmar	Vietnam
Female	1,775	46	2,380	4,152
Male	175	69	220	348

Employees covered by collective bargaining agreement

6,700

Employees covered by collective bargaining agreement by region

Indonesia	Korea	Myanmar	Vietnam
1,950	0	250	4,500

Total turnover

5,298

Turnover by region

Indonesia	Korea	Myanmar	Vietnam
1,587	25	1,643	2,043

Membership in associations

Name of Org.	Member
Korea International Trade Association	Ha Hae Corporation
Korea Chamber of Commerce & Industry	Ha Hae Corporation
Korea Industrial Technology Association	Ha Hae Corporation

GRI Index

This report contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.

GENERAL STANDARD DISCLOSURES

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G4-4	Supply Chain	10-11
G4-5	Company Profile	07
G4-7	Ha Hae Corporation is a privately held business	N/A
G4-8	Business Performance	10-11
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G4-11	Key Indicators	30
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Identified material aspects and boundaries		
G4-17	Company Profile	07
G4-18	Sustainability Management Task force conducted the materiality assessment and derived topics for this report	N/A
G4-22	This is the first sustainability report of Ha Hae Corporation	N/A
G4-23	CEO Message	02-03
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SPECIFIC STANDARD DISCLOSURES

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	EC8	Creating Employment Opportunities all around the world	27
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Child Labour	HR5	Training (This is included in 'New workers orientation' training)	21
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Customer Health	PR1	Product Integrity	14

Sustainability Management Task Force

2015 Ha Hae Corporation Task Force responsible for Sustainability Management

Division	Organization	Name
Compliance Division	CSR Team	Jooyeun Lee
Management Division	HR Team	Wonjae Im
Management Division	Planning Team	Yongman Jeong
Sales Division	Sales Team	Jiyo You

