

MOVEMENT THAT NEVER STOPS

CHANGSHIN **SECOND** SUSTAINABILITY REPORT 2023



About This Report

Report Overview

As a response to the diverse demands and expectations of various stakeholders, Changshin published its first sustainable management report in 2021. Through the second report in 2023, we aim to transparently present the company's goals, efforts, and value creation in terms of economy, environment, society, and governance. Moving forward, we will continue to publish the sustainable management report biennially, striving to enhance sustainability with many stakeholders having bond of sympathy.

Reporting Period and Scope

This report includes major achievements during the 2022 fiscal year (January 1, 2022 to December 31, 2022). In case of quantitative achievements, we presented the data for the three years from 2020 to 2022 together, but as for some qualitative achievements, we reported the data including performance data in 2023. The reporting scope ranges from our domestic head office to four overseas business sites.

Reporting Standards

We prepared this report with reference to the GRI (Global Reporting Initiative) Standards 2021, which are international reporting standards for sustainable management, and it has disclosed the efforts to

respond to the UN SDGs (Sustainable Development Goals). We prepared reporting standards and definition of financial information in the report according to K-IFRS (Korean International Financial Reporting Standards).

Reporting Assurance

To secure the reliability of the information, we assured this report according to four principles (inclusivity, materiality, responsiveness, and impact) of AA1000AP by Korea Value Convergence Association as our assurance provider. You can find the third party assurance statement on page 84 to 85.

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Interactive User Guide

We published this Changshin sustainability report 2023 in the form of an interactive PDF including functions such as navigating the way to related pages within the report and shortcuts to related websites.



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Chairman Message



Dear customers, stakeholders, and employees of Changshin,

We sincerely thank you for your great interest and support in the growth and development of Changshin.

As natural disasters caused by climate change increase and the shock of the pandemic more prolonged than expected continues, the global economy is showing a sluggish recovery. This has led to change in each person's way of life, and both companies and nations are facing the reality where they need to devote their full efforts to respond to climate risks for a sustainable future and survival.

To establish itself as a global manufacturing company, Changshin has been continuously improving quality since it was founded. Furthermore, it has consistently built a sustainable management system by monitoring environmental, safety, and health issues and by operating various programs to improve them. In addition, Changshin has been exploring ways to apply various renewable energy sources to each country having materials for production in order to minimize carbon emissions. Since 2021, it has been participating in the Carbon Disclosure Project (CDP) to transparently disclose its carbon emissions.

Each corporation has created a strong bond and mutually beneficial relationship with the local community by expanding employment opportunities for people with disabilities and women, supporting free cataract surgery, and conducting various charity events. During the pandemic, we were selected as an excellent quarantine company by the Vietnamese and Indonesian local governments, thereby gaining the trust of the local people once again and realizing the importance of cooperation.

In the future, with the spirit of Changshin seeking to be better everyday we will not blame the darkness without action, but participate in responding to climate change, expanding the width of communication with stakeholders in order to move toward better future.

Thank you.

September 2023
Chairman, Changshin Inc. **Whanil Jeong**



CEO Message



Dear Respected Stakeholders,

Over the past 41 years, I would like to express my sincere gratitude to all stakeholders who have always believed and supported Changshin with love. Last year, despite the uncertain business environment, Changshin achieved its best performance since its establishment through dedicated efforts of all employees to enhance the value of all stakeholders. We proudly made our mark as one of the top four companies in Busan, surpassing our record-breaking revenue of 2 trillion KRW. This result was possible thanks to over 70,000 Changshin employees worldwide, each of whom did their best in their own positions, as well as thanks to the interest and affection of all stakeholders. Going forward, Changshin will continue to focus on consistent digital transformation and innovation based on its manufacturing experience and know-how, concentrating its corporate-wide capabilities on practice of ESG management to fulfill its environmental and social responsibilities.

First, we will strengthen eco-friendly management to respond to climate change.

To achieve carbon neutrality by 2050, we will expand the amount of investment in the facilities for greenhouse gas mitigation and the usage of renewable energy. To this end, we have set long-term goals to reduce carbon emissions by 42% compared to 2020 and expand the usage of renewable energy up to 26% of the company's total power consumption by 2030.

Our offshore factory in Indonesia has converted 100% of its power consumption into renewable energy, which is expected to result in the corporate-wide usage expansion of renewable energy over approximately 21%. In addition to this effort to expand the usage of renewable energy, we will actively invest in the development of eco-friendly materials and technologies and the innovation for sustainable products to minimize environmental impact.

Second, we will grow potential for improving the world with local communities.

Changshin, as one of global companies, is striving to establish an organizational culture based on diversity, equity, and inclusion (DE&I) on the basis of human-centered mutual respect value. Local communities recognize this human-centered value as well. Each offshore factory carries out customized social contribution activities in collaboration with its local communities, such as granting scholarship, building love houses, and joining blood donation. Changshin aims to create a sustainable future with local communities, rather than to end up donating one-time.

In particular, Korea SMEs and Startups Agency selected on-site education of teaching specialized high school students sewing skills and craftsmanship, which we have been conducting since 2020, as an excellent case last year. Moreover, we won the Grand Prize at the category of education program for human resources development in Korea. Through its unique way to seek mutual growth with local communities, Changshin will continue to carry out social contribution activities for generating social benefits.

Third, we will practice transparent and ethical management.

Since 2021, Changshin has officially established and operated board of directors (BOD) as its highest decision-making body, with audit committee and ESG committee under the BOD. The audit committee is composed entirely of external directors to ensure independence and transparency of auditing financial accounting and other tasks and to strengthen internal control.

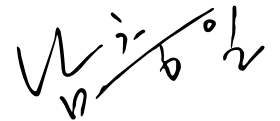
The ESG committee supports integrated decision-making for the establishment of strategic ESG response system and for the enhancement of corporate-wide practice function. We will internalize decision-making that considers both society and environment throughout the entire management. We will also continue to engage in activities to practice sustainable management. We plan to further strengthen the role of the ESG committee in Changshin in line with the global trend of strengthening environmental regulations for carbon neutrality and of elevating corporate social responsibility to the realm of compliance.

Dear Respected Stakeholders,

We consider it highly meaningful to transparently disclose ESG management activities and performance of Changshin through this second annual ESG report published this year, Changshin will continue to listen to even the insignificant opinions and to do our best in order to upgrade the value of various stakeholders in the future. We kindly ask for your consistent interest and encouragement.

Thank you.

September 2023
CEO, Changshin Inc. **Choongil Nam**



Company Profile

Company Overview

Changshin has specialized in manufacturing footwear since it was founded in 1981,. Although the company was originally named Daeshin Trade as a logistics company on December 10, 1981, it managed to transform itself into a show manufacturer in 1987 after producing its first shoe model successfully. Changshin has been seeking a whole new level of customer satisfaction, based on 40 years of experience in manufacturing and consistent innovation. We have two affiliates, four offshore factories, and six satellite factories to strengthen its production capacity, and we are growing into a global company with a sustainable growth engine supported by its production network stretching across Korea, Vietnam, China, and Indonesia. Changshin has the ability to develop products in eight shoe categories so as to satisfy various consumer needs in each category. Furthermore, it has matured into a world-class manufacturing corporation by expanding LEAN production methods to its management. In other words, Changshin has established itself as a leading global company beyond domestic boundary in the footwear industry. We will do our best to offer vision and value to our customers by producing excellent products backed by innovative ideas and efficient manufacturing systems.

General Information

Company Name



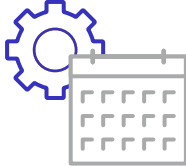
Changshin Inc.

Business Areas



Manufacturing, sales, importing, and exporting of footwear components and finished products

Established Date



December 10, 1981

CEO



Choongil Nam

No. of Persons



77,745persons
(as of the end of December 2022)

Headquarters Address



242, Jangpyeong-ro, Saha-gu, Busan, Republic of Korea

Sales Revenue



2.2226trillion KRW
(as of the end of December 2022)

Total Assets



1.1866trillion KRW
(as of the end of December 2022)

*Places of Business

- Korea: Headquarters
- Overseas: Changshin Vietnam, Changshin China, Changshin Indonesia, Changshin Rekso Jaya

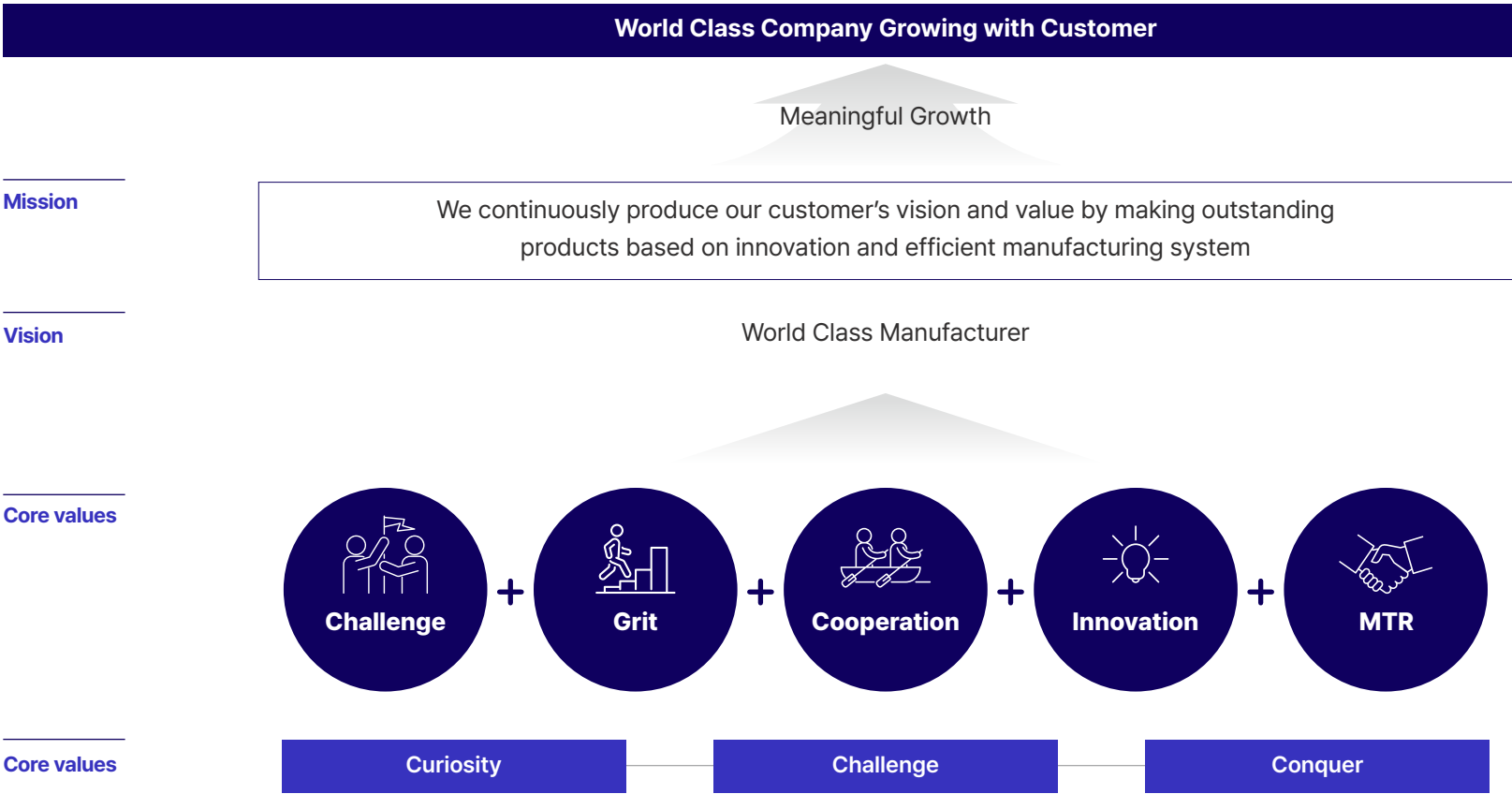
Company Profile

Changshin Way

Changshin consistently strives to mature into a “top-flight company that grows together with its customer” driven by its vision of becoming a “world-class manufacturer.”

Core values like ‘challenge, grit, cooperation, innovation, and mutual trust and respect (MTR)’ are its fundamental values every employee pursues and practices all the time, which form the essential factors consisting of its own corporate culture.

We will do our best to grow into a world-class manufacturer that offers vision and value to our customers by releasing excellent products based on innovation and efficient manufacturing systems.



Core values

Challenge

Once it seems to be the right way, make a decision and challenge without giving it up on realistic obstacles with the attitude of 'Kaizen yourself every day and kaizen again.'

Grit

Be confident in your competence and capability based on strong mentality that doesn't miss any moves and continual endurance.

Cooperation

Draw cooperation and devotion from relevant departments based on mutual trust and sympathy within the organization.

Innovation

Create innovation if the conventional way of working seems controversial and in need of improvement.

Mutual Trust and Respect, MTR

Decide based on agreement by mutual respect of different positions, values, and cultures among Changshin members.

Company Profile

Company History

1981

Established Daeshin Trade Inc.

1983

Opened a shoe manufacturing plant.

1987

Began production of Nike's model.

1994

Established Changshin Vietnam.

1995

Established Changshin China.

1998

Introduced Lean Toyota Production System (TPS) for the first time in the footwear manufacturing industry.

2000

Renamed the company Changshin Inc.

2002

Opened Changshin development center at the head office.

2005

Opened NOS Innovation & Training Center (NITC) in Vietnam
*NITC: NOS Innovation & Training Center

2006

Received the commendation from the Minister of Labor for its excellence in equal gender employment.

2007

Reached global top-3 status in Nike shoe production.

2010

Established Changshin Indonesia.
Opened development center at Changshin Vietnam.
Opened the second satellite factory in Changshin China.

2011

Reached 580 million USD in sales revenue (total for Changshin Group).
Reached top-500 company in Korea based on sales revenue.
Changshin China was selected as excellent practice business at the Korea-China CSR forum.
Changshin Vietnam won the grand prize for its excellence in CSR at the event of the 20th anniversary for diplomatic ties between Korea and Vietnam.

2012

Changshin Vietnam won the presidential medal of labor for the first time among the foreign-invested companies in Vietnam.

2014

Opened the first satellite factory under Changshin Vietnam.

2015

Opened Modernization Center (MC) at Changshin China.
Established Changshin Reksa Jaya in Indonesia.
Opened the first satellite factory (JJS) under Changshin Indonesia.
Won the presidential award as top-100 company in job creation.
Won the outstanding enterprise award from Busan Metropolitan City.

2016

Reached 1 trillion KRW in sales revenue.
Won the hidden champion award from the Ministry of Employment and Labor as youth-friendly small and medium-sized enterprise.
Won the outstanding employer award from the Busan Metropolitan City.
Changshin Vietnam won the outstanding company award in Korea-Vietnam CSR.

2017

Achieved Silver grade in sustainability index for the first time among all Nike suppliers.

2018

Ranked 6th in sales revenue among all companies in Busan.
Won the presidential award for excellent job creation company.

2019

Changshin Vietnam achieved the Gold grade according to partner's Manufacturing Index targeting at its suppliers.

2020

Declared Changshin Way.
Changshin Vietnam won the class-2 labor medal by the prime minister of Vietnam.
Established the second satellite factory of Changshin Vietnam.

2021

Ranked 5th in sales revenue among all companies in Busan.
Changshin China received the award for excellent employment and management.

2022

Reached 2 trillion KRW in sales revenue.
Ranked 4th in sales revenue among all companies in Busan.
Awarded the presidential grand prize for human resources development.

Company Profile

Global Network



- **Changshin Inc. (Headquarters)**

Established Date December 1981

Location 242, Jangpyeong-ro, Saha-gu, Busan, Republic of Korea

No. of Employees 1,170 persons
- 1** **Qingdao Changshin Shoes Co., Ltd.**

Established Date March 1995

Location No. 6, Ma Ti Quan Road, Jiao Zhou City, Qingdao, China

No. of Employees 4,641 persons

Satellite factories The first satellite factory of Changshin China,
The second satellite factory of Changshin China
- 2** **Changshin Vietnam**

Established Date August 1994

Location Thanh Phu Village, Vinh Cuu District, Dong Nai Province, Vietnam

No. of Employees 42,796 persons

Satellite factories The first satellite factory of Changshin Vietnam,
The second satellite factory of Changshin Vietnam
- 3** **Changshin Indonesia**

Established Date June 2010

Location Jl Dusun Gintungkolot Rt 16/04, Gintungkerta, Karawang, Indonesia

No. of Employees 17,914 persons

Satellite factories The first satellite factory of Changshin Indonesia,
The second satellite factory of Changshin Indonesia
- 4** **Changshin Reksha Jaya**

Established Date April 2015

Location Jl. Raya Leles No.134 Ciburial, Kec. Leles, kabupaten Garut, Jawa Barat, Indonesia

No. of Employees 11,224 persons

Company Profile

Major Products

We classify shoes into 8 categories based on the characteristics of our main target consumers as well as design and functionality. We develop and produce shoes based on these groups.

Women

We conduct research on design trends and develop products utilizing various materials, colors, and accessories for trend-sensitive women. In addition, we strive to produce items that are comfortable to wear every day and don't make users boring, by reinterpreting existing classical products and adding new forms tailored for women's feet to our products.



Men

We are developing a range of men's style and classic style products. We specialize in developing product lines that combine series models with forms. We create products that feature familiar designs and new functions by integrating new technologies and designs with footwear and reinterpreting existing classic products.



Kids

We develop shoes targeting age groups ranging from babies, who are just starting to walk, to elementary school students according to their growth stages. We develop shoes for toddler (age of beginning to learn how to walk), preschool (preschool children), and grade school (elementary school students). In addition to the size of the product, we are developing items focused on function and design that allow children to put on and take off shoes easily without using their hands as well.



Future

This is a product line leading shoe innovation with challenging designs. We focus on developing experimental design shoes integrated with high-tech features, serving as increasing brand value rather than simply aiming for sales. Recently, we have been leading the sustainability and innovation of products, such as developing shoes by means of recycled materials.



Fitness

Modern individuals enjoy various indoor activities such as fitness and CrossFit, with increasing personal income, improved level of culture, and rising interest in health. In response to this demand, Changshin has established a specialized category for training shoes. In particular, we enhanced the functionality of our training shoes to comfort your feet in sports activities, and integrated them with the technique of providing traction on the shoe sole to allow for more stable movements in various directions.



Running , Track & Field

Running shoes and track spikes are the product lines focused on functionality and technological development above all the eight categories. In particular, track spikes are developed exclusively for track and field athletes, including Olympic and marathon runners. They have worn these shoes and achieved record-breaking results in four Olympic Games and six World Championship competitions since 2009. Track spikes serve as heightening brand value through the enhancement of athletes' performance rather than the profit from product sales.



Brand sneakers

We began to develop this category from 2019 and we produce name-brand shoes representing our clients who began from basketball line.



Company Profile

R&D

Changshin Development Center

Changshin Development Center established in 2002 has completed consumer products through various cutting-edge engineering processes from material selection, pattern making, to manufacturing, based on the designs requested by customers.

Beyond the field of daily casual shoes such as men's, women's, and children's shoes, it operates eight shoes categories according to their purposes and usages, such as functional shoes like athletics and running shoes, based on Changshin's exclusive expertise.

At the development center, about 700 development experts, including over 300 shoes craftsmen, are working to improve the completeness of sample shoes by modifying and supplementing them. Besides, they are experimenting with new manufacturing techniques and developing the facilities for process automation.



Changshin Vietnam Development Center

Vietnam Development Center has been developing running shoes, women's shoes and so on since its establishment in 2010. Located within the production factory, it has the advantage of being able to promptly address various issues discovered after the samples are put into mass production. It adopts processes optimized for mass production and develops tools and equipment necessary for shoe production.

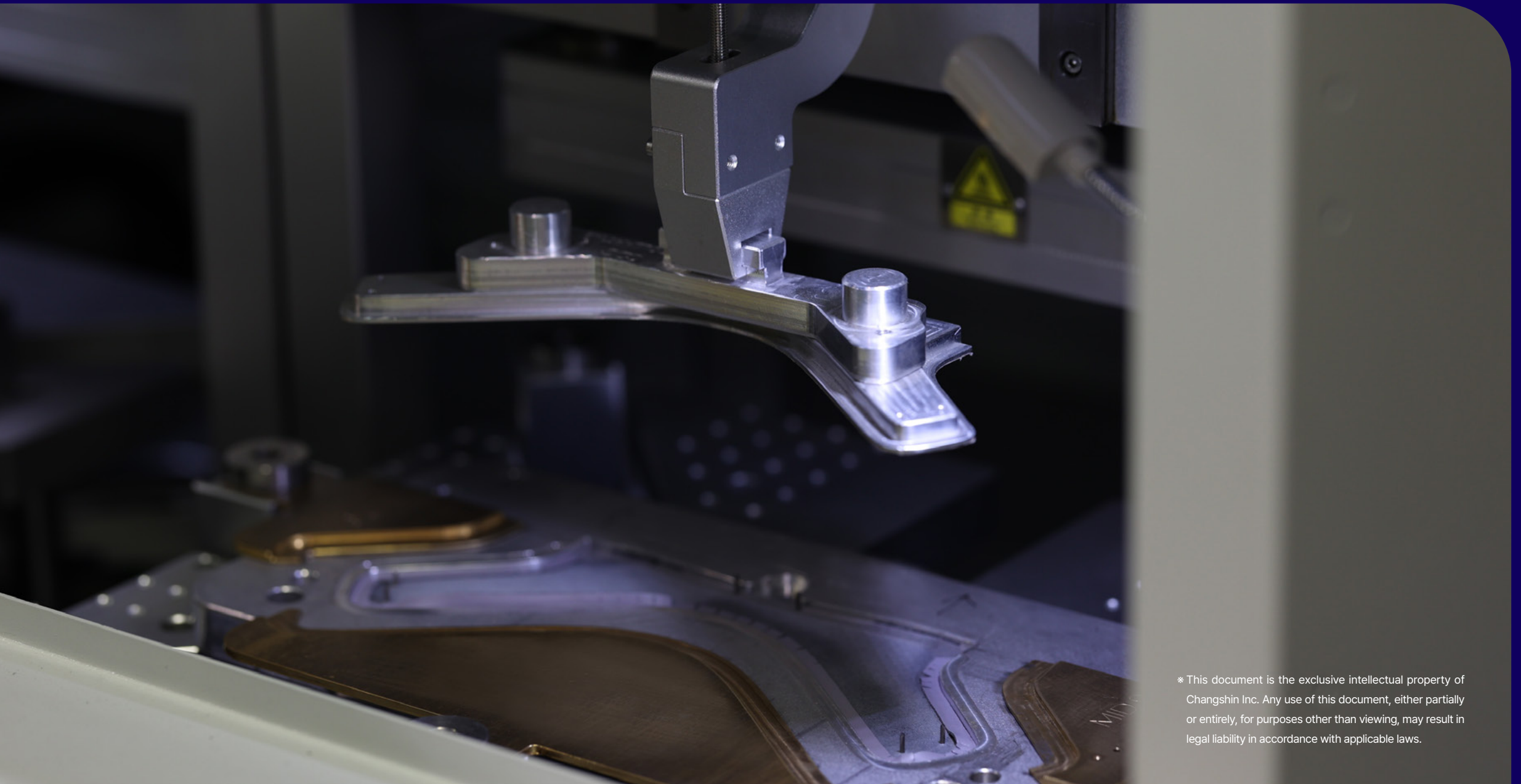
When developing new products, it coordinates and supports the work between the head office development center and the production sites. Moreover, it provides development support for the models transferred from other offshore factories to Vietnam.



Digital & Innovation

Digital Innovation

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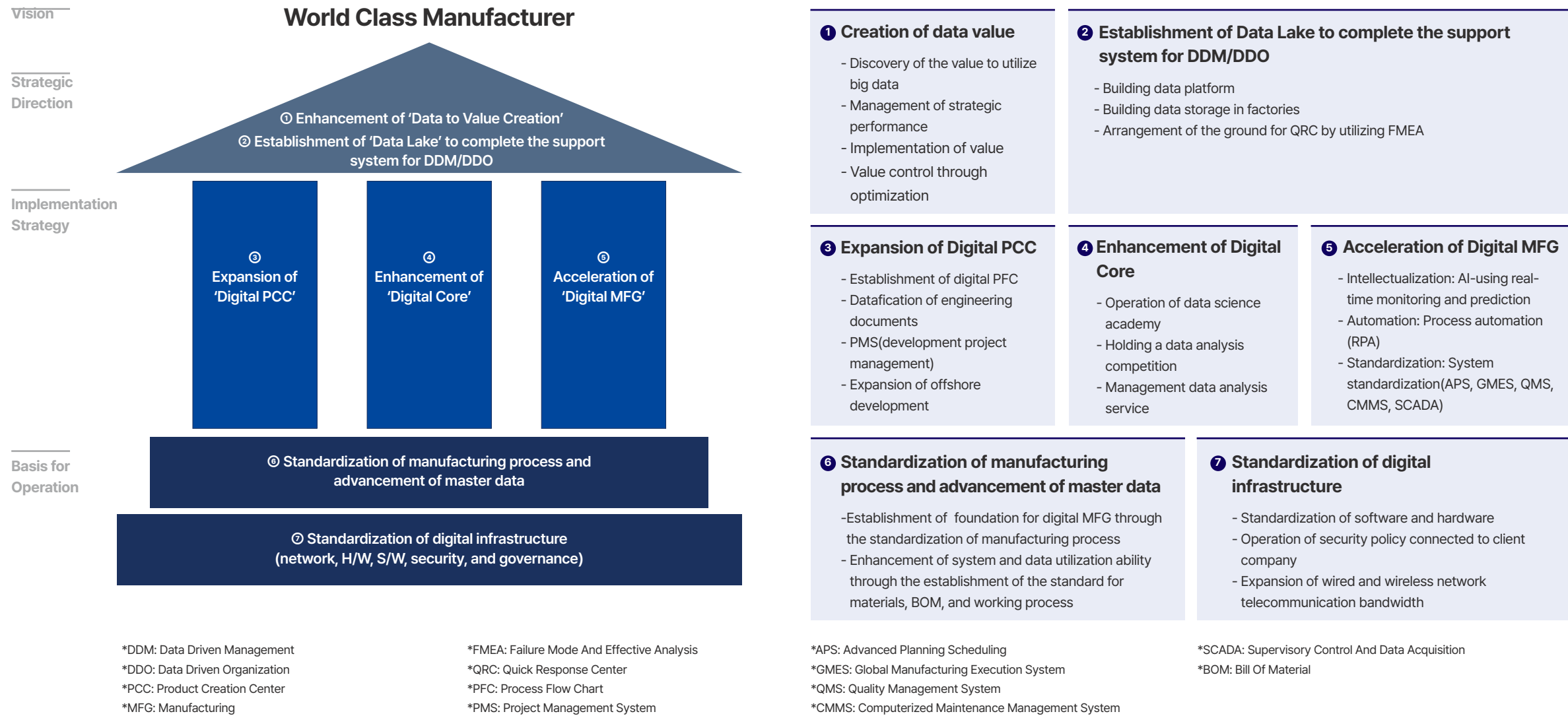


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Digital Innovation

Digital Innovation System

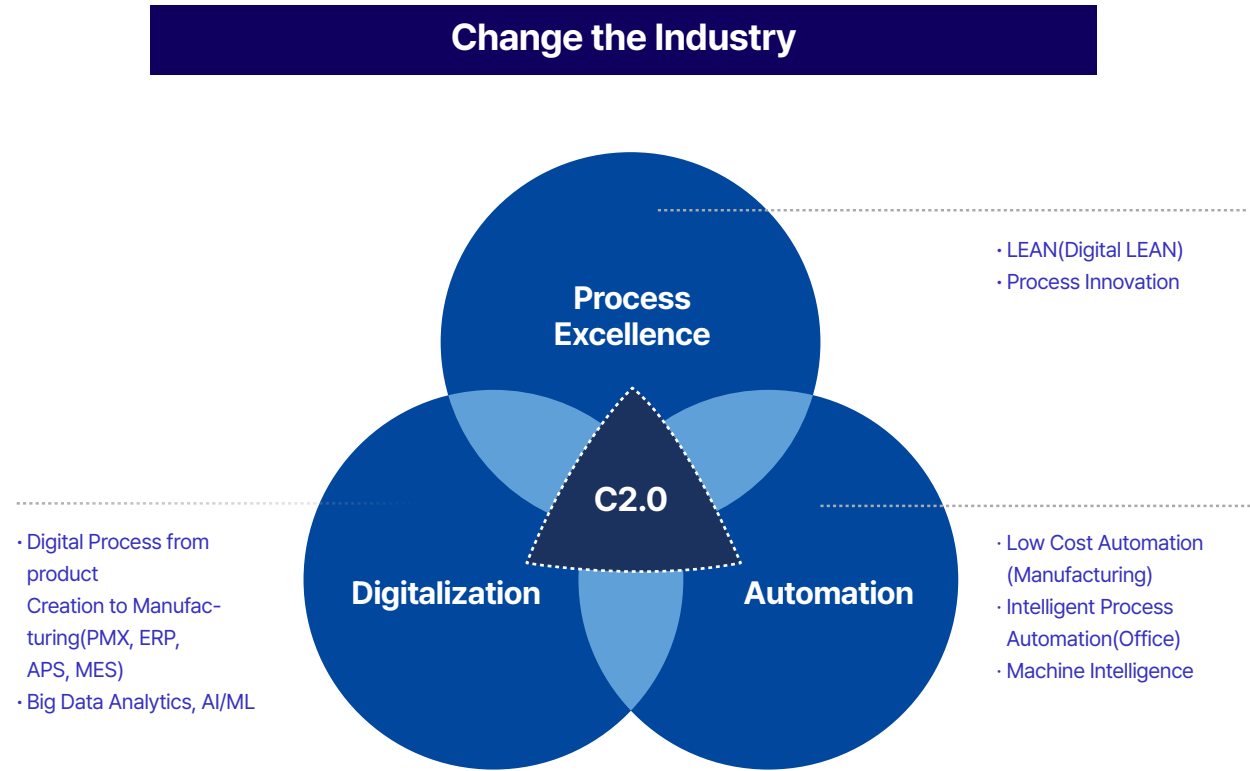
Since Changshin adopted the Toyota Production System for the very first time in the industry in 1997, it has built its production management system to maximize efficiency by consistently improving waste factors in the production process. It is becoming an unparalleled world-class manufacturer by building data-based management system through the lean digital innovation.



Digital Innovation

C2.0 Core : Super Tri-Circle

Changshin is implementing three digital innovation strategy consisting of process optimization, expansion of automation, and establishment of digital information system for digital transformation.



*PMX: Product Management Excellence

*ERP: Enterprise Resource Planning

*MES: Manufacturing Execution System

*PC: Programmable Controller

*PLC: Programmable Logic Controller

*DCS: Distributed Control System

*RPA: Robotic Process Automation

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Process Excellence

Automation

Digitalization

Process Excellence

We implement efficient process with minimal waste through visual management that provides clear view of optimal logistics flow and quality management status. We eliminate waste factors and establish the cost-effective automation and information system that delivers accurate information by optimizing and standardizing this process. This helps improve quality, cost, and period of delivery, and enables us to build the management system to flexibly respond to any changes in customer orders.

- Lean(Digital LEAN)
- Process innovation

Automation

We utilize technologies and systems to reduce human intervention, to enhance productivity, quality, and stability, and to reduce cost.

- Process automation: Performing tasks such as raw material processing, assembly, and inspection by integrating them with machinery, robots, and computer system
- Control systems: Using systems like PC, PLC, DCS to control and monitor work processes
- Robotics technology: Utilizing industrial robots for various tasks such as assembly, welding, painting, and inspection.
- Artificial Intelligence (AI) and machine learning: Utilizing AI technology in tasks such as data analysis, quality management, prediction maintenance and repair in the manufacturing process
- Robotic Process Automation (RPA): Achieving the automation of repetitive and simple work processes

Digitalization

We are transforming information and systems in manufacturing processes into digital formats and integrating them with the latest technologies to improve productivity, efficiency, competitiveness, and to meet customers' requirements.

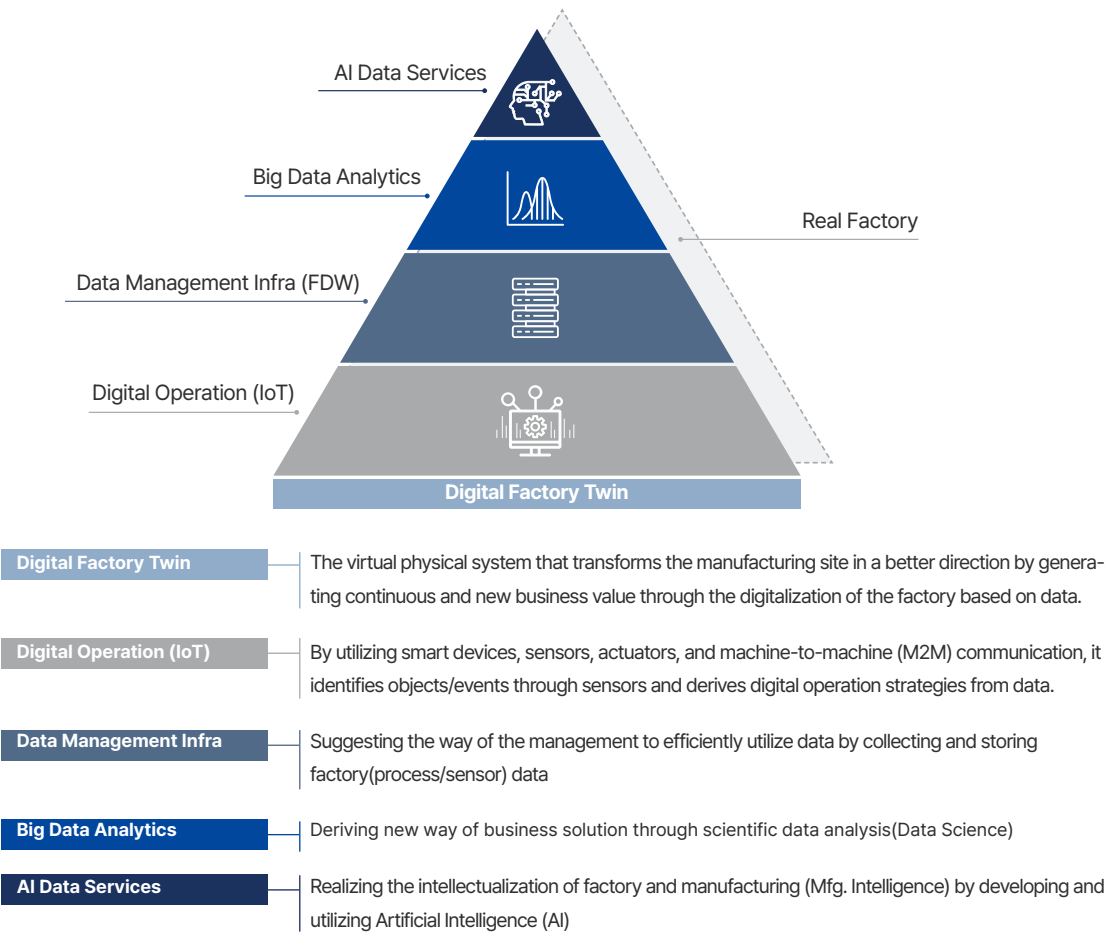
- Internet of Things (IoT): Interconnected sensors, machinery, and robots in the manufacturing process exchange real-time production data, analyze production status, and improve process efficiency and productivity.
- Cloud computing: Storing manufacturing data and systems in the cloud to increase accessibility and expandability and to save cost.
- Big data analysis: Analyzing data to gain insights, make efficient decisions, improve processes, and establish business strategies
- Virtual and Augmented Reality: Utilizing Virtual Reality (VR) and Augmented Reality (AR) technologies to improve product design, simulation, training, and maintenance processes, thereby reducing costs
- Digital supply chain management: Enhancing transparency in the supply chain, optimizing logistics and inventory management, and quickly responding to market changes in order to optimize the digital environment

Digital Innovation

Smart Factory

Composition system of smart factory

To realize a smart factory, we are collecting production site data based on IoT and analyzing data by means of big data to improve process efficiency and quality, thereby optimizing production line operations. Besides, we are implementing our own digital twin factory by optimizing data-based production management system such as data visualization, 3D virtualization, process optimization, and simulation.

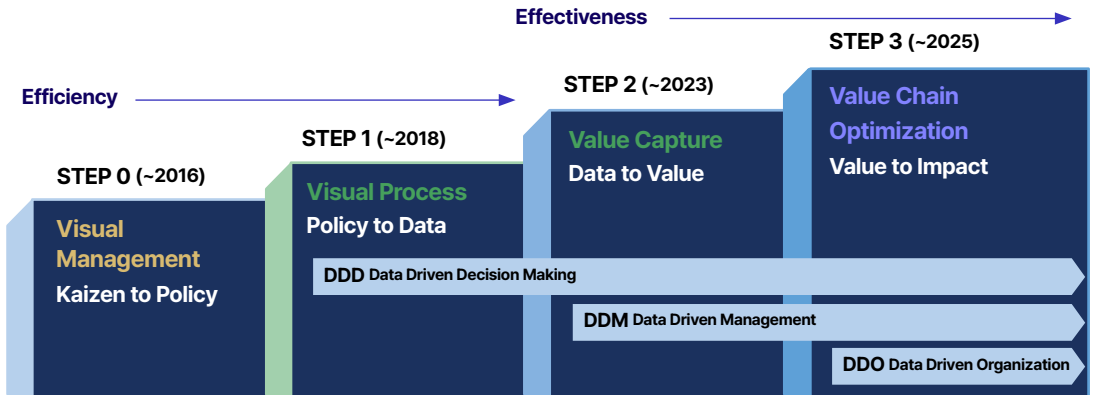


*FDW: Factory Data Warehouse

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Digital roadmap

We are implementing four-stage digital roadmap to build the smart factory. Once we establish the smart factory based on the fourth industrial revolution technologies by 2025, its standardized process from production planning to release will lead to realize the production system which synchronizes information and product flows and implements the optimal automation.



STEP 0	We establish Lean production methods based on the Changshin Production System (CPS) and implement activities to improve waste through the settlement of the culture of improvement activities.
STEP 1	We can monitor production status by establishing C2.0 systems (APS, GMES, ERP, etc.). Moreover, data-driven decision-making can be possible by collecting and analyzing machine condition data of the on-site machines and equipment by means of smart devices.
STEP 2	We secure insights through big data analysis. Plus, we develop and utilize simulators by developing algorithms. These things enable us to manage based on the data analysis.
STEP 3	We can operate the management processes with maximized quality, cost, period of delivery, and flexibility by applying AI-based production systems to our management.

Digital Innovation

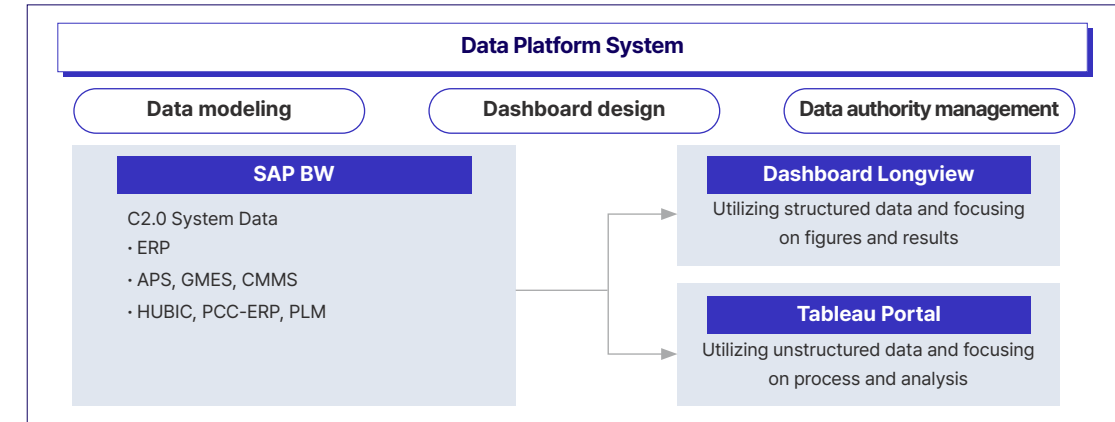
Data-based Management

Data platform

As the fourth industrial revolution accelerates, it is getting important to establish the data-based management system including data collection, processing, storage, analysis, and utilization. After establishing its data platform, Changshin continuously improves data quality to secure accurate and reliable data. Besides, it strengthens data utilization and analysis to improve the ability for data-based decision-making. This way, several types of data are extracted, analyzed, and shared with all members of the organization from various systems in order to promptly discover new business ideas and proactively use the ideas to establish management strategies.

Type of data

Data Type	Usage
Structured data(Process/IT data)	Work process data(order, inventory, production, finance, production cost, quality, and personnel)
Semi-structured data(machine data)	Machine and facility data, such as temperature, pressure, and velocity, and log data of system
Unstructured data(multimedia data)	Products like floor plans, images, photos, documents, video clips



*ERP: Enterprise Resource Planning
*APS: Advanced Planning & Scheduling
*GMES: Global Manufacturing Execution System)
*CMMS: Computerized Maintenance Management System

*HUBIC: Changshin HR System
*PCC-ERP: Product Creation Center ERP
*PLM: Product Lifecycle Management

Data analysis

Starting with the first competition in the first half of 2021, Changshin has held data competitions twice a year until the second half of 2022. This is creating a positive change as Changshin's unique way of working. This way, it generates its business value while making its working culture take root based on quantitative analysis and solving problems confronted with practical work based on data.



▲ Data competition

Cultivation of data analyst

We operate an in-house education program called 'Data Science Academy' to train various data analysis professionals within Changshin Group. The academy provides multilateral support to operate basic course (Data Enabler Course), short-term analysis project course (Tool Expert Course), and advanced analysis project course (Data Expert Course) in order to ensure that data-based working culture continues.



▲ Data Science Academy

Publication of digital lean newsletter

Changshin group captures global core trends and future venture business opportunities through monthly introduction of the latest technology trends. Plus, it provides its employees them with visual insights into data analysis by sharing outstanding cases in global reports with them.

[Main agenda of newsletter]

- Introduction to the latest global trend: Status and future of establishing robot automation
- Introduction to C2.0 technology cases: Introduction to the case of building the product based on AI
- Introduction to Tableau Best Practice: Monitoring on temperature based on AI



▲ Digital Lean newsletter

Digital Innovation

Data-based Management

Product lifecycle management

Product Lifecycle Management (PLM) is the core solution for digital transformation to manage all the data ranging from the initial design to production in product development through PLM.

Data Type



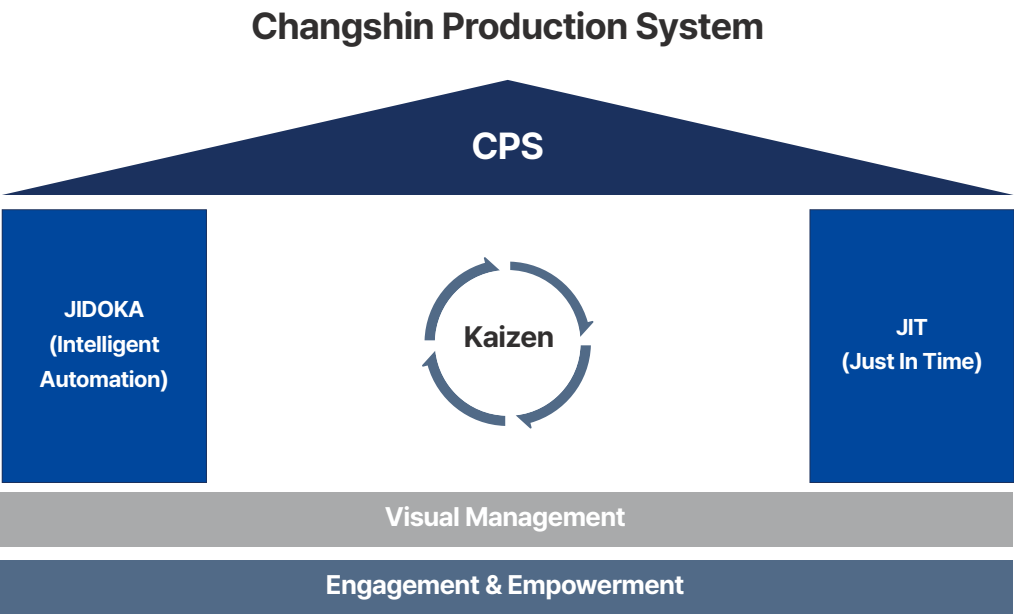
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Digital Innovation

Lean Innovative Culture

Innovation strategy

We have established Changshin Production System (CPS) as Changshin's unique production system and achieved quality management and optimization of logistics at the production site based on visible management. We are supporting the improvement culture that can continuously develop our vision.



Intelligent automation

We guarantee our quality with the process of infusing quality into each manufacturing step in order not to send defective products to the next step.(Foolproof, Andon)

Just In Time

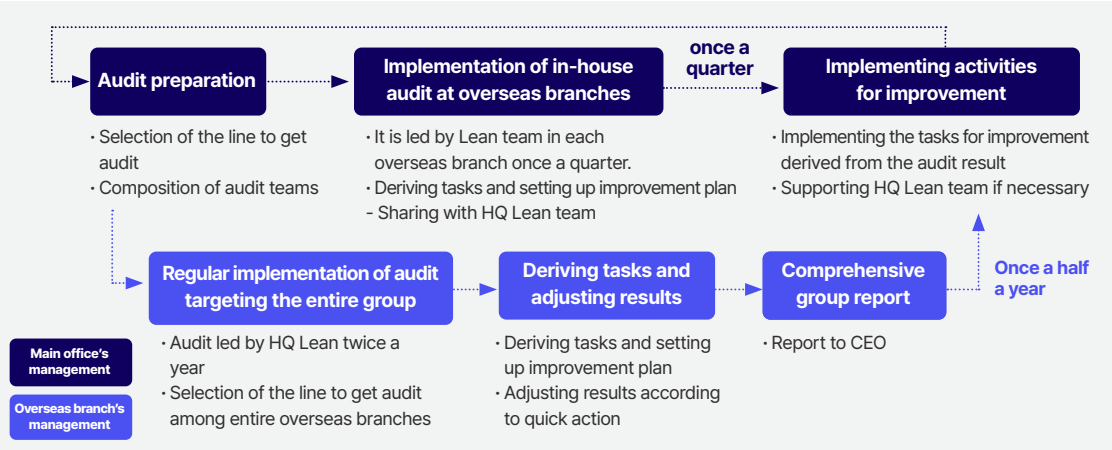
We establish 'Lean Layout' in consideration of optimal logistic flow and realize 'One piece flow' production so as to produce 'something in need up to the amount in need just in time.'

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Settlement of innovative culture

To establish Changshin's innovative culture, we are actively implementing 'Lean Foundation Audit' which constantly checks the current level of each corporation and collects best practice from each of them, aiming for upward standardization of the entire group production process. This way, we are scheduled to establish Changshin production system and sustainable monitoring system.

Lean foundation audit process



Visual management

We establish a field based on Logistics 3 Right (Right container, Right quantity, Right place) and 5S (Sort, Set in order, Shine, Standardize, Sustain). Besides, we visualize information in the line, including equipment, and achieve visible management.

Enhancement of employees' engagement and authority

We are achieving the strategic objectives through KPI management, participation in improvement activities, and policy deployment.



▲ Activities for improvement



▲ Lean Foundation Audit

Digital Innovation

Lean innovation Culture

Consistent innovation

Changshin continuously executes improvement activities that involve not only team members but also leaders through improvement proposals and actions. To activate full participation, we hold Lean Foundation School annually to enhance understanding of job performance and establish a culture of improvement together. We acquire skills to quickly perceive problems and adapt to changes, while learning the mindset required for strong ability to execute through various programs. As a result, we are continuously improving quality, cost, and delivery metrics.



▲ Lean Foundation School

Stakeholder Interview



Young-ryang Wi

Chief Digital Officer (Vice President)
Changshin Headquarters C2.0 Business Unit

optimizes the entire factory by digitizing manufacturing information between processes through interconnection based on data and network, such as device-to-device, device-to-person, and factory-to-factory connection.

We are making active efforts to achieve digital manufacturing by standardizing process, utilizing digital technologies for digitization, and enabling intelligence based on production data. In addition to process automation, we actively explore production simulation tools to realize digital production.

Furthermore, to enhance manufacturing innovation, we have established an in-house data analysis education program to develop data analysis capabilities and provide differentiated management information through insight development based on task performance. This enables data-based decision-making.

Changshin is creating a horizontally and vertically integrated supply chain based on a data-based organization. We are building our own management system that enables competitive and rapid decision-making through accurate predictions based on data.

The rapid advancement of new technologies through the Fourth Industrial Revolution and the COVID-19 pandemic over the past three years have made digital transformation a prevailing trend. This is no exception in the footwear manufacturing industry, where it is crucial to not only develop new technology but also integrate and connect it with existing one.

Changsin's C2.0 is evolving into the business model that

Sustainable Manufacturing

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ESG Management

ESG Management Implementation System

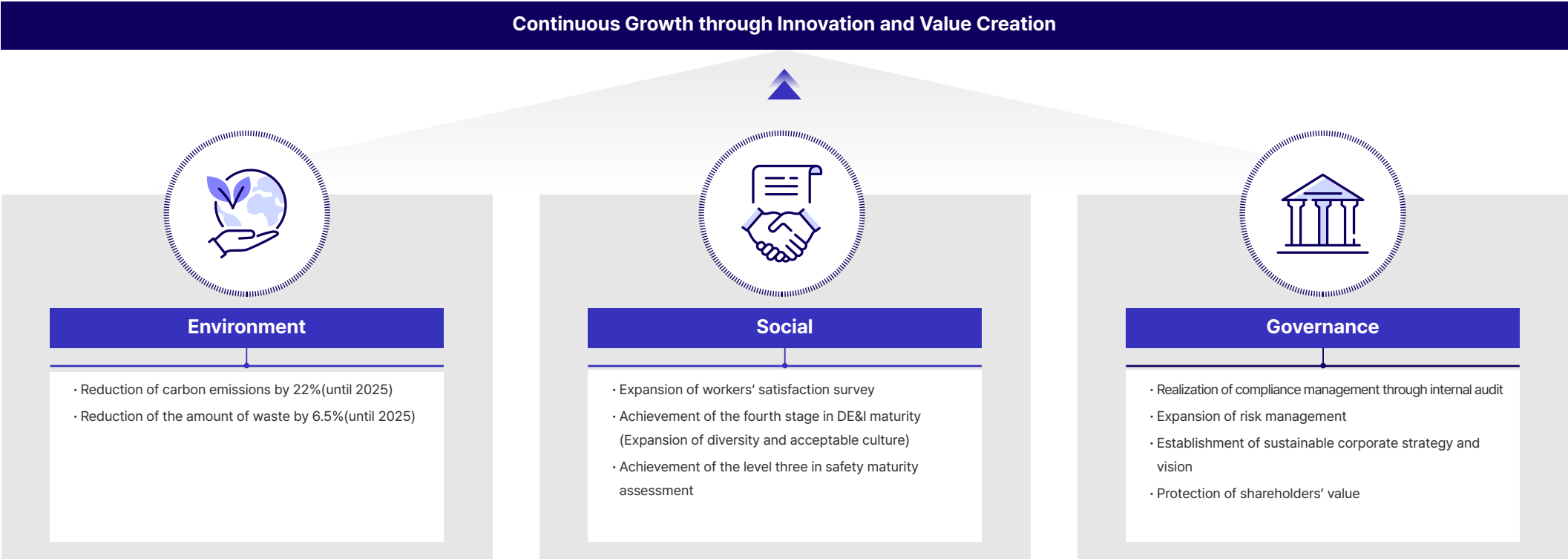
Changshin is actively establishing long-term ESG management strategies and goal systems in each ESG area to create sustainable value and fulfill corporate social responsibilities from the long-term perspective. Top management carries out ESG decision-making through ESG committee, and runs operational organizations in each environmental (E), social (S), and governance (G) aspect in order to promote prompt execution.

ESG governance

We have established ESG Committee under the Board of Directors to promote systematic ESG management. ESG Committee consists of three outside directors and one inside director, and it is responsible for reviewing Changshin's activities based on the strategy and goals in the environment and society, as well as making decisions on important issues.

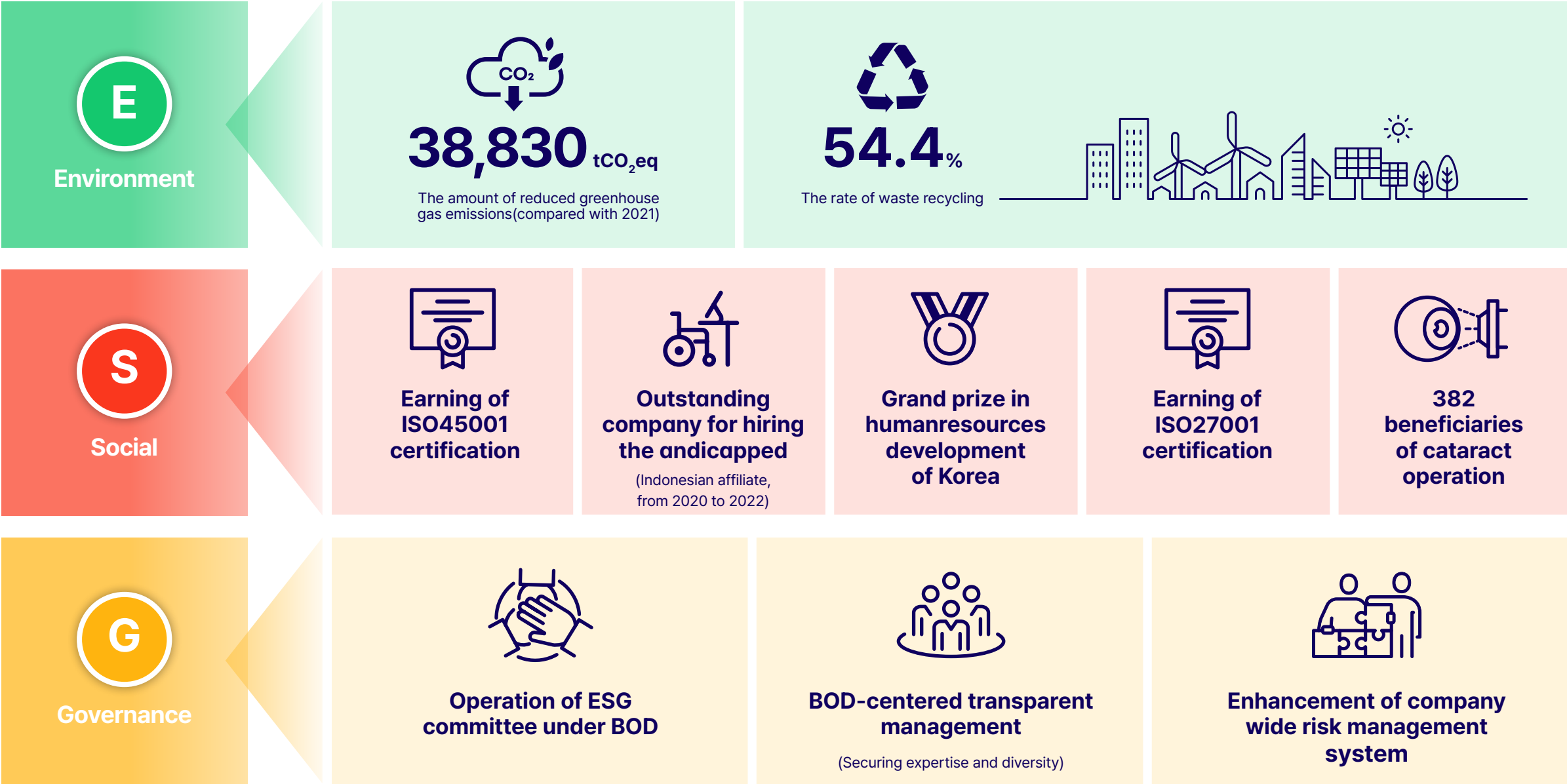
ESG management implementation system

We have established a business strategy linked to the United Nations Sustainable Development Goals (SDGs) in order to achieve the sustainable management goal of 'continuous growth through innovation and value creation.' We have selected balanced strategic tasks in the aspects of environment, social, and governance to realize the goal. This way, we promote ESG management.



ESG Management

Main Performance of ESG in 2022



Stakeholder Engagement Framework

Definition and Participation of Stakeholders

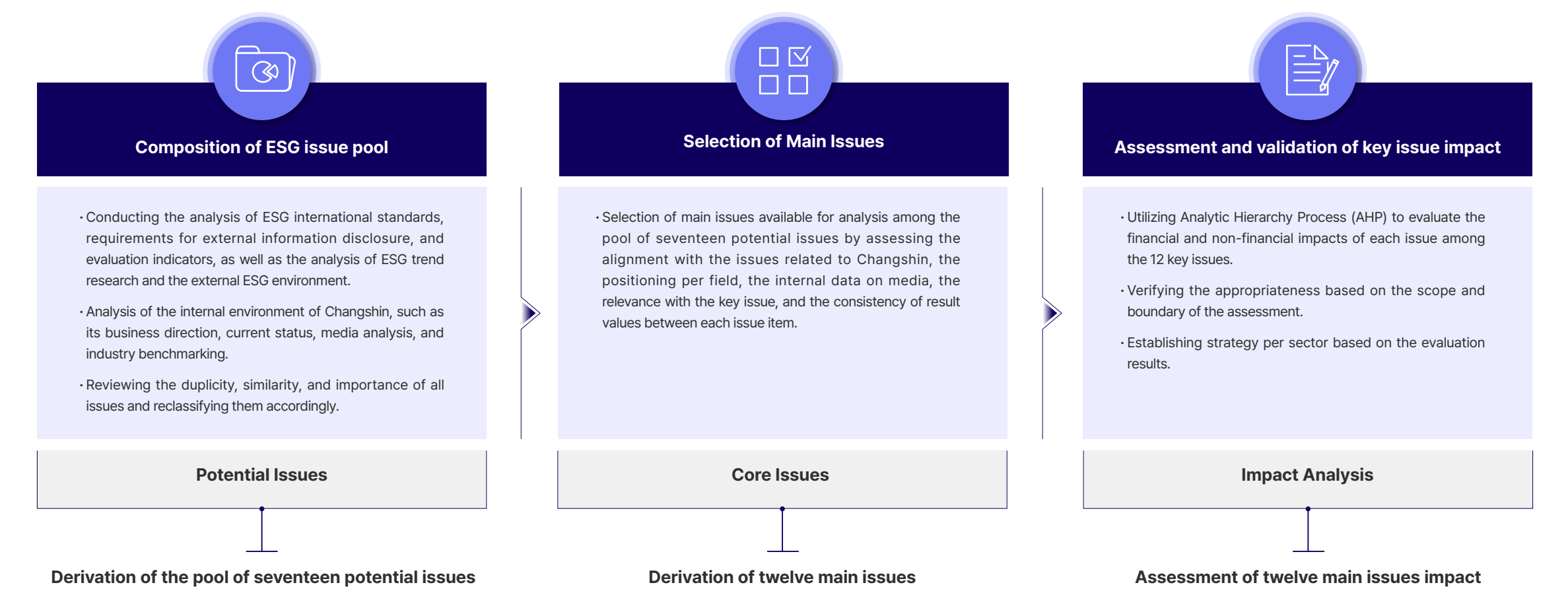
Changshin defines customers, employees, partners, government, and local communities as key stakeholders. It identifies their main interests by stakeholder group and manages their opinions and issues through communication channels. It reflects the opinions gathered through the channel to its management strategy and implementation tasks in order to ensure ongoing efforts to collaborate with stakeholders.

	Customers	Employees	Partners	Government	Local community
 Main Concern	• Product quality, period of delivery, price • Sustainability • Corporate Social Responsibility • Environment protection • Information security and personal information protection • Fair provision of information	• Even opportunity and fair performance assessment • Opportunity for growth and self-development • Safe and refreshing working environment • Ensuring employment stability • Welfare benefit program	• Fair trade and treatment • Support for ESG capability • Lively communication • Assistance to various programs for shared growth	• Compliance with laws and regulations • Creation and maintenance of employment • Establishment of safe workplace • Establishment of fair trade • Transparent payment of taxes	• Promotion of local economy • Employment stability • Minimizing the pollution of local ecosystem • Assistance to overcome Covid-19 • Community-based social contribution • Employment of the handicapped
 Main Communication Channel	• Regular meeting and e-mail • Quarterly meeting for discussing management feedback • Internal Manufacturing Index • Strategic meeting	• In-house portal • Engagement & Well-Being (EWB) • Troubleshooting channel • Joint labor-management conference • Voice of Employee (VOE) • Day of inviting employee's family	• E-mail, phone, video conference • Channel for reporting ethical management • Learning Community	• The Office of Legislation webpage • Official document • Attending meetings of relevant government departments • Government audit • Group chatting room with each government department	• Local meeting for communication and discussion
 Main Activities	• Product development meeting • Annual third-party audit • Unfolding Lean program • Audit for information security	• Cataract surgery • Flexible working schedule and support for welfare benefits • E-learning system • Joint labor-management conference for regular communication • All staff meeting • After-school class for employee's children • Beloved House Donation	• Meeting for introducing new materials • Product review • Education of Restricted Substance List (RSL) and Request for inspecting RSL • Sharing of outstanding cases	• Winning the award in environment from the minister • Winning the award for the excellent company to respond to Covid-19 • Occasional audit on environment and labor • Attending government seminars • Joint public-private council for responding to chemical accidents	• Support for building local fire station • Blood donation event • Year-end campaign for helping neighbors in need • Delivery scholarships to outstanding students • Delivery masks and protective equipment • Donation of sheep and livestock • Civil complaint solution • Protection of surrounding green area and source of water

Double Materiality Assessment

Assessment Process

Changshin has conducted double materiality assessment to identify sustainability management issues related to its business and to incorporate them into its management strategy considering their social, environmental, and financial impacts. We derived twelve key response issues through the analysis of internal and external conditions, the management strategies, and global ESG guidelines and trends. These issues have been confirmed through financial/non-financial impact assessments, review by Changshin's ESG department and management team, and expert validation. As a result, we reported them in detail through this report. Changshin will continue to transparently disclose and manage its efforts in addressing key ESG issues in the future as well.



Double Materiality Assessment

ESG Key Issue and Impact

Field	Key issue	Response	Impact		PAGE	GRI Topic
			Financial impact	Socio-environmental impact		
 Governance/ ESG management	① ESG risk management	Establishment of ESG implementation system, Analysis of main risk and planning countermeasure	H	M	70-71	Strategy
	② Enhancement of ethics/anti-corruption management	Planning the strategy for ethical management, Activities for raising the awareness of ethics and compliance	M	M	68-69	Anti-corruption
 Environment	③ Effort for cope with climate change	Effort for carbon neutrality, Management of climate change risk	H	H	31-32	Emission
	④ Usage of sustainable resources	Expansion of using sustainable raw materials and water	H	H	33-34	Raw material
	⑤ Reduction of energy usage and expansion of renewable energy	Expansion of using renewable energy	H	H	31-32	Energy
	⑥ Effort for reducing the emission of waste	Reduction of the waste and expansion of reusing waste	H	H	33-36	Waste
 Social	⑦ Safety and health management at workplace	Establishment of occupational health and safety system for the employees in factories and activities for them	M	M	49-56	Occupational health and safety
	⑧ Effort for enhancing the capabilities of employees	Establishment of the system for training employees and operation of customized training programs	L	L	40-44	Training and education
	⑨ Establishment of the policy for respecting stakeholders' human right	Establishment of the policy for stakeholders' human right management	L	M	46	Diversity and equal opportunity
	⑩ Respect for diversity and anti-discrimination	Employees' practice of DE&I in domestic and overseas offices	L	M	46-48	Anti-discrimination
	⑪ Protection of customer's health and safety	Ensuring health and safety by enhancing the product quality	M	M	58-59	Customer health and safety
	⑫ Supply chain management	Assessment and management of the impact of ethics, compulsive labor, and child labor in the supply chain	M	L	57	Supply chain management

Stakeholder Interview



Nona Hatumena
Nike Partner Responsible Director

Changshin Group is a valued supplier that continues to progress in its endeavor to support Nike in Nike's sustainability targets. Their most recent notable progress is in the space of Health and Safety where they overhauled their corporate strategy to renew their commitment and focus on health and safety – making concrete changes such as establishing HSE key performance indicator at the corporate leadership level and hiring qualified HSE experts to lead HSE programs at their Headquarters.

To accelerate its progress further, Changshin Group is encouraged to implement a holistic HRM strategy as an integral element of its overall sustainability strategy. Their ability to strategically develop, retain qualified talents, and promote diversity and inclusion to elevate talent pool potentials across the organization will propel and sustain their progress. Gender equity is an area where better and purposeful progress can be made. Lastly, I suggest that CSG should formulate its own ESG targets that are linked to its specific Life Cycle Analysis and are beyond what is given by Nike.

Stakeholder Interview

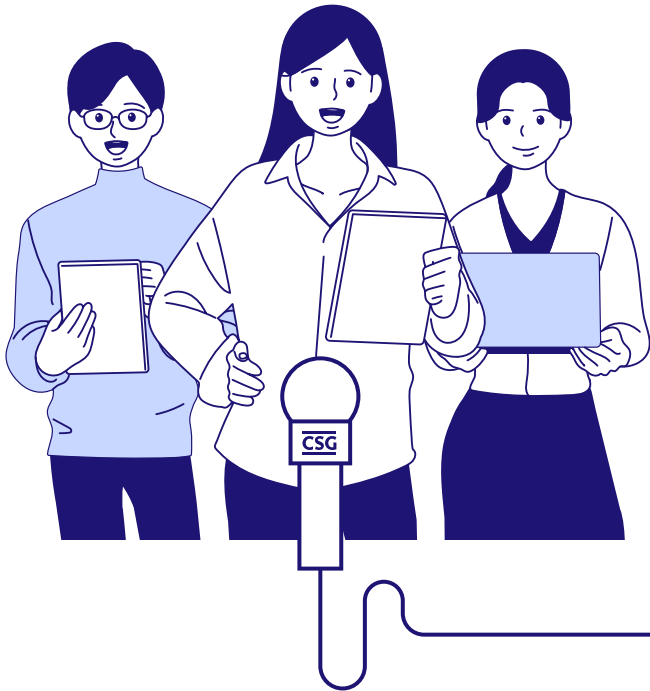


Le Thi Loi
Director of RSM team in Changshin Vietnam

Over the past 3 years of experiencing COVID-19, there have been significant challenges in implementing safety, health, and environmental strategies. Because many waste recycling companies have closed down, we had to search for suitable alternatives and managed to address the issue through multifaceted efforts. On the other hand, witnessing workers adhering to safety measures in their daily tasks, such as wearing personal protective equipment, and seeing improvements in hazardous work elements suggested through the HSE committee, gives me a sense of fulfillment.

We have achieved sustainable management through 'innovation.' Innovation is the core spirit of Changshin Group, by which the RSM team has internalized HSE operations and long-term strategies. Our Vietnam subsidiary focuses on balanced development in terms of value creation, people, environment, safety, well-being, and local community impact. Even before the popularity of the term ESG started, our Vietnam subsidiary had been building sustainable initiatives and roadmaps based on ESG platform.

The footwear industry values people above all else because it is labor-intensive. And our employees are someone's precious family members. Therefore, we will prioritize accident prevention through robust safety management, as it directly impacts people's lives. Moving forward, Changshin will continue its journey not only to establish safety culture but also to go beyond that.



Environment

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▲ RMCC(its own place for separating wastes and storing them) in Changshin Indonesia

Environment

Environment Management System

Environment management policy

We have established an environmental management policy to minimize the negative environmental impact of Changshin's business activities and actively fulfill all environmental responsibilities within the company's sphere of influence. We continuously strive to improve our environmental performance, through proactive establishment of environmental management system and detailed implementation tasks.

Changshin Environmental Management Policy

1. We minimize the environmental impact from product design to disposal stage, in order to prevent environmental pollution at its source.
2. We should minimize water, energy, and hazardous chemical usage through the application of clean production technologies, and reduce waste generation as well as air and water pollution.
3. We comply with environmental-related international agreements, regulations, internal standards, and other requirements.
4. We analyze environmental performance through regular environmental audits and consistently improve the environmental management system.
5. We provide our employees with education and training opportunities to enhance their environmental awareness and actively engage them in environmental conservation activities.
6. We make environmental-related information, including the environmental policy, available to customers and stakeholders.

Spotlight

Changshin Indonesia won national blue award from environmental ministry of Indonesia

Changshin Indonesia won the award at the environmental management evaluation (PROPER) by the Indonesian Ministry of Forestry and Environment, indicating that it has met beyond the legal standards. Changshin Indonesia has been maintaining the BLUE Grade since 2019, when it received excellent evaluations for establishing environmental management system through ISO 14001 acquisition.



Environmental management system certification

Environmental management at overseas facilities is crucial In Changshin, where 100% of shoe production takes place in overseas subsidiaries. Changshin has organized dedicated teams to manage the environment at each production factory. Moreover, three overseas production subsidiaries have obtained international certification ISO 14001 for environmental management systems. They have built their environmental management system. Since then, they have undergone the post-assessment annually and the assessment for renewal every three years.

ISO 14001 Certification Status	Factory	Certification	Period of Certification
	Changshin Vietnam	ISO 14001	2021~2024
	Changshin China	ISO 14001	2023~2026
	Changshin Indonesia	ISO 14001	2023~2026

Object of environment management

Changshin has established medium to long-term goals to monitor environmental performance until 2025. We have clearly formulated specific action plan and have been carrying out the plan in order to mitigate the potential negative impacts that may arise in relation to the company's business, such as waste, air pollutants, wastewater, and hazardous chemicals.

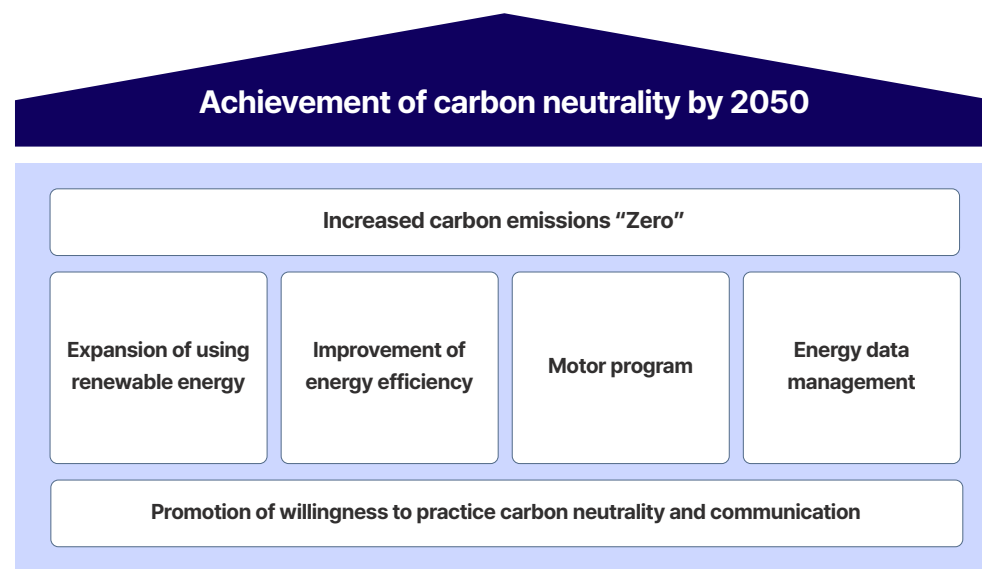
2025 Environment Management Target (at the standard of headquarter)				
The amount of waste will decrease by 6%	The amount of air pollution emission will increase by 0%	The amount of water usage will decrease by 5%	The amount of wastewater in every process will increase by 0%	The amount of harmful chemicals usage will decrease by 5%
The amount of waste in 2020	The amount of air pollution emission in 2020	The amount of water usage in 2020	The amount of wastewater in every process in 2020	The amount of harmful chemicals usage in 2020
11 kg/pair	140 kg/pair	26.9 m ³ /person	1.5 L/pair	159.7 g/pair
↓	↓	↓	↓	↓
The amount of waste in 2025	The amount of air pollution emission in 2025	The amount of water usage in 2025	The amount of wastewater in every process in 2025	The amount of harmful chemicals usage in 2025
10.34 kg/pair	140 kg/pair	25.6 m ³ /person	1.5 L/pair	151.9 g/pair

Environment

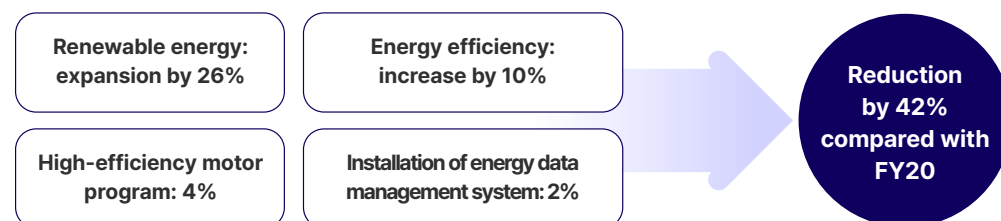
Effort for 2050 Carbon Neutrality

As the international crisis of climate change intensifies, social consensus for achieving carbon neutrality is increasing. Clients are urgently demanding efforts to respond to climate change, such as implementing Supplier Climate Action Program (SCAP) program in conjunction with Carbon Disclosure Project (CDP) for supply chain management. Changshin aims to enhance its reliability by adopting the environmental policies of the international society and clients, and by establishing its strategy for reducing greenhouse gases and energy consumption and by specifying its goal for sustainable management.

Strategy for reducing greenhouse gas emissions

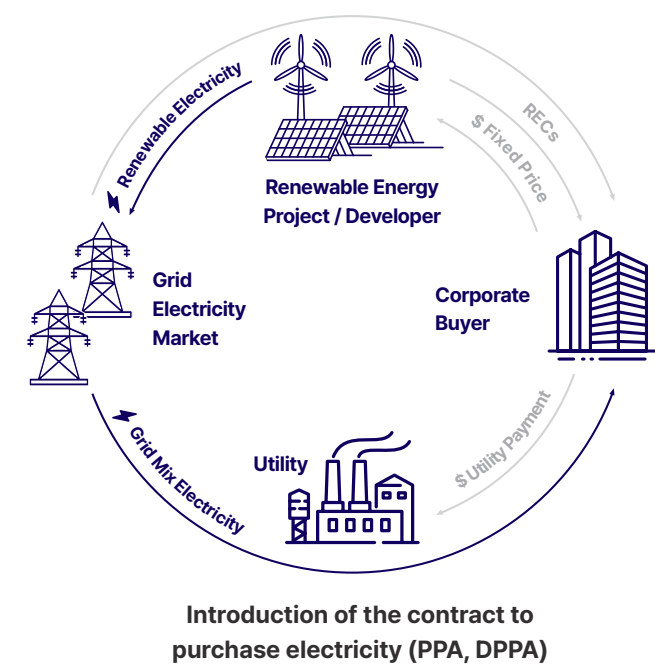


Goal to reduce greenhouse gas emissions by 2030



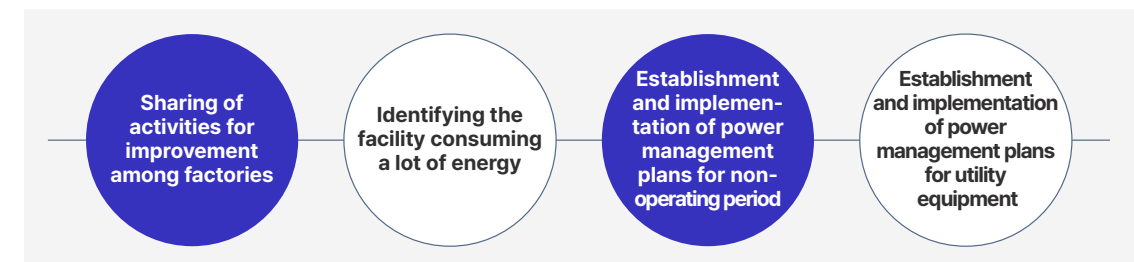
Expansion of renewable energy

Changshin aims to expand the use of renewable energy in various ways, such as installing rooftop solar PV and solar thermal systems, and introducing Power Purchase Agreements (PPA) and Direct Power Purchase Agreements (DPPA) contracts, in order to contribute to greenhouse gas reduction. Furthermore, Changshin seeks to transparently disclose emissions through CDP and participate in Supplier Climate Action Program (SCAP) of its clients to analyze greenhouse gas data management, greenhouse gas reduction plans, and risk factors related to climate change.



Improvement of energy efficiency

We intend to promote energy efficiency by discovering optimal examples of improving energy efficiency in the facility and equipment using much energy, thereby applying them to the sites and building organized energy management system.



*Utility: It refers to machinery such as boilers, chillers, and compressors.

Environment

Effort for 2050 Carbon Neutrality

Motor program

We plan to measure the optimal load of the motor and consider replacing low-capacity motors with high-efficiency IE3 motors. We also plan to change the power transmission method from belt-driven motor to direct motor in order to increase energy efficiency.

Energy data management

We are continuously enhancing the system to manage the energy used throughout the plant comprehensively and systematically by operating Factory Energy Management Systems (FEMS) and data management systems.

Spotlight

Renewable Energy Certificate (REC) purchase agreement in Indonesia

Changshin Indonesia purchased renewable energy certificates equivalent to 50% of the total corporate electricity consumption in 2022, thereby getting acknowledged for carbon emission reduction. Furthermore, starting from April 2023, we aim to expand the REC agreement to 100% and strive to become an exemplary factory for renewable energy transition and low carbon emissions.



*FEMS: Factory Energy Management System
*IE3: It is one of the globally recognized energy efficiency classes, ranging from IE1 (Standard) to IE5 (Super Premium). IE3 represents premium class.

Spotlight

No-cost project in Indonesia

We are making efforts to reduce the power consumption of specific target production equipment through energy-saving TFT activities in our Indonesian factory. We have established a total of seven energy-saving projects for each facility and we are conducting energy-saving monitoring.

Name of equipment		Name of activities
1 Injection phylon	2 Chamber	Optimization of equipment driving/control system
3 Deep well press machine	4 Hot knife	Power down for non-operating period
5 Sewing machine	6 Compressor	Working out the optimal schedule for operating equipment
7 Swing arm sewing machine		Enhancing visual management

Stakeholder Interview



Ida Nurhaida
Director of RSM team in Changshin Indonesia

In order to achieve sustainable management of the environment, Changshin Indonesia carries out various activities, such as continuous energy awareness education for casual practice, energy-saving campaigns, energy-saving improvement for energy-guzzling facilities, annual energy audits, and ISO 50001 certification. Additionally, we have recently entered into renewable energy agreement to use 100% renewable energy. The use of renewable energy has the advantage of reducing greenhouse gas emissions and minimizing the impact on environment and climate change. Through these efforts, we hope to be recognized as an eco-friendly company using renewable energy in its production processes. Going forward, we aim to engage in many activities to reduce carbon emissions. In addition, we plan to replace aging or faulty motors with high-efficiency motors rated IE3 to improve motor efficiency. In particular, our goal is to achieve energy efficiency by using motors with the capacity of 10 kW or higher. We also plan to explore how to apply biomass or compressed biogas, instead of natural gas, to boilers.

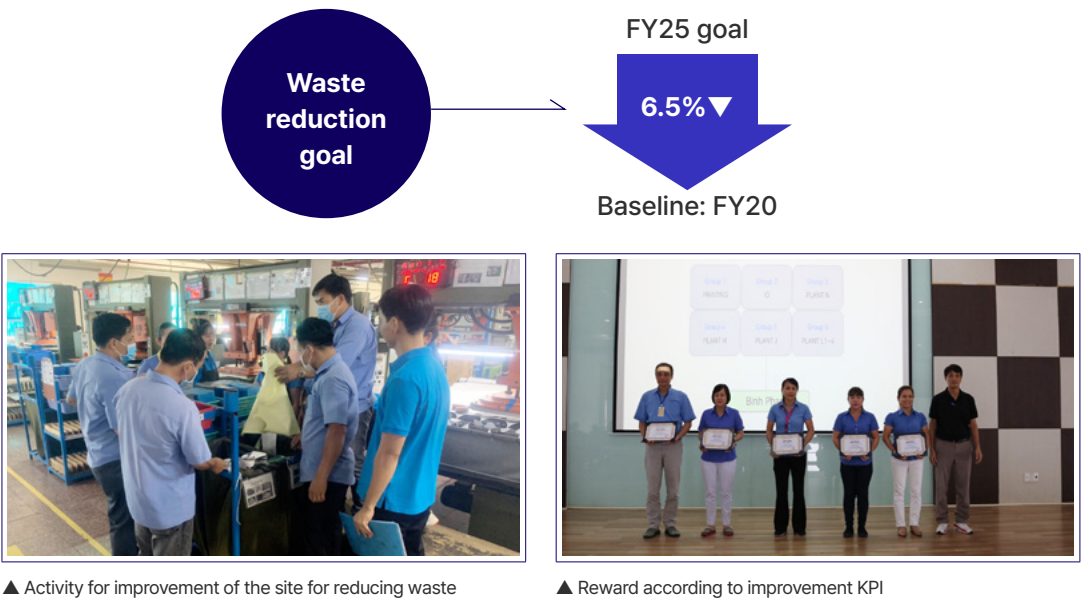
Environment

Effort to Reduce Pollutant Emissions

As regulation and corporate management requirements for the emission of pollutants have been strengthened, pollutants reduction activities are essential for companies. Accordingly, Changshin seeks to reduce waste during business and manufacturing processes and intends to increase resource circulation by reusing waste. Each year, we establish waste reduction goals and detailed implementation activities, and consistently manage the environmental impact of waste, air pollutants, wastewater, and chemicals to become an eco-friendly manufacturing facility.

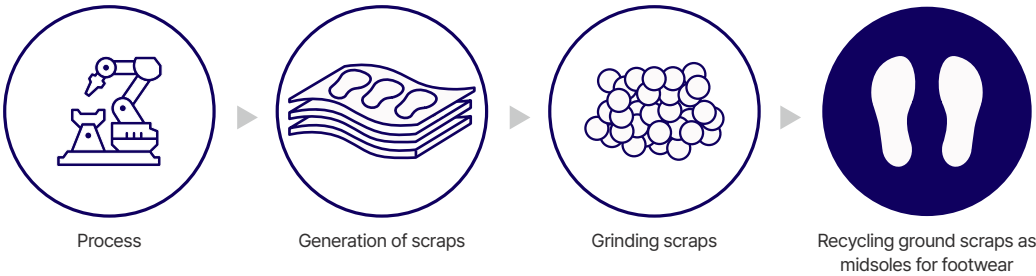
Waste reduction activities

Changshin strives to minimize the negative impact of business activities on environment through systematic waste disposal and management. We conduct analysis on the amount of waste by model and on its environmental impact to reduce the amount of waste from its occurrence. We also minimize the amount of generated waste through data management and facility maintenance. In particular, we operate Task Force Team (TFT) involving all relevant departments to find major causes of waste generation in order to continuously promote awareness and participation in waste reduction activities by various departments and employees. Furthermore, the generated waste is stored in our own waste separation storage facility, where reusable/recyclable waste is managed separately. We strictly adhere to the policies prohibiting landfill and incineration. Besides, we dispose of waste through authorized companies.

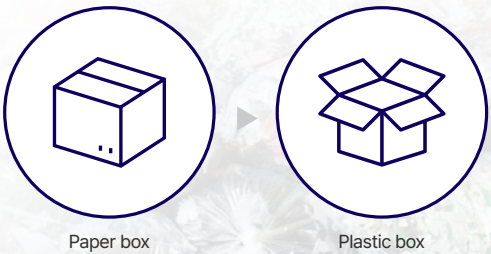


TPE2* activity for recycling waste

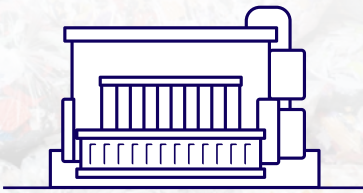
01 Grinding scraps generated after processes and recycling it as midsoles for footwear



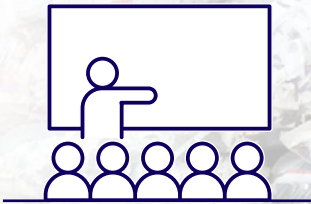
02 Replacing paper boxes with plastic boxes



03 Recyclable Material Consolidation Center (RMCC)



04 Regular education for the employee related to environment



*TPE2: Materials for midsoles for footwear

Environment

Effort to Reduce Pollutant Emissions

Activity to reduce air pollutants

Changshin minimizes the negative environmental impact of air pollutants that occur during the production process by installing and operating environmental pollution prevention facilities in accordance with environmental regulations for each country and with our internal management regulations. In particular, we continuously improve our production processes and invest in equipment for efficient air pollutant treatment, and manage pollutants by monitoring the status of their disposal. In the event of an emergency situation where pollutants exceed legal standards due to sudden equipment failure, we immediately stop discharge and report to the relevant organizations as required by law. We also systematically manage air pollutants by analyzing the cause of potential accident and developing response measures.



▲ Carbon Filter

Activity for reducing and reusing waste water

Changshin recognizes the importance of water resources on environment and society, so it is engaged in activities to reduce and reuse water. We operate our own waste water treatment plant to purify low-concentration wastewater generated during the production process and to reuse it as garden or toilet water. We also comply with national environmental regulations by maintaining our internal laboratory. In addition, we conduct verification based on the international standard ZDHC Wastewater Guideline twice a year to prevent potential environmental hazards in advance.



▲ Waste Water Treatment Plant (WWTP)

*ZDHC(Zero Discharge of Hazardous Chemicals): NGO for zero discharge of hazardous chemicals

Environment

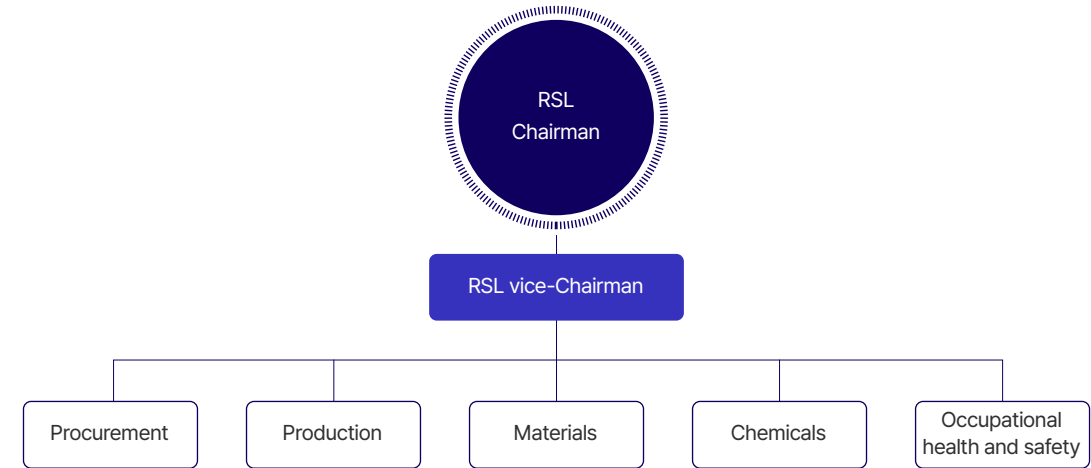
Effort to Reduce Pollutant Emissions

Effort to reduce pollutant emissions

Changshin is strengthening its chemical management system to actively manage and mitigate the risks associated with chemical substances in accordance with domestic and international regulations. In particular, we utilize Restricted Substances List (RSL) of our client to proactively prevent the use of restricted substances and establish the system for sharing information on the progress and key issues of our RSL inspections through biannual RSL committee meetings composed of production, procurement, materials, chemical, and occupational health & safety teams. We also enhance our internal capabilities through biennial RSL training held by our client. Going forward, we will continue our efforts to minimize the use of hazardous chemical substances by complying with the material information management standards that meet our client's requirements, such as exploring alternatives like water-based alternatives to hazardous chemical substances.



▲ RSL committee



Establishment of chemicals management program

Changshin Headquarter aims to reduce the usage of hazardous chemical substances by 5% through the use of eco-friendly chemical substances by 2025. To this end, we have established chemical management program for handling and managing chemicals from product procurement to disposal. As a result, we achieved our goal by reducing in 2022 more than in 2020 by 15.5%.

Confirmation of hazards and risks

We manage the storage methods and storage locations in detail according to the physical and chemical characteristics of each chemical substance. We also make thorough efforts to prevent accidents by managing exposure routes of each chemical substance, verifying symptoms according to exposure routes, and selecting sanitary protective equipment.



▲ Installation of local ventilation system and prevention facility

Exploring and sharing of best practices

We participate in the joint public-private council for responding to chemical accidents in Busan area to exchange excellent practices in the management of hazardous chemical substances. Through this activity, we share another company's case that we can apply to our company and pave the way for collaborating and interacting with administrators in this field.



▲ Joint public-private council for responding to chemical accidents

Environment

Effort to Reduce Pollutant Emissions

Assessment of environmental impact

Changshin periodically evaluates and manages compliance with regulations and other requirements. In 2022, we conducted quarterly internal compliance assessments and identified 66 issues through our own environmental patrols, so we addressed and resolved 100% of them. Additionally, we conducted 10 times of joint inspections in collaboration with local authorities and external organizations such as the Occupational Safety and Health Administration. As a result, we have met all the requirements and have been implementing strict environmental impact management.

Assessment result of compliance with the environmental law (standard of headquarter)

Relevant law	Indication	Cause of occurrence	Result of improvement
Water environment conservation act 	The film processing machine for the printing process has been installed since earlier than 2021, but the installation was reported on January 12th in 2022.	Although there is a procedure in installing new equipment that we should get the review of RSM team according to regulations, the procedure is not being followed properly because relevant procedures have not been shared.	We have posted RSM-related procedure on the in-house groupware.
	The water jet (manufacturing/preparation) showed higher levels of pollutants in each part as a result of the second half water quality analysis compared to the first half of the year.	Although the second half water quality analysis results did not exceed the legal standard, it was confirmed that the figure was higher than the first half due to the insufficient cleaning of the water tank inside the water jet.	We finished internal cleaning of the water tank.
Clean air conservation act 	The declaration made for commencement of operation on May 21, 2020 has been deleted from the declaration certificate.	The person in charge at the Saha-gu Office miswrote some contents in declaration certificate.	We installed the air emission facility and the person corrected the miswriting in declaration certificate and re-submitted the form.
	As a result of the second half self-measurement of air emission, the discharge gas flow rate (34.99m³/min) from the bag filter was lower than the design flow rate (60m³/min) → About 58.3% of the actual flow rate compared to the design flow rate.	Although we clean the bag filter dust once a week, it was confirmed that the flow rate decreases due to the dust stuck on the surface of the bag filter which cannot be completely removed.	We replaced the bag filter with new one.
Chemical substance management act 	The warning label is attached to the container or packaging of the chemical substance, but the content legally required to include is missing.	The warning labels attached to the container or packaging should be prepared and attached by the manufacturer or supplier, but due to insufficient understanding about regulations, they omitted legally required labeling content.	We requested the manufacturers to change the warning label format and they completed the modification.
Waste management act 	The dust generated from the air pollution prevention facility (filter dust collection facility) is treated with waste synthetic resin.	1) The daily amount of discharge is less than 100kg, so it is not subject to report for change. 2) We attempted to make a contract with a processing company for the dust in 2019, but the contract was refused due to the small amount of discharge.	Completion of the report for changing ourselves to the workplace discharging waste - Addition of 'dust' to waste type - Carrier : Daeho Environment - Handling company : Busan Green Power

Environment

Enhancement of Eco-friendly Awareness and Participation

Changshin is conducting eco-friendly campaigns and activities in which employees can participate to foster eco-friendly culture. We encourage employees to participate in insignificant but eco-friendly actions voluntarily and improve their awareness on eco-friendly management practices across all levels of the organization.

You Buy, We Donate

We hold events titled 'You buy, We donate', where we sell sample shoes to employees and donate the proceeds to local charities instead of simply disposing of them. We started this event in 2018 and have donated the proceeds to children's cancer foundations for two consecutive years from 2021 to 2022.



▲ Donation to Korea Leukemia Children's Foundation(2022)

Car free day

On Car-free Day, we held a public transportation campaign and an environment quiz contest for all employees except those with mobility issues. Through these events, most of our employees participated in the public transportation campaign, resulting in the reduction of approximately 7,221 kg of CO2 carbon emissions. This event helped employees to raise awareness on the environmental improvement.



▲ Operation of Car Free Day

Environment

Enhancement of Eco-friendly Awareness and Participation

Changshin tumbler day

To reduce the use of disposable products and plastic in the workplace, we encourage employees to use reusable cups. We have established partnerships with nearby cafes and have held events such as tumbler event to encourage employees to use reusable cups.



▲ Operation of Changshin tumbler day

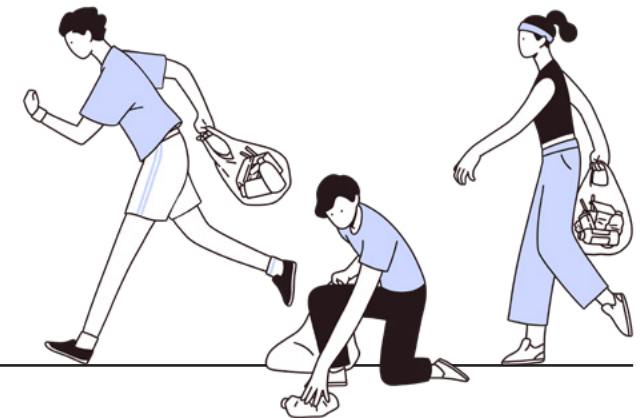
Environmental cleanup campaign of Changshin China

Changshin China conducted an environmental cleanup campaign for employees to take part in improving the water quality of Dagu River in Qingdao. Its employees are regularly picking up garbage along the river and voluntarily working to create the environment coexisting with local flora and fauna.



Tree donating event of Changshin Indonesia

Changshin Indonesia is actively responding to environmental protection activities in the local community, as well as using renewable energy to practice carbon neutrality. As part of the effort, it has been donating trees to the local community since 2019, and it donated a total of 100 trees to commemorate World Environment Day in 2023. It will continue to conduct tree donation events and tree planting campaigns in the future as well with the hope of preventing rivers from flooding due to climate change and the hope of promoting healthy growth of future generations.



Social

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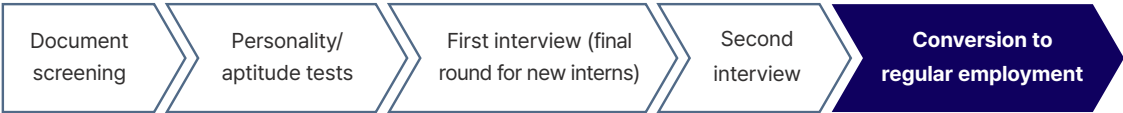
Social

Management to Respect Employees

Changshin actively selects talents who practice the core values of challenge, grit, cooperation, innovation, and mutual trust & respect based on the belief that Changshin should be the company whose employees are happy. Changshin complies with the standard regulations of client companies as well as domestic and international labor standards. We also operate a fair and transparent personnel system and develop talents continuously in order to create a working environment where employees grow together.

Fair recruitment

We follow systematic recruitment process to ensure that applicants are not subjected to unfairness and discrimination. We also operate separate online recruitment website, providing various information such as organizational culture and job description introduced by senior employees. Moreover, we help applicants to easily obtain recruitment information through the e-mail for recruitment inquiries.



Internship development program

Changshin selects intern employees under a fixed-term contract and operates on-the-job training program for a period of 3 months. We actively recruit and develop talents in this manner. Intern employees go through the final process of conversion to regular employment based on evaluations related to job competence enhancement, organizational comprehension, and adaptation.

Fair performance rewards

We strive to foster excellent talents by establishing systematic and objective personnel evaluation and reward system. Through the evaluation, we provide incentives and promotions based on individual contribution to management. We also conduct sessions for evaluators to improve their evaluation skills and capabilities.

Performance-based evaluation system

To create a performance-oriented organizational culture, we have improved our evaluation system. We conduct monthly, quarterly, and ad-hoc evaluations through individual management by objectives (MBO) and multi-dimensional evaluations in order to assess not only performance achievements but also efforts made to achieve them.

Reasonable compensation

We plan to improve our compensation system in a reasonable manner to raise wages according to the performance-based evaluation system. We also plan to gradually expand differential payments based on individual evaluation results.

*MBO(Management By Objectives): Performance management

Outstanding employment welfare company

As a company with excellent employment and welfare, Changshin has received favorable evaluations for its social responsibility, stable employment, and talent development. As a result, we have been awarded the Excellent Welfare and Employment Company award. In particular, Changshin Indonesia has won the award as an excellent company for employment of persons with disabilities for three consecutive years, being recognized as an exemplary company in caring for socially vulnerable individuals and creating social value. Changshin will continue to create a workplace where employees from diverse backgrounds can work together and grow, and make efforts to fulfill corporate social responsibilities.

Headquarter office in Korea	Changshin Vietnam	Changshin China	Changshin Indonesia
Best employment company in Busan (2019) Grand prize for human resources development in Republic of Korea	Class-2 labor medal in Vietnam(2020)	Outstanding employment management company (2021)	Excellent company award for employment of persons with disabilities

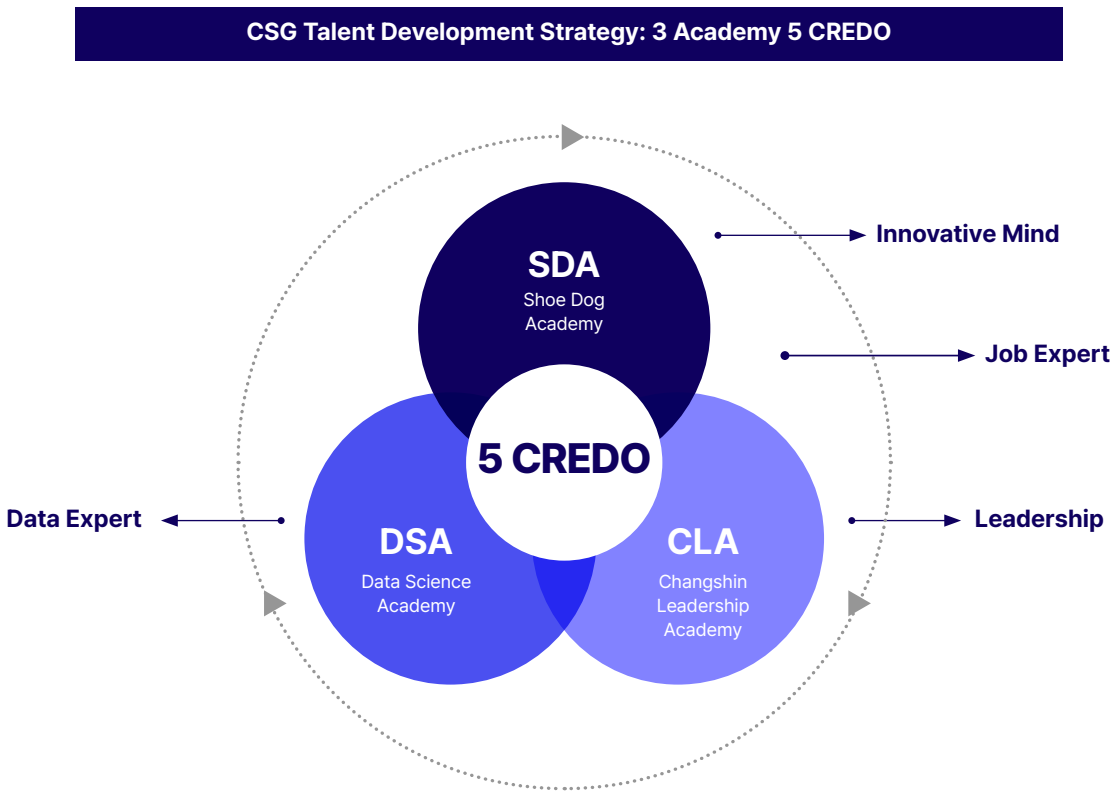
Social

Management to Respect Employees

Human resources development

Strategy for three sectors

We are fostering talent to support sustainable growth through the cultivation of job experts (SDA), DT professionals (DSA), and next-generation leaders (CLA) based on the company's core values. To provide systematic training, we have established three academies and have made great efforts to develop human resources.



Education system chart

We provide various education programs including organizational culture, job training, leadership training, digital, and common education to promote the growth and transformation of employees for organizational and personal development.

Legal education		
New executive training		
Onboarding education for new employees		
DT leadership training (for personnel assuming a position)	Data analysis professional education (basic/intermediate/advanced level)	
	Digital	
Next-generation leader cultivation	Leadership competency improvement education (for personnel assuming a position)	
	New executive training	Leadership competency education by topic (for personnel assuming no position)
	Leadership training	
External entrusted job training		
Basic shoe manufacturing education		
Basic shoe development education		
Training for developing new manufacturing personnel		Organizational culture
CSG Way Of Working		Field leader development program
Development of organizational culture FT		
Core value internalization activities		Core value education & internalization activities
Executives		Management positions
		Field positions

Social

Management to Respect Employees

Main education program

Shoe development training “Shoe Development Academy(SDA)”

1. Shoe Expert Program

As a basic program for training shoe experts, it provides 401 e-learning courses related to 13 shoe-related occupations.

2. Craftmanship Program

Classifying 9 shoe manufacturing processes into 260 categories, it provides video and manual instructions of key processes among them in order to share manufacturing know-how.

3. Shoe Making Program

In collaboration with the K-Shoes Center, we are conducting shoe making manufacturing practice courses. Through hands-on practice of process ranging from material cutting to manufacturing, participants deepen their understanding of shoe structure and manufacturing processes.



▲ Operation of Sewing Skill training

Changshin Leadership Academy (CLA)

Changshin Leadership Academy aims to cultivate leadership positions among the next generation. In common education program, participants form a management frame and acquire basic leadership competencies necessary for operating groups. As for team leaders, they engage in discussion and study on core leadership competencies and their unique roles. Group leaders and higher-level executives are trained to make correct decisions in various business situations through Master of Business Administration (MBA) education and action learning tasks, so that we can nurture them as potential managers.

Changshin Data Science Academy (DSA)

This education program aims to train Changshin data analysis experts and consists of Enabler, Tool Expert, and Data Expert stages. Enabler course focuses on internalizing basic data analysis competencies, while Tool Expert course focuses on acquiring data visualization and advanced analysis skills using data analysis tools. Data Expert course fosters data experts by analyzing data relevant to team-specific tasks (quality, cost, production, etc.) and applying it to business value and real business.

2022 Grand Award for Human Resources Development in ROK

Changshin received the grand prize at the education program category in 2022 ROK human resources development hosted by Korea HRD Association. Since 2020, we have been operating the training program for potential craftsmanship employment and dedicated ourselves to nurturing manufacturing technology workforce among the next generation.



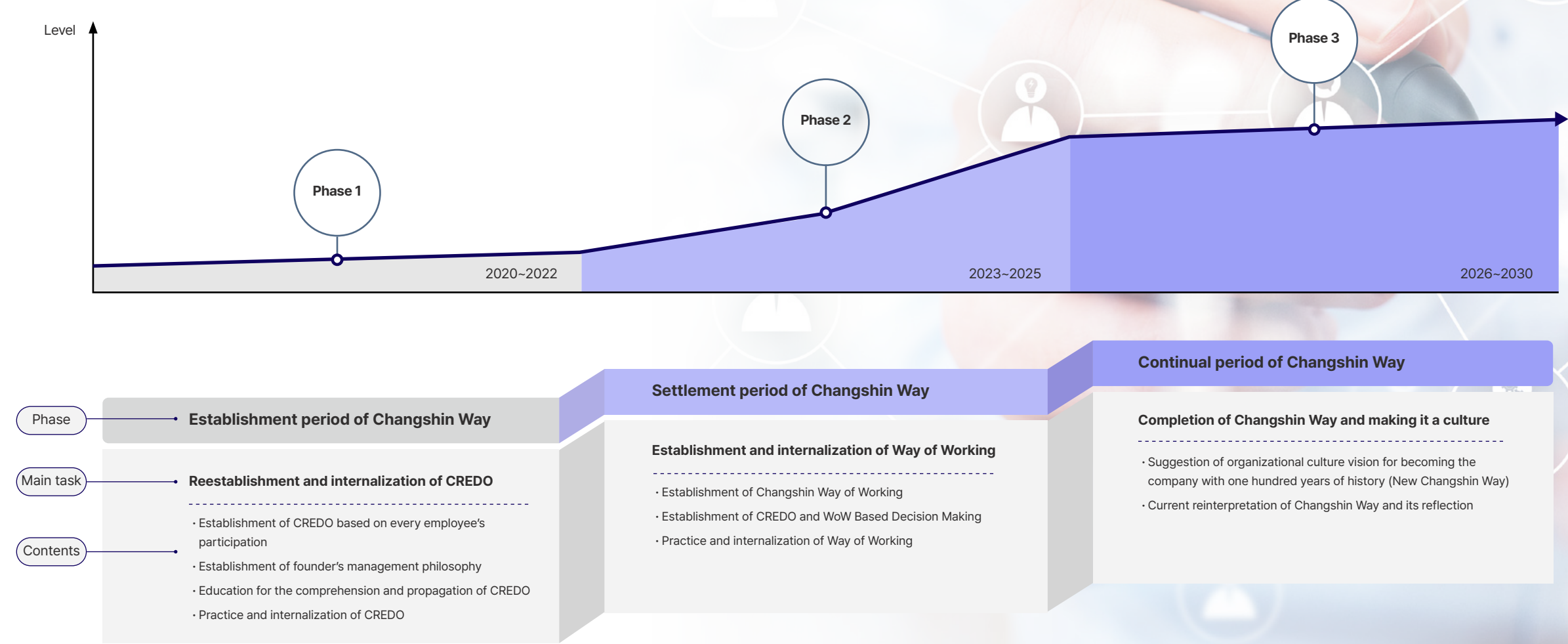
Social

Management to Respect Employees

Open organizational culture

It is important for organizational culture to connect people, organizations, environment and culture. In order to operate the organization based on the organizational culture where members can voluntarily participate in management or work and they can be immersed in the organization, we have established medium to long-term roadmap of Changshin Way. We are making efforts to systematically convey Changshin's values and organizational culture orientation to members through the development and operation of various organizational culture improvement programs. We intend to internalize a culture of open communication and collaboration among organizations through this effort.

Medium to long-term roadmap of Changshin Way



Social

Management to Respect Employees

Onboarding program

Changshin operates an onboarding program to help all new employees adapt smoothly.

Onboarding program

The onboarding program is designed to enhance trust and committed relationship throughout the process of acclimating new employees to the organization before they start working. This program has four stages: welcome day, orientation, caring, and networking. These four stages include basic company education and core job training, as well as matching each new employee with a buddy on a one-to-one basis to support their integration into the organization.

Can meeting program

To foster a sense of belonging among new employees, Changshin operates a networking program called Can Meeting. This program is designed to meet the needs of new employees who expressed the desire for more interaction with their peers as a feedback after finishing this program. This program consists of participatory activities such as team building and curriculum of sharing concerns.



*Buddy: An encourager, supporter, and listener who has worked at Changshin for at least one year to assist new employees

Organizational culture program

Changshin is creating a harmonious and respectful work environment where members of the organization communicate harmoniously by conducting various organizational culture events to internalize its core values.

Changshin CREDO hashtag contest exhibit, Changshin-likeness

To internalize Changshin's CREDO core values, we held Changshin Hashtag contest exhibit targeting all employees. The contest exhibit used a hashtag that can make it easy to explain the meaning of our core values. A total of 75 entries were submitted, and eight works among them were awarded prizes. This method encouraged employee to participate in this contest and created a positive atmosphere of organizational culture.



▲ Changshin CREDO Hashtag Contest Exhibit, Changshin-likeness

Changshin OSS (One Success Story) contest

We held the contest allowing employees to excavate stories that can have a positive impact on the organization in order to let them challenge for their own growth. Over the course of a year, employees reflected on their achievements and presented significant success stories including their plans for the following year. Outstanding stories were awarded so as to create a stepping stone for employees to achieve new growth.



▲ Changshin OSS(One Success Story)

Training program for Changshin facilitators

To manage organizational change, we offer a training program for professional facilitators, focusing on how to develop the capability for conflict resolution, problem-solving, community development, genuine participation, and acceptance of other opinions.

Social

Management to Respect Employees

Creating a work-life balance culture

Welfare benefits for employees

We provide various welfare benefits to create a healthy and happy workplace environment where employees can demonstrate their capabilities.

	Financial Support	To support the work-life balance of employees, we provide assistance for transportation expenses, vacation expenses, cash gifts, holiday gifts, childcare support, and educational expenses.
	Educational Support	We provide support for the tuition and educational expenses of employees' children.
	Medical Support	To support the health of employees, we provide medical check-ups and medical expense support.
	Women's Welfare	To create a stable working environment for female employees, we offer them pregnancy/childbirth gifts, maternity leave, and childcare leave.
	Leisure Activities	To help employees create a healthy lifestyle outside of work, we provide benefits such as refreshment leave, short pants days, discounts at client company stores, discount coupons for Converse, and cafeteria welfare system.
	Global Opportunities	Any employees who meet certain qualifications are given opportunities for overseas assignments and for training at client headquarters. We also offer programs in collaboration with EF (a global language education institution) to enhance global competencies like language proficiency.
	Health Management	To promote physical and mental well-being, we operate in-house fitness programs and sports programs that utilize our company's sports facilities.

Collaborative labor-management culture

Changshin guarantees freedom of labor union activities, aiming for its sound business development, and operates a labor-management council consisting of four representatives each for workers and management. As of the end of 2022, 64,790 persons (93% of all employees including headquarters and three overseas subsidiaries) are members of the union. Based on labor laws in each country, we negotiate wages and sign collective agreements. Besides, through quarterly labor-management committee, we share management status and cooperate with each other to improve working conditions and resolve other grievances of employees. In addition, we conduct labor-management reconciliation activities such as sports competitions and events for harmony every year for collaborative labor-management culture.

Main status of labor-management communication

1 st quarter	• Case of signing a collective insurance • Case of recommending an annual leave during holidays interspersed with workdays
2 nd quarter	• Case of improving the toilet environment • Case of opening the office for health promotion
3 rd quarter	• Event of selling and donating shoes samples • Case of giving a present for founding anniversary
4 th quarter	• Case of suspending the operation of in-house fitness center • Case of operating Lean foundation school for field workers



▲ Labor-management committee meeting

Social

Respect for Human Rights

Changshin is a multinational global company with bases in Vietnam, China, and Indonesia. It is committed to practicing various human rights management activities to establish a culture of global-level human rights respect. We prohibit any discrimination based on gender, disability, race, religion, and nationality. Instead, we are building a culture of mutual respect. We comply with all labor principles ratified by countries and recommended by the International Labor Organization and we prohibit forced labor and child labor.

Human rights management policy

To prevent human rights violations in business operations and implement human rights management, Changshin has established the Changshin Code of Conduct, which includes eight principles of human rights that all Changshin employees must comply with. We provide minimum standards among the Changshin Code of Conduct to be observed by the Changshin headquarters and overseas subsidiaries. We also recommend that all stakeholders in business relationships comply with the Code of Conduct.

Eight human rights principles in Changshin Code of Conduct

1

Employment is voluntary

2

Minimum working age is 16

3

Harassment and abuse are not tolerated

4

Working hours are not excessive

5

Freedom of association and collective bargaining are respected

6

Changshin does not discriminate

7

Compensation and benefits are paid on time

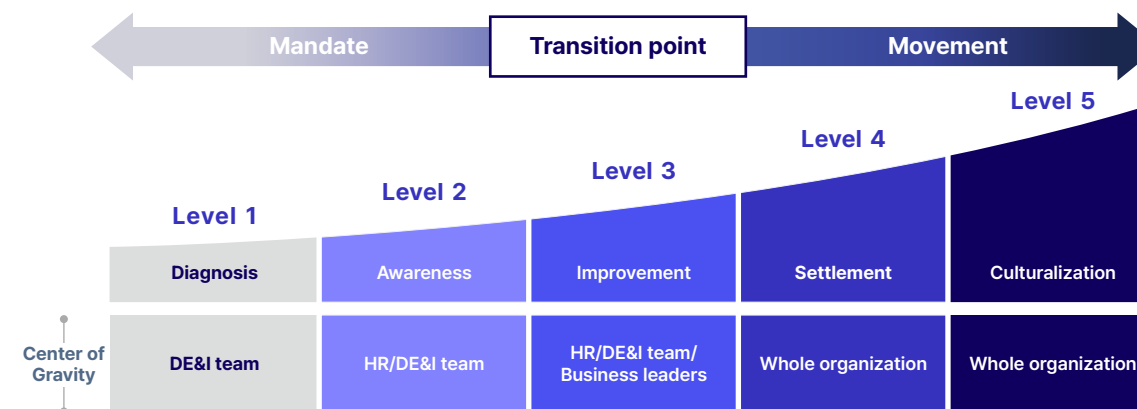
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Regular employment is provided

Diversity, equity, and inclusion (DE&I) practices

Changshin's DE&I aims to create a culture of mutual respect within the organization by recognizing the diversity of its members, treating them equally, and protecting them from bias and discrimination. DE&I maturity is classified into five levels, and we plan to gradually improve the maturity through employee education and internalization.

Medium to long-term roadmap of DE&I

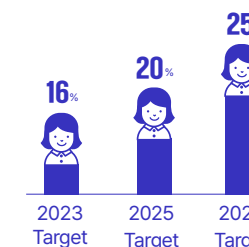


DE&I education

Changshin develops educational materials targeting different groups (management, employees) and publishes newsletters to enhance awareness of DE&I and enable employees to build an organizational culture that embraces diversity, equity, and inclusion.

Women's leadership development

Changshin consistently expands efforts to foster women's leadership by providing various perspectives and opportunities within the organization. We will continue to enhance educational and institutional support for women.



▲ DE&I Letter

Social

Respect for Human Rights

Diversity and inclusion expansion

Changshin is making efforts to establish the organizational culture that respects the diversity of its employees. We have explicitly stated in our employment rules and Changshin Code of Conduct that we should not make any unjust discrimination in employment-related matters such as hiring, promotion, education, wages, and welfare based on gender, race, religion, age, disability, sexual orientation, pregnancy, marital status, nationality, political views, union membership, social status, ethnic origin, or any social qualifications protected by local laws. Based on this, we have identified the expansion of diversity and inclusion among employees as our medium to long-term human rights task and we are implementing various programs.

Promotion of employment opportunities for employees with disabilities

Changshin does not unfairly discriminate against applicants based on their disability status or other factors during the selection process. We operate special programs designed specifically for employees with disabilities to boost morale and enhance job skills.

Inspiration line

'Inspiration Line' is a special production line designed to increase the morale and adaptability of employees with disabilities. As a significant portion of the production line is composed of hearing-impaired individuals, the team leader of the line uses sign language for communication with the employees. Additionally, we installed special lamps to signal emergencies, thereby breaking down communication barriers.

Spotlight

Changshin China holds commemorative event for International day of persons with disabilities

Changshin China holds a commemorative event annually in celebration of the International Day of Persons with Disabilities. The purpose of this event is to create and spread the working environment where disabled and non-disabled employees can respect each other as part of a disability awareness improvement campaign. Changshin plans to spread its culture of mutual respect and culture of diversity and inclusiveness through various activities every year.



Changshin Indonesia won outstanding company award for the employment of persons with disabilities

Changshin Indonesia was selected as an outstanding company good at the employment of persons with disabilities in 2022 and won the West Java Governor's Award. Currently, Changshin Indonesia employs about 1% of its total workforce as disabled people, and Changshin Reksha Jaya operates "Inspiration Line," a special production line for disabled employees.



Changshin Indonesia won the award as an outstanding women-friendly company

In November 2021, Changshin Indonesia was selected as an outstanding women-friendly company and won the award by Indonesian Minister of Health and by West Java Provincial Government. This award recognized its efforts to create the working environment where female employees can work in safe and good physical condition, including operating an in-house clinic and nursing room, a health management program for pregnant employees, a women's fitness program, and developing a women's health program in collaboration with the Karawang government. Changshin Indonesia has operated a specific program to protect pregnant employees with weakened immune systems during the COVID-19 pandemic. Moreover, it will continue to work towards becoming a women-friendly company by providing various programs for female employees.

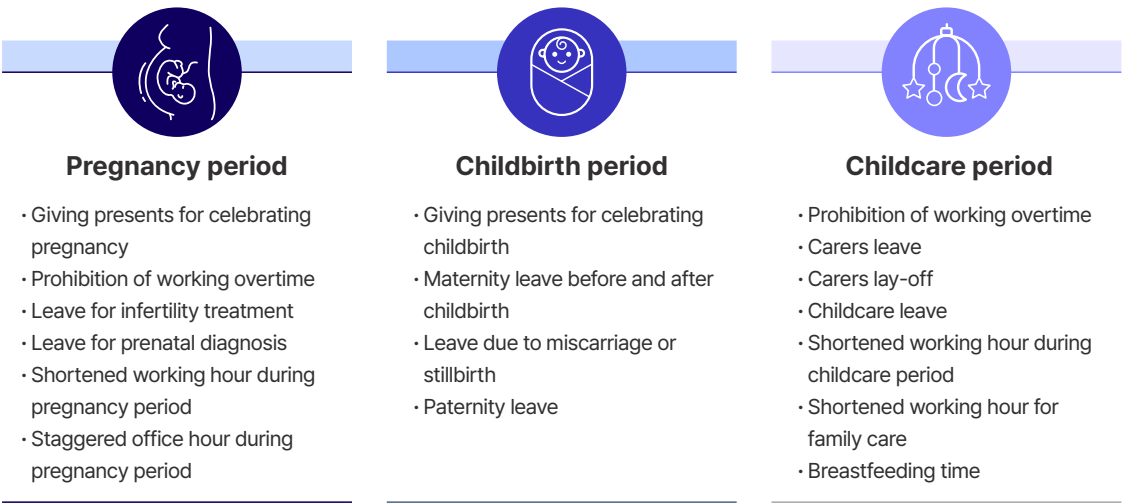


Social

Respect for Human Rights

Activation of maternity protection system

Changshin is creating a work environment where work and family can coexist through the expansion of in-house maternity facilities and the activation of maternity protection systems. We operate an on-site lactation room as a resting area for pregnant women and female members within one year after childbirth. We have also established a pink zone within the parking lot to alleviate parking inconveniences for pregnant employees. Furthermore, we strive to create a happier workplace by implementing various welfare systems such as flexible working hours and maternity protection policies.



Spotlight

Changshin China held the event of inviting employees' children.

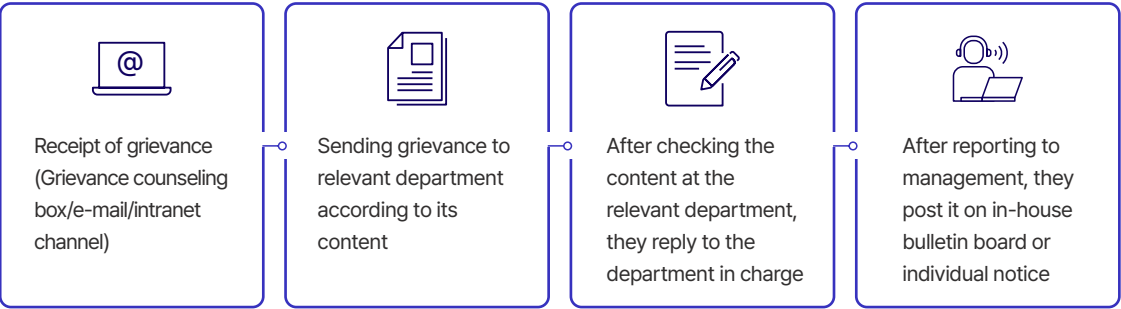
Changshin China holds an annual event called 'Changshin Family Day' of inviting employees' children every August. The purpose of the event is to enhance family bonds and boost the sense of belonging and morale among employees. The event consists of company tours, cultural performances, and award ceremonies.



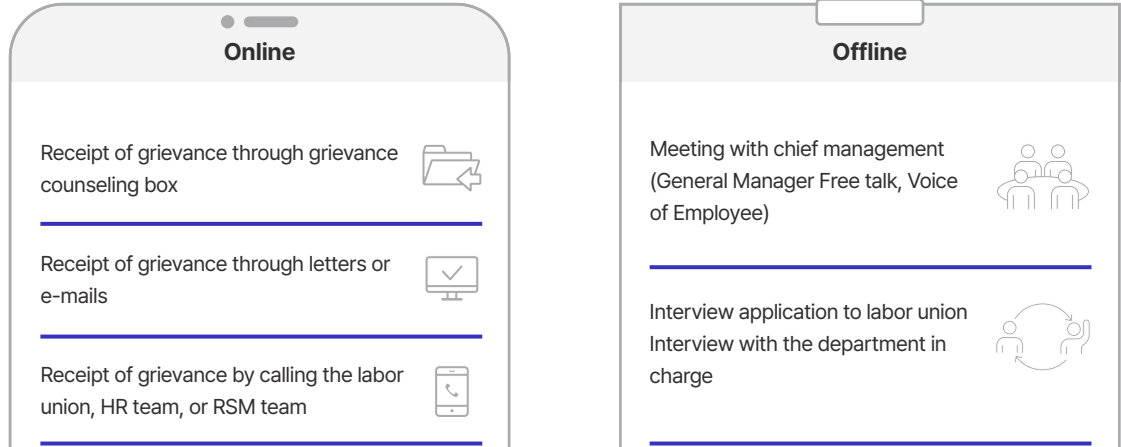
Grievance handling system

Changshin operates various communication channels where employees can report unfair acts or grievances that occur during work. Complaints related to human rights violations are promptly addressed and followed up with appropriate actions and responses, although the processing time may vary depending on the case. We systematically monitor and address any infringements on the rights of our employees through online and offline grievance handling processes.

Grievance handling process



Communication channel



Social

Health and Safety Management

Changshin puts safety as its top priority under the safety and health management vision of "All incidents and injuries can be prevented." To achieve this, we focus on proactive safety management, establishing a safety culture, and making every effort to prevent major industrial accidents. Furthermore, we strengthen safety leadership of the management, establish a solid safety and health management system, and enhance on-site safety management through risk assessments.

Occupational health and safety management policy

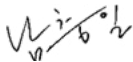


Occupational Health and Safety Management Policy

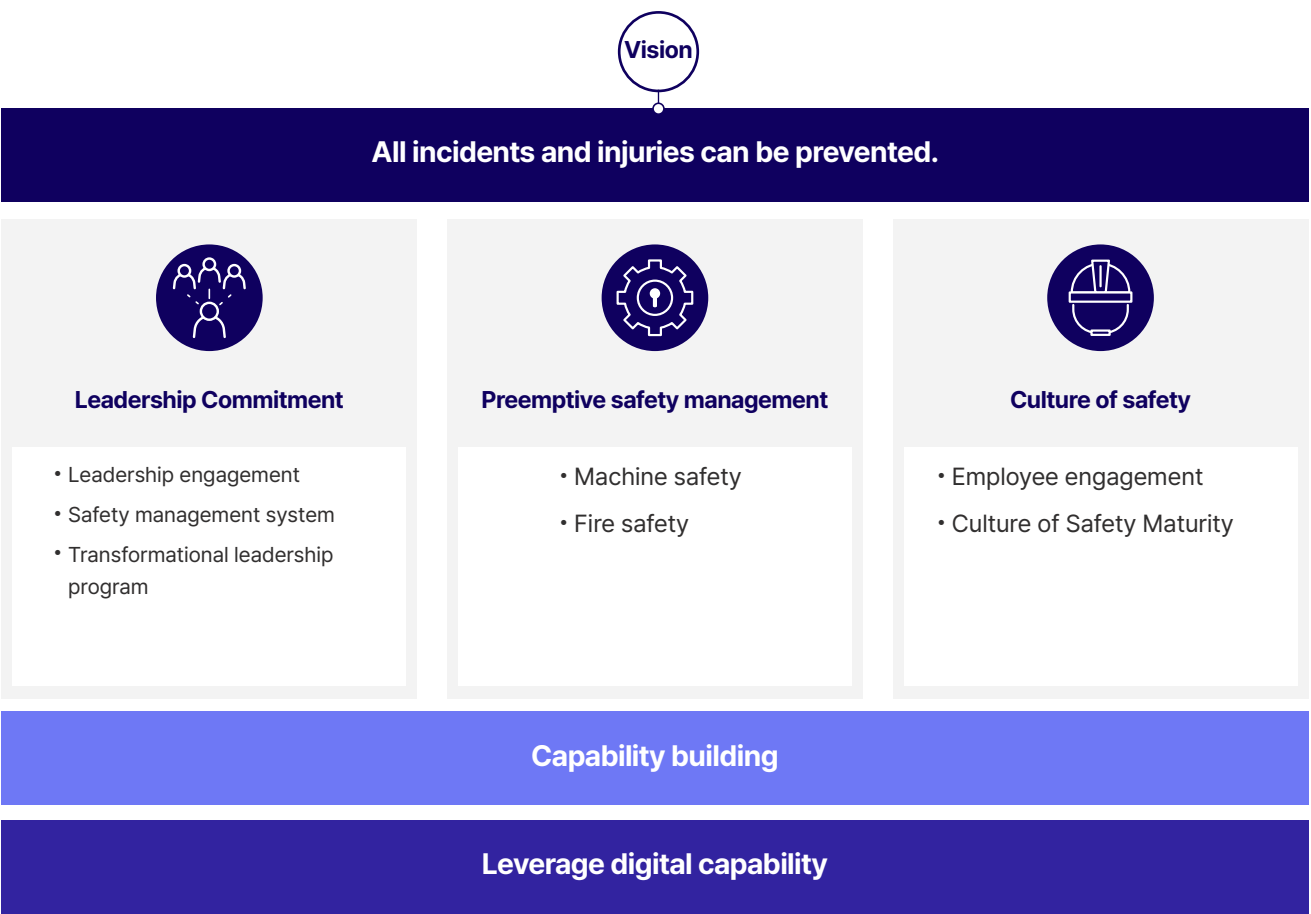
Based on the management philosophy of respecting human, Changshin Inc. considers occupational health and safety, and the environment as fundamental elements of its management. We strive to prevent work-related injuries and health hazards, and aim for a safe, healthy, disease-free, accident-free, and pollution-free environment. In order to achieve this, we have established the following occupational health and safety policy:

- By setting goals and promoting them, we create a corporate atmosphere where all employees understand and voluntarily participate.
- We continuously reduce the impact on occupational health and safety by analyzing the influence on all stages of product design, procurement, manufacturing, and delivery, and establishing improvement measures.
- We evaluate activities related to occupational health and safety, thereby providing support in terms of developing and implementing measures to ensure that major risks and impacts are at an acceptable level.
- We actively comply with domestic and international regulations related to occupational health and safety, as well as the standards and requirements of the company and stakeholders.
- Through the efforts of employees, including partner companies, we conduct education and training to facilitate the efficient system development.
- We conduct periodic audits of occupational health and safety activities and we continuously improve the system through corrective actions.

January 3rd, CEO,
CEO, Changshin Inc.
Choongil Nam



Strategy for implementing occupational health and safety management

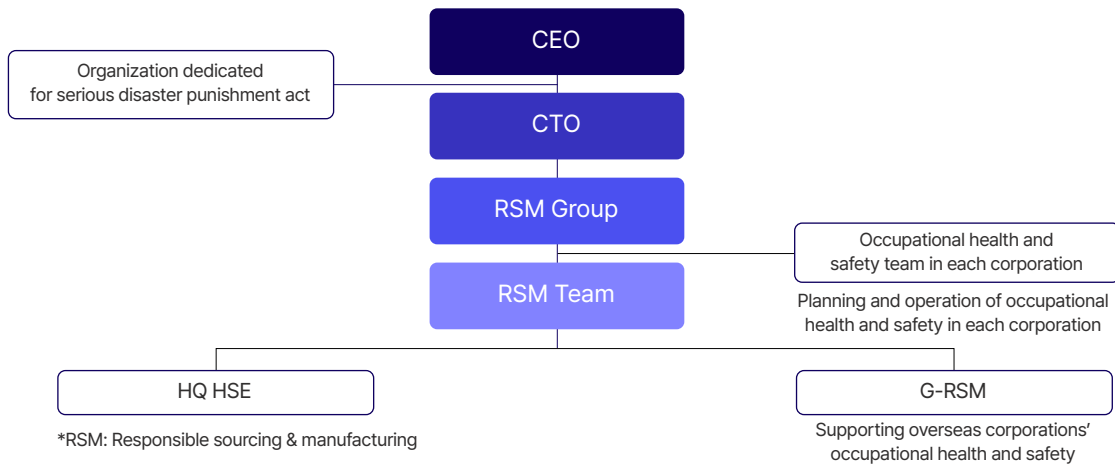


Social

Health and Safety Management

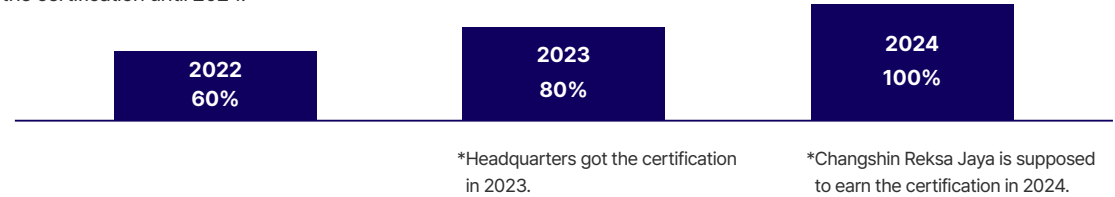
The organizational chart for occupational health and safety

The organization in charge of occupational health and safety is composed of the RSM group under the headquarters and is responsible for establishing occupational health and safety policies and overseeing domestic safety management. It is composed of a domestic team that oversees domestic safety management and supports the safety work of overseas corporations, an overseas team, and a dedicated team for severe disaster and punishment laws. In addition, we are making efforts to establish a occupational health and safety team for each corporation to practice safety management at the workplace. Every year, we hold a summit between occupational health and safety personnel from the headquarters and overseas corporations to establish annual group safety strategies and long-term plans. Furthermore, we have established an industrial occupational health and safety committee composed of labor and management in equal numbers to create a participatory safety culture by deliberating and deciding on policy and major issues related to occupational health and safety.



Status of ISO 45001 certification(as of July 2023)

Four among five corporations have earned ISO 45001 certification as of July 2023, and the other one is supposed to earn the certification until 2024.



Occupational health and safety performance

Risk management in occupational health and safety

We identify harmful and hazardous factors that may occur in the workplace, assess the level of risk and the form of damage, and conduct risk assessments. Based on the results of the risk assessment, we establish risk management measures such as removing or replacing hazardous and risky factors. Besides, we implement the measures while monitoring to ensure that improvements are effectively implemented, thereby enhancing safety management in workplace.

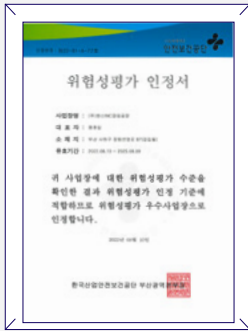
Risk assessment process



Spotlight

Jangrim factory selected as excellent workplace in 2022 risk assessment

Jangrim Factory has been selected as an excellent workplace in 2022 risk assessment conducted by the Occupational Health and Safety Agency. The certification of an excellent workplace in risk assessment is conducted through the agency's evaluation of the factory's own risk assessment and on-site inspections. The selected excellent workplaces are eligible for benefits such as reduced workers' compensation insurance premiums. Jangrim Factory will continue to diligently conduct risk assessments to identify harmful and hazardous factors in the workplace and make efforts to reduce injuries and illnesses.



Social

Health and Safety Management

Leadership commitment

Declaration of occupational health and safety management

Following the announcement of the Occupational Health and Safety Management Policy in January 2022, Changshin issued CEO Letter on Occupational Health and Safety Management in December 2022, firmly expressing its commitment to leadership in Occupational Health and Safety. In May 2023, at all staff meeting attended by headquarters and overseas branch employees, the CEO announced the declaration of Occupational Health and Safety, promising to establish a safe culture by starting with leadership and leading by example.

Occupational Health and Safety Management Declaration

Changshin regards occupational health and safety of employees as the top priority value of the company and will make occupational health and safety management the foundation of organizational operations. We will do our best to establish a safety management system so that all employees can work in a safe and pleasant environment.



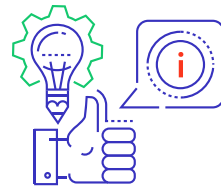
First, Leadership Commitment

We will actively find out the company-wide occupational health and safety tasks and strive to strengthen occupational health and safety management system through disruptive innovation strategies.



Second, Preemptive Safety Management

We will regularly inspect the company's safety network, enhance safety management capabilities, and create a disaster-free and happy workplace through prevention-oriented safety management.

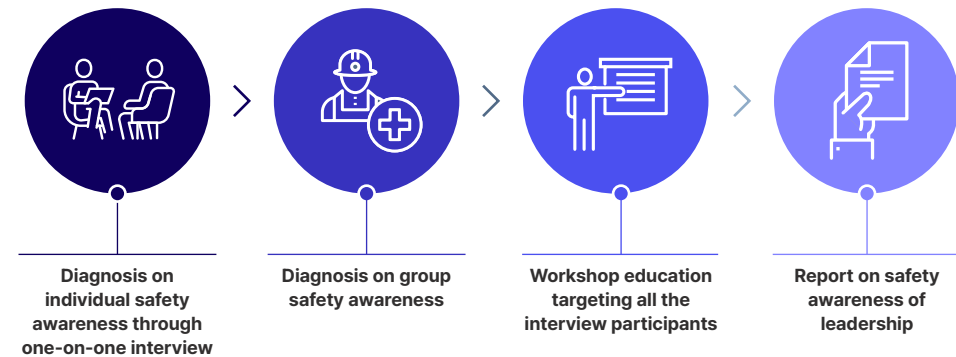


Third, Culture of Safety

We will ensure that a robust safety culture, where safety is never compromised, permeates everyone's way of working.

Transformational leadership program

With the belief that a safe working environment begins with the attention and determination of leadership, Changshin participated in the Leadership Safety Program by the Institution of Occupational Safety and Health (IOSH) in the UK to establish a responsible safety culture. A total of 13 management members from headquarters and overseas branches participated in the program to get the diagnosis on the safety consciousness of leadership through interviews. Over the period of approximately three weeks, they underwent safety education and workshops for four hours each week to establish Changshin's safety culture.



▲ Declaration of Occupational Health and Safety Management by CEO

Social

Health and Safety Management

Preemptive safety management

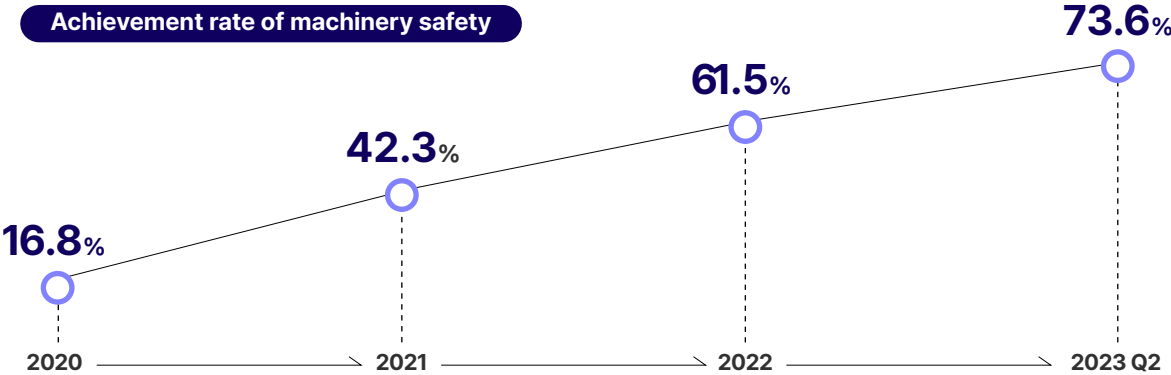
Machine safety

Since 2020, Changshin has been preventing accidents caused by unsafe machines in the workplace through the Machine Safety Project. Since 2019, we have conducted risk assessments to manage the level of risk associated with machines, and we are currently conducting a five-stage validation project for machines classified as medium to high risk, which includes third-party risk assessments and safety modification activities. As a result, as of the second quarter of 2023, we have completed safety validation activities for 73.6% of all medium to high-risk machines in our possession. We plan to complete validation activities for 100% of machines by 2025.

Five stage of verifying safety machines



Achievement rate of machinery safety



Spotlight

Operation of the Machine Safety Committee in Changshin Indonesia

Changshin Indonesia has established a Task Force Team(TFT) composed of internal machine safety experts, maintenance team, Total Productive Maintenance(TPM) team, and production team. The Machine Safety Committee is held every other week to prioritize machines with high accident frequency and conduct machine risk assessments. Based on the assessment results, we carry out safety retrofit activities.

Leverage digital capability

Establishment of Preventive Maintenance (PM) inspection system for Changshin Vietnam

Changshin Vietnam has established its own Preventive Maintenance (PM) system to strengthen preventive maintenance activities. Firstly, we analyze the machines that require preventive maintenance and set up weekly schedules in the CMMS* system. We manage the inspection process by scanning the barcodes attached to the machines to ensure that all machines are inspected without any omissions.



*CMMS: Computerized Maintenance Management System

Social

Health and Safety Management

Preemptive safety management

Fire safety

Changshin recognizes the risk of fire as a safety concern and has been conducting third-party fire risk assessments starting from 2022, beginning from Changshin Vietnam, to minimize the occurrence of fire accidents. Changshin plans to conduct third-party fire risk assessments for all overseas corporations by 2024. Based on the risk assessment, we will gradually install automatic fire fighting system in high-risk areas. Additionally, we will establish our own fire safety checklist to diagnose and visually manage each corporation.



Spotlight

Establishment of In-house fire station at Changshin Reksha Jaya

Due to the nature of the footwear manufacturing industry, where many employees gather and work together in the workshop, we need to make efforts to prevent fire accidents. Changshin Reksha Jaya has established in-house fire department in collaboration with the Garut district government and fire department. We have created the environment where we can respond promptly in the event of a fire accident."



Leverage digital capability

IoT transformer monitoring system in Changshin Indonesia

Changshin Indonesia has established IoT-based transformer monitoring system for fire prevention. To simplify the previous fire inspection activities that required carrying thermal cameras, we have installed thermal cameras on all transformers installed within Changshin Indonesia. We have assigned an IP address to each camera in order to continuously monitor the temperature status of each transformer so as to actively engage in fire prevention activities.

Social

Health and Safety Management

Culture of safety

Safety education

Changshin conducts various safety education programs to enhance employees’ safety awareness and strengthen safety response capabilities. These programs include regular occupational health and safety education, safety education for new hires, safety education for management supervisors, and training for first-aiders.

Title of education	Trainee	Education hours
Education for new hires	New hires	8 hours and beyond in case of new hires
Regular occupational health and safety education	Office worker	3 hours and beyond every quarter 6 hours and beyond every quarter
	Non-office worker	
	Management supervisor	16 hours and beyond every year
Education in case of work change	Workers to transfer to another department	2 hours and beyond before work change
Job capability education	Occupational health and safety manager	Up to 4 nights and 5 days
Education for risk assessment	Management supervisor	Annually
Education for training first-aiders	Employees, in-house first-aiders	1 day
Cardiopulmonary Resuscitation (CPR) education	Employees	4 hours

Emergency response training

In the event of emergencies such as fires or injuries during work, we carry out activities to prevent accidents through response and evacuation training. Training sessions include firefighting and evacuation drills for incidents such as flammable material fires, hazardous chemical spills, and building fires. After each training session, we use the checklist to identify areas for improvement and ensure preparation for accident response.



▲ Evacuation drill in emergency

▲ Training to respond to hazardous chemical spills

Enhancement of occupational health and safety communication

Changshin establishes and operates occupational health and safety committee, HSE committee, and subcontractor meetings to formulate occupational health and safety policies and enhance communication with the field for creating a safe industrial environment.



▲ Operation of occupational health and safety committee

Committee	Composition	Main agenda
Occupational health and safety committee	Person in charge of occupational health and safety, Supervisor in charge of occupational health and safety, Labor-management committee	- Revision of occupational health and safety management regulations - Expansion of management supervisors - Diagnosis on safety of buildings, All-out inspection on old facilities
HSE committee	Occupational health and safety committee	- Revision of occupational health and safety SOP related to the code leadership standard - Implementation of joint inspection and field improvement - Award on near-miss accident and suggestion and selection of excellent team
Meeting with partner companies	General manager of occupational health and safety, manager of occupational health and safety, CEO(or a representative) of each company	- Support of cold-resistant goods during winter - Support to implement regular occupational health and safety education - Support to assess risk in each process - Guide of evacuation in emergency and selection of the place

Social

Health and Safety Management

The promotion of employees' occupational health

Through the installation of in-house clinic, Changshin has operated various programs such as employee health counseling and health campaigns in which employees directly participate, thereby creating a safe working environment and improving the level of employees' health management.

Activation of health promotion activities

In August 2022, Changshin newly opened in-house clinic to activate employees' health promotion activities. The clinic conducts health counseling activities based on health examination results. Besides, it operates occupational health education, smoking clinics, and health dream programs to train emergency treatment activities for injuries that occur during work, as well as to prevent occupational diseases such as cerebrovascular diseases.



▲ Opening of in-house clinic

Health walking challenge

To prevent and manage cerebrovascular diseases among employees, Changshin operated a health walking challenge program that enables employees to practice proper walking habits. We carried out the program on a reward basis, where participants who achieved their monthly walking goals received prizes. As a result, all participants achieved their walking goals. Changshin will continue to strive to create the environment where employees can lead a healthy lifestyle.



▲ Health walking challenge

In-house cardiopulmonary resuscitation (CPR) training

Every year, Changshin supports first-aid education for its employees to create a safe workplace. We conducted CPR education in theory and practice sessions with the help of the Saha-gu Health Center and professional instructors. All participants were able to learn the correct CPR posture and how to use an automated external defibrillator (AED).



▲ Education to prevent and manage cardiovascular disease



▲ CPR education

Social

Health and Safety Management

Spotlight

Operation of women's health promotion program in Changshin China

Every year, Changshin China operates various health promotion programs for female workers in celebration of Women's Health Day. They invite doctors to give lectures on health and hold a competition to promote women's health knowledge. They also conduct internal activities for cervical and breast cancer screenings.



▲ Operation of Women's Health Promotion Program

Changshin Vietnam won excellence award for occupational health and safety

In April 2023, it was selected as an excellent workplace for occupational health and safety and won the chairman's award from the Dongnai People's Committee. Through this award, it was recognized as an excellent workplace for occupational health and safety management systems, especially for the systematic health management of employees through various programs. It will continue its efforts to reduce health and safety incidents through safety education and various programs.



▲ Changshin Vietnam in award ceremony as an excellent company in occupational health and safety

Changshin Vietnam won RoSPA silver award

In February 2023, it participated in the RoSPA* occupational health and safety assessment to get objective evaluation on its occupational health and safety system and establish more solid safety culture. RoSPA is the Royal Society for the Prevention of Accidents in the UK, which conducts evaluations in the field of occupational health and safety worldwide. Besides, it gives awards based on evaluation scores in four categories: occupational health and safety management system and its processes, occupational health and safety education, leadership's participation in safety, and activities to reduce accident occurrence rates. Changshin Vietnam operates various safety programs to practice Changshin Group's three key strategies for occupational health and safety: 'Leadership commitment, Preemptive safety management, Culture of safety.' As a result, it received recognition for this by winning the RoSPA Silver Award. Moving forward, Changshin will continue to conduct safety culture activities and evaluate them periodically and objectively to foster a sold safety culture.



▲ Changshin Vietnam won RoSPA silver award.

*RoSPA:Royal Society for the Prevention of Accidents

Social

Mutual Growth for Co-prosperity

Changshin is sharing transparent manufacturing processes with its partners and supporting them to ensure their capabilities in areas such as environment and safety in order to enhance customer satisfaction through quality stabilization with them.

Promotion for co-prosperity

Changshin collaborates with its partners in various fields including shoe materials, packaging, chemical suppliers, and component processing companies for shoe manufacturing. We provide support for the improvement of their technology and quality stabilization through quality and communication assistance.

Task to implement



Compliance

- Regular audit on environment, safety, occupational health, and wastewater disposal by third party auditor on a yearly basis
- Provision of compliance-related education with our partners



Support for quality

- Checking the quality of completed shoe samples and supplied materials through seasonal model review meeting
- Partner's participation in management education given by client company



Supply chain management

- Preparation for introduction of traceability program to manage supply chain in each stage

Support for the enhancement of partners' capability

We require all our partners to comply with the Code of Conduct and the Customer's Code of Leadership Standard (CLS). To ensure their continuous compliance, we organize quarterly Learning Communities to provide compliance education. Additionally, we conduct annual education on updated lists of restricted substance and support our partners to enhance their capabilities to comply with safety, health, and environmental regulations. Besides, we assist them to respond to relevant audits.



Social

Customer Satisfaction Management



Changshin is seeking quality management beyond customer demands to achieve the highest quality and maximum customer satisfaction. We operate management system for enhancing quality, manage quality goals, monitor improvement related to quality, and make efforts to prevent defects and improve quality.

Enhancing product quality

Product quality management system

Changshin aims to increase customer trust through sustainable product manufacturing. We have implemented a quality management system to provide consistent and reliable products with customers. Furthermore, we engage in various innovative activities to achieve customer satisfaction.

Quality management system

Through the introduction of the Failure Mode and Effects Analysis (FMEA) system, we identify and improve potential issues from the development stage to ensure quality and prevent problems in the market. We implement standardized quality management through raw material inspection, manufacturing, shipment inspection through HFPA, and real-time process monitoring. This strengthens the competitiveness of our products and achieves customer satisfaction. We maximize production efficiency through lean systems and particularly focus on building a smart factory system based on DDQ.

*FMEA(Failure Mode & Effect Analysis): Client's quality monitoring system

*HFPA(High Frequency Product Audit): Client's release inspection system

*DDQ(Data Driven Quality): Data-based quality management system

Quality innovation

Quality goal management

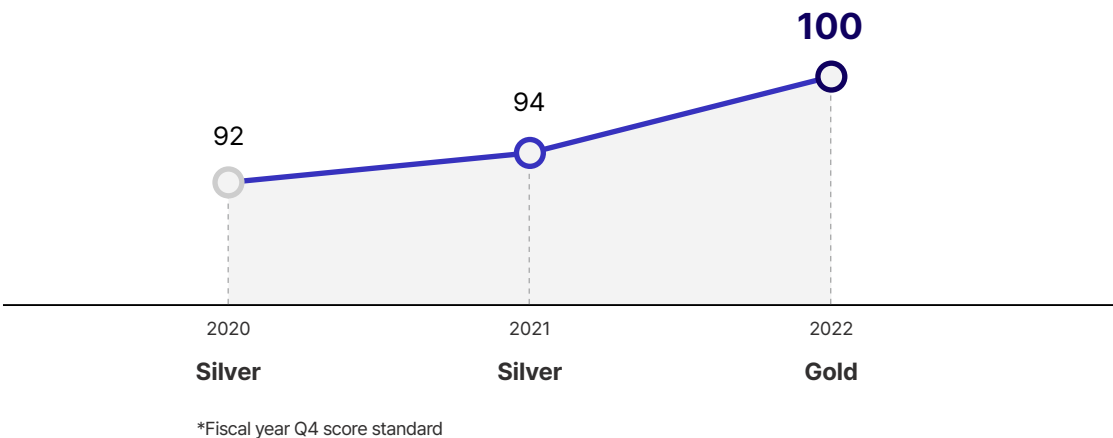
We strive to enhance the efficiency and productivity of quality activities by conducting comprehensive inspections on each production line and thorough shipment inspections to ensure quality. Besides, we endeavor to achieve process improvement for stable process quality. To secure customer satisfaction with product quality every year, we establish targets for quality failure costs, monitor them, and continuously work on improvements.

Expansion of quality education and quality inspections in overseas subsidiary

To spread the importance of quality throughout the organization and enhance understanding and awareness of quality among all employees, we are expanding quality education targeting business travelers at overseas subsidiary. As a result, all employees will conduct quality inspections during overseas business trips, and we will analyze the collected data to carry out systematic quality improvement activities.

Partner's quality management Index

Changshin evaluates the quality management index of nine factories on a quarterly basis through the Partner Performance Index (MI, Manufacturing Index). By evaluating the quality management index, we establish specific targets to improve areas of deficiency and low-rated items.



Social

Customer Satisfaction Management

Implementation of ISQ 6 Tool

Changshin strives for product quality improvement and customer satisfaction through the production of products that comply with ISQ 6 Tool.

 OS&D	OS&D (Over, Short, and Damaged): Upon receiving parts (uppers/soles), we check the quantity and quality and return any defective parts to the previous process team.
 Frequent Sequential Inspection	All workers conduct self-inspections based on the Standard Work-Sheet (SWS) criteria, and only the parts that meet the quality standards move on to the next process.
 Inspection of first, medium, and finished products	We inspect 3 pairs of uppers, soles, and finished shoes
 Primary Process Management	Production managers check twice a day to ensure that the key processes are carried out properly according to CTQ (Critical to Quality) and CTP (Critical to Process) standards. If any issues arise, training is provided for the corresponding process to ensure quality.
 Quality Audit	Internal audits conducted by the quality team evaluate the process quality of cutting, sewing, preparation, production, and finished products at all sites using a checklist on a weekly basis.
 Quality Reflection Meeting	Production manager and the quality team meet to review and confirm whether they have resolved the identified issues.

Metal detection policy (Broken needle policy)

To prevent potential harm to consumers, we install metal detectors on all manufacturing lines to ensure that needles or metal objects do not enter the products. This detection is conducted in advance throughout the manufacturing process. If metal is detected on the production line, it is handled according to the protocol. We carry out weekly inspection of broken needles on all production lines to thoroughly verify compliance of the workers on-site.

Customer communication

To enhance customer communication and service capabilities, we regularly visit the Korean Returns Center and conduct market trips six times a year to proactively address quality issues that arise in the market and coordinate with overseas production factories.



Social

Information Protection

Changshin has established an organization dedicated to ensure customer's and individual's information protection, and it takes proactive measures through thorough management. We comply with laws such as the Personal Information Protection Act and the Information and Communications Network Act by establishing a privacy policy for personal information processing. We conduct regular security education every year to raise awareness of the importance of information security and cyber security among all employees, and we actively promote accident prevention through random inspections. Additionally, we rigorously manage and operate access rights to information and enforce information security regulations. Furthermore, we conduct internal security audits for overseas subsidiaries and headquarters to identify compliance status and areas for improvement, and carry out activities to address and enhance them.

Information security management system

Framework of information security



Principles for security

- Three principles: Prevention of invasion, prevention of leakage, and making it useless in case of leakage
- Prevention of information leakage through technological and managing protection after discovering invasion factors to protect confidential business information and general information of client companies



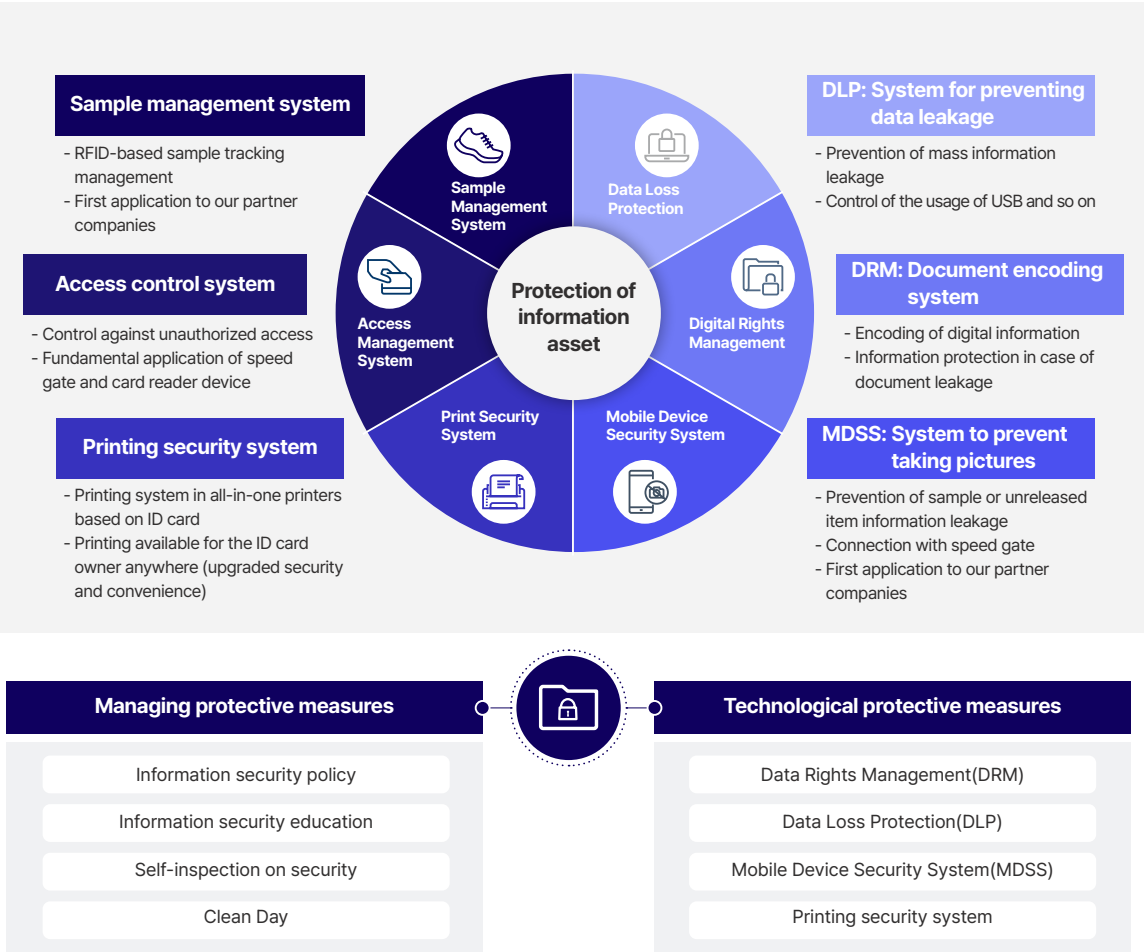
Main tasks

- Establishment of systematic information security policy and its management system and implementation of information security education and security inspection targeting headquarters and offshore factories
- Implementation of information security inspection through monthly Clean Day

Information leakage risk management

We handle information such as product designs, components, and CAD. To protect this information, we have established a new security system that encompasses administrative, physical, and technical security based on domestic and international information security management systems in 2020. Above all, we have introduced RFID system for sample traceability and Mobile Device Security System (MDSS) to prevent photo leakage, making us the first in the industry to do so in preparation for the leakage of sales information such as product sample information. Furthermore, we operate a secure and convenient security system by applying Data Loss Protection System (DLP) and Output Security System for preventing digital information leakage, as well as Digital Rights Management (DRM) to protect information assets even in the event of leakage.

Main security system to prevent leakage of digital information



Social

Information Protection

ISO 27001 certificate

Changshin has earned ISO 27001, which is an international standard regarding information protection management system. We plan, operate, monitor, and improve information protection policy, the range of information security, and the way to meet the legal demands.

Range of certification



▲ Changshin earned ISO 27001 certificate

Social

Global Performance for Co-prosperity

Changshin contributes to the coexistence of local communities and the creation of social value through social contributions based on the values of human dignity, utilizing resources, human capital, and expertise.

Social contribution strategy

Changshin systematically carries out social contribution activities with four main strategies: support for vulnerable groups, activation of local communities, employee volunteer activities, and climate response.



Social contribution

Growth

Support for cataract surgery

Changshin Vietnam selects and supports around 20 individuals annually for free cataract surgery, benefiting residents of the local community and employees' families. In collaboration with Dong Nai Hospital (a comprehensive university hospital in the area), it has provided free surgeries to 382 individuals from 2001 to 2022, as well as it continues to conduct regular check-ups for post-surgical care. In 2023, it plans to expand the number of beneficiaries to 30 and continue supporting their surgical expenses.



382 Beneficiaries of Free Cataract Surgery
(2001~2022)

Building houses of love

To improve the living environment for employees, their families, and residents of the local community, Changshin Vietnam has been carrying out the 'Building Houses of Love' program since 2002, with the goal of constructing 5-10 houses annually. So far, they have built and delivered a total of 172 houses. Through this 'Building Houses of Love' program, Changshin supports local community residents and employees' families to live comfortably in a stable environment.



172 Houses Provided (2002~2022)

Social

Global Performance for Co-prosperity

Dream crew

Changshin continues its Dream Crew activities to protect the dreams of children in the local community. At Changshin headquarters, we have established and operated an experiential internship program for Korean-resident Myanmar university students who have difficulty returning home due to civil war, enabling them to gain practical experience in their field. Changshin Vietnam has conducted playground development projects in local elementary schools for the dreams of children and awarded scholarships to 25 underprivileged children in 2022. Changshin Indonesia visits local community schools to carry out talent donation activities and continues to support Indonesian children's football teams and young skate athletes to foster local sports talents.



Community

COVID-19 disinfection support

Since 2020, Changshin Vietnam has been conducting continuous donation activities to overcome the crisis situation together with the local community, which is facing difficulties due to the spread of COVID-19. It has donated approximately \$150,000 worth of funds to the local community to support healthcare professionals responsible for the safety and health of patients on the front lines and for continuous epidemic prevention activities.

Since 2020, Changshin Indonesia has consistently donated medical supplies such as protective suits, masks, and diagnostic kits to local healthcare professionals and supported the establishment of COVID-19 isolation facilities in 2022 to assist the government's epidemic control activities.



▲ Changshin Vietnam won the excellent award for COVID-19 prevention company

Support for natural disaster victims

Due to the regional characteristics of Southeast Asia, Changshin Vietnam and Changshin Indonesia are carrying out emergency disaster support activities for natural disaster victims who are frequently affected by floods and landslides. Every year, Changshin Vietnam raises funds during the typhoon season to support natural disaster victims affected by typhoons and floods. In addition, Changshin Indonesia directly provides emergency relief items such as rice and food to natural disaster victims in the local community who are suffering from frequent floods and landslides caused by heavy rains.

Social

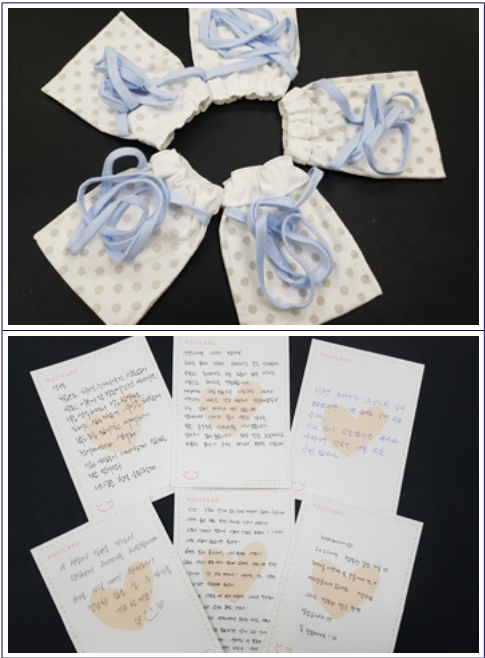
Global Performance for Co-prosperity

Community

Hickman pocket campaign

Changshin is running the Hickman Pocket Campaign in conjunction with the 'You buy, We donate' shoe sample sale proceeds donation event. The Hickman Pocket Campaign is an activity of sharing that gifts pockets with children suffering from leukemia who need to use Hickman catheters for reasons including pediatric cancer treatment, so that they can safely manage their Hickman catheters. It is held every year with the slogan 'Small actions, Big changes.'

100 Hickman pocket donations (2021~2022)



Blood donation event

We hold blood donation events every year for neighbors who suffer from blood shortage in all our corporations in Korea, Vietnam, China, and Indonesia. Changshin China has also won the Excellent Participation Award for Blood Donation. Changshin will continue to participate in blood donation activities both domestically and internationally for the sake of our neighbors who are facing difficulties in blood supply.



Stakeholder interview



H. Rudy Gunawan, S.H., M.H., MP.
Garut Regent

Changshin Reksa Jaya is conducting CSR activities in various fields such as education, hygiene, and environment to revitalize the Garut community.

First, Changshin provides educational opportunities to the local community by establishing educational infrastructure. Second, they operate a hygiene program and conduct health campaigns for children and pregnant women who are socially vulnerable, thereby raising awareness of health and hygiene among residents. Third, as part of their environmental campaign, they provide environmental education to local schools and actively cooperate with local governments for environmental restoration projects. Finally, they are working hard to provide appropriate infrastructure and funds to support local development and religious activities.

Our local community residents perceive Changshin as a positive company due to such cooperative activities. We believe that Changshin will continue to provide employment opportunities and quality educational environment to local residents and fulfill their social responsibilities by improving the local environment.

To this end, Changshin should listen to the opinions of major stakeholders and develop sustainable management policies that reflect them. Also, Changshin should practice efficient resource management such as energy and water according to their social, environmental, and economic impact on our local community. We hope that Changshin will create a sustainable business model through continuous innovation, such as investment in green technology. Lastly, we support the creation of a corporate culture that raises awareness of sustainability and environmental issues, and encourages employees to participate in relevant programs to spread sustainable culture.

Governance

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Governance

Transparent Management

Changshin is strengthening a transparent and sound governance structure by establishing a balanced decision-making body to enhance transparent management systems.

Operation of Board of Directors(BOD)

Composition and role of BOD

Changshin's Board of Directors is the highest decision-making body of the company and operates independently from the management team. It is composed of experts in various fields serving as directors. As of the end of March 2022, the Board of Directors consists of a total of 7 members, with 4 external directors, accounting for approximately 57% of the total membership. The Chairman of the Board is appointed by the Board of Directors according to the Articles of Incorporation. The Board of Directors decides on important matters regarding the company's basic management policies, business operations, and the composition and operation of specialized committees under the Board. It also reviews and deliberates on significant proposals.

	Name	Specialty	Career highlights
Internal directors	Whanil Jeong	Management	(Current) Chairman of Changshin Inc. and its BOD
	Choongil Nam		(Current) CEO of Changshin Inc.
	Dongheun Jeong		(Current) Executive director of Changshin Inc.
External directors	Sangwan Lee	Accounting	(Current) Management professor of Dong-A University, BOD of Omin Academy
	Okbong Park	Legal	(Current) Lawyer of Samdeok Law Firm, Legal advisor of Sungwoo Hitech Co, Ltd
	Chaemin Im	Legal	(Current) Advisor of Law Firm Gwangjang, (Former) the Minister of Health and Welfare
	Younghun Lee	Management	(Current) Senior advisor of POSCO Engineering & Construction Co, Ltd (Former) CEO of POSCO Engineering & Construction Co, Ltd

Expertise and diversity of BOD

Changshin appoints external directors through fair and transparent procedures in accordance with its Articles of Incorporation. The term of office for all board members is three years, and external directors are selected based on their expertise in management, law, finance, and accounting, without bias towards any specific field. Through this process, the board secures expertise and diversity.

Operation of BOD

The board of directors holds regular meetings quarterly in principle and it approves proposals with the attendance of a majority of directors and the agreement of a majority of attending directors. In addition, remote participation in resolutions is recognized as attendance at board meetings to encourage active participation by directors. In 2022, it held four meetings with 100% attendance rate by all directors, and it passed a total of 13 resolutions.

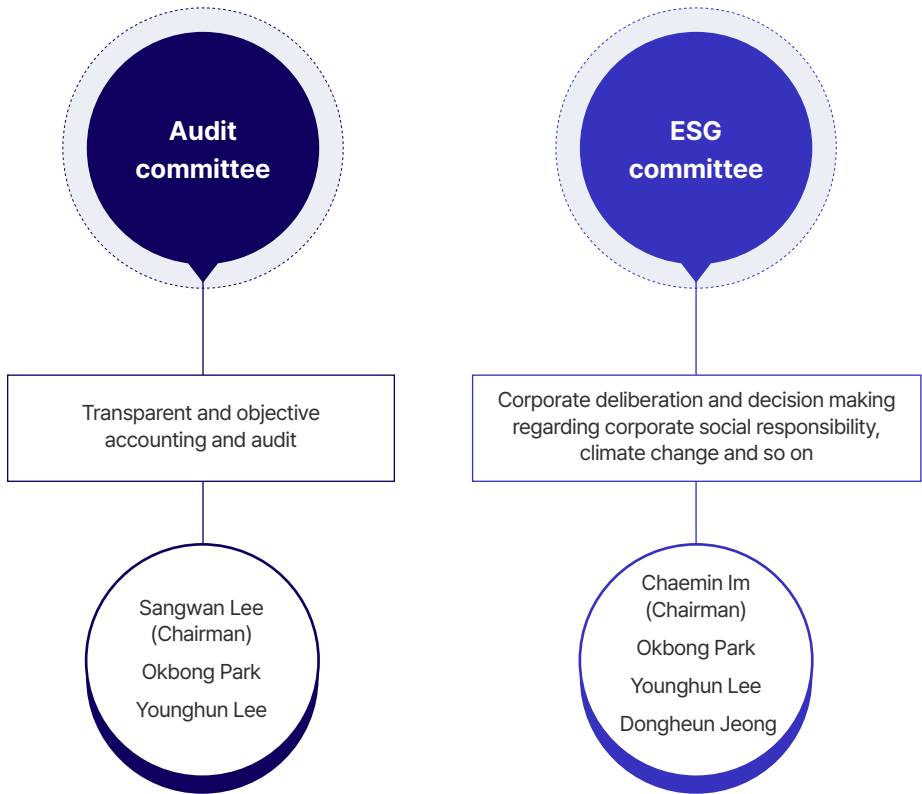


Governance

Transparent Management

Committees in BOD

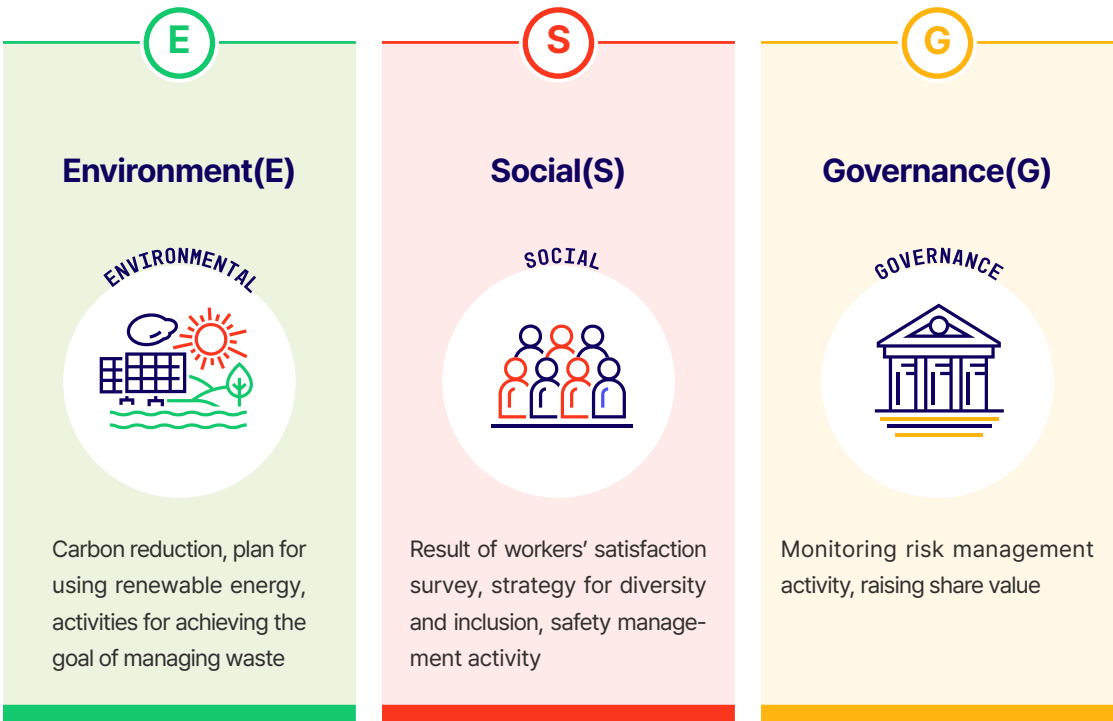
Changshin operates two specialized committees under the board of directors, namely ESG Committee and Audit Committee, to ensure effective management, governance, and oversight functions. Audit Committee consists of three external directors, while ESG Committee is comprised of three external directors and one internal director. Audit Committee operates independently to conduct accounting and operational audits, ensuring the independence and transparency of the audit system.



ESG committee

Since 2021, Changshin has been operating ESG Committee to promote ESG management and sustainable practices. Based on Changshin's sustainable management strategy, the committee deliberates on key issues related to goal setting and monitoring activities regarding the environment, society, and governance.

Key issues of ESG committee



Governance

Compliance and Ethics Management

Changshin has established code of ethics and guidelines to ensure that all employees adhere to rules, make ethical decisions, and behave properly in carrying out their duties, in order to cultivate a sound ethical culture at Changshin.

Strengthening ethical management

Strategy and system of ethical management

We have established ethical principles based on the Code of Ethics and revealed them transparently to all employees. We also apply Zero Tolerance Policy to unethical behavior. Besides, we require corporate entities and individuals involved in any transactions with us to abide by the Code of Ethics.

Code of Ethics

<Changshin's 10 Code of Ethics>

1. Provide equal opportunities.

2. Protect health and safety.

3. Respect stakeholders such as customer and competitors.

4. Protect privacy.

5. Protect the environment and save energy.

6. Prevent inappropriate work conditions.

7. Prohibit inappropriate financial transactions with stakeholders, such as employees, customer, and competitors.

8. Do not divulge confidential information of data.

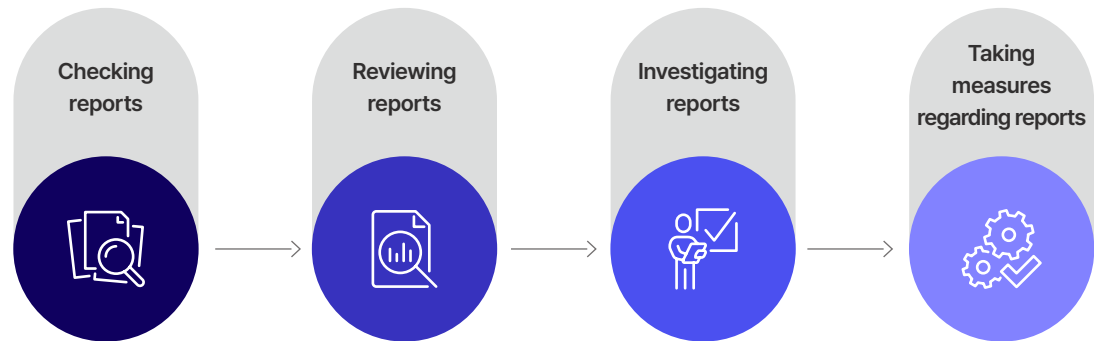
9. Do not use the company and its information for personal gains.

10. Be responsible for the country and society.

Raising ethical awareness

Operation of reporting channel

To eradicate any unfair or non-transparent business practices, Changshin operates an e-mail hotline named "Ethics Management Hotline" where anyone can report any unethical behavior anonymously. We guarantee anonymity and confidentiality of the report and operate strictly confidential hotline.



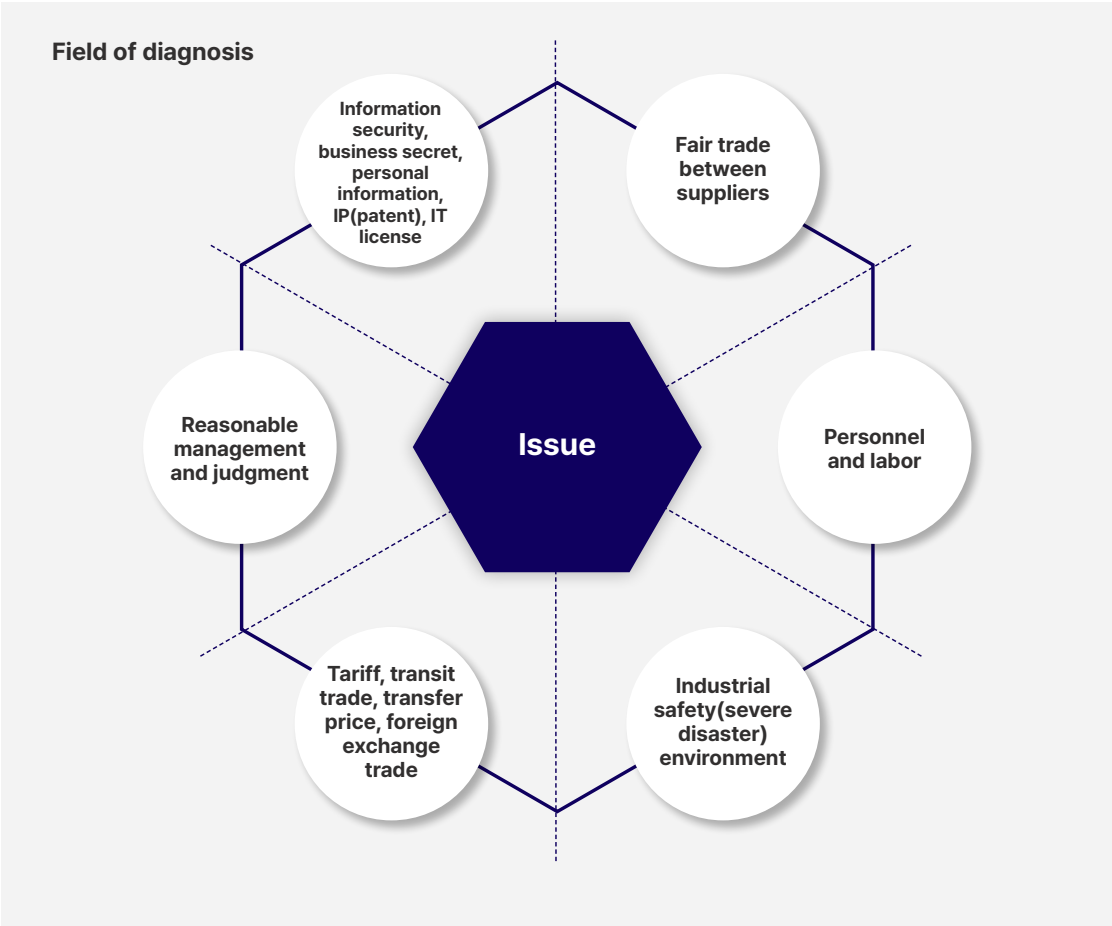
Governance

Compliance and Ethics Management

Operation of compliance program

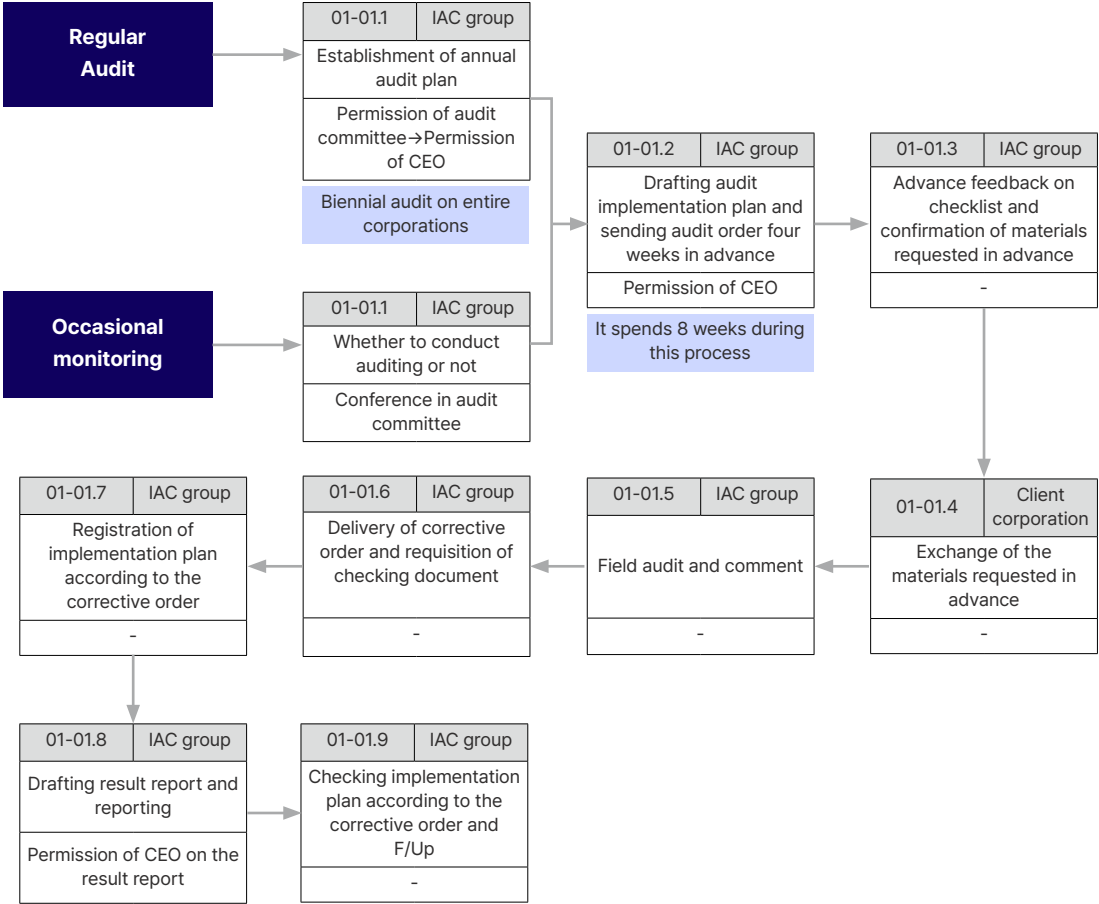
Better Me Better Future

Changshin has conducted 'Better Me, Better Future' project to proactively identify potential risks in accordance with stricter legal requirements both internally and externally. The project initially involves a third-party legal diagnosis of six key risk management areas. Based on the findings, we aim to establish Risk Management Framework and enhance risk management.



Operating internal audit process

To prevent and monitor risks in advance, Changshin operates an internal audit program. We have established annual audit plan and conduct regular and ad hoc audits in areas such as personnel and labor affairs, safety, fair trade, and ethics. When we need corrective actions, we implement them and continuously monitor them to ensure consistent management.



Governance

Risk Management

Changshin is creating a proactive and stable management environment by systematically managing legal and financial risk factors associated with domestic and international business activities.

Risk management system

Changshin identifies legal and financial risks associated with domestic and international business activities. It also operates a risk management process to prevent and effectively manage them. Furthermore, we operate a risk management team dedicated to respond to risk factors in all areas of management, including quality, environment, and safety. Going forward, we plan to minimize the impact of risks by analyzing response scenarios for each risk and conducting follow-up countermeasure checks.

Key risk factors

Changshin categorizes and manages key factors that can affect operations. To minimize risks that may arise in business operations such as production capacity and order management, raw material supply, maintenance of production facilities, and product information leakage, relevant departments regularly inspect these risks. Additionally, we make efforts to anticipate the labor market and unstable factors in the production country, prepare for future workforce supply, and promote medium to long-term growth. We also thoroughly manage the safety and hygiene of employees and prevent accidents due to complacency in workplace safety.

We regularly monitor uncontrollable variables such as exchange rates and interest rates, which can worsen financial liquidity. We also establish a well-structured decision-making system to plan investment in production facilities to prepare for financial risks by evaluating the opportunity value and loss cost. In addition, we are prepared to respond comprehensively to uncertain risks such as political and economic issues or diplomatic disputes in production countries, market misfortunes occurring worldwide. We strive to maintain data integrity despite digital threats that have recently become prominent.

Risk management procedure

Step 1
Issue
Exploration

The risk management personnel review the discussions during weekly/monthly management meetings to identify current and potential issues relevant to executive decision-making. Additionally, during this process, the risk management personnel may facilitate the meetings or serve as active observers, if necessary.

Step 2
Risk
Assessment

Based on the issues identified in Step 1, we identify risks through discussions with relevant stakeholders. We analyze the identified risks according to internal management standards and consider the probability and frequency of the risk occurrence, as well as its impact or degree of influence. Then, we conduct verification process among related risk factors and evaluate the severity and priority of the risk factors based on the probability of occurrence and degree of impact measured according to the internal standards. At this stage, we don't exclude risks outside the priority range from management, but consider them when setting monitoring periods and frequencies in the future.

Step 3
Handling
risks

This step involves establishing the direction for managing risk factors among the assigned personnel, stakeholders, and departments, and implementing resolution strategies. In this process, the risk management team serves as advisors or guides for risk resolution, actively participating in the risk resolution process as observers. It also records the implementation of strategies and prepares for the next step.

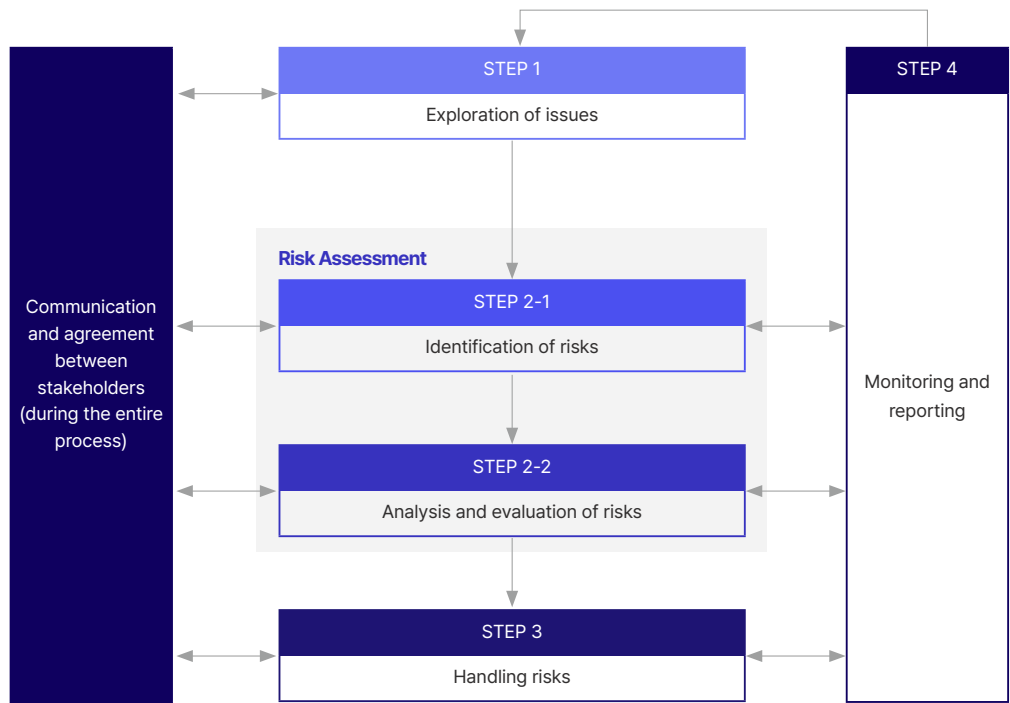
Step 4
Monitoring
and
Reporting

Ultimately, we periodically monitor the risks to ensure effective management. During this process, the risk management team needs to detect prominent risk factors at that time, report them to the management, and emphasize their severity. Subsequently, it establishes a cyclical process, focusing on exploring risks based on the agenda and issues generated during management's decision-making. Furthermore, we promote active communication and collaboration among risk owners and stakeholders throughout all stages to enhance risk management.

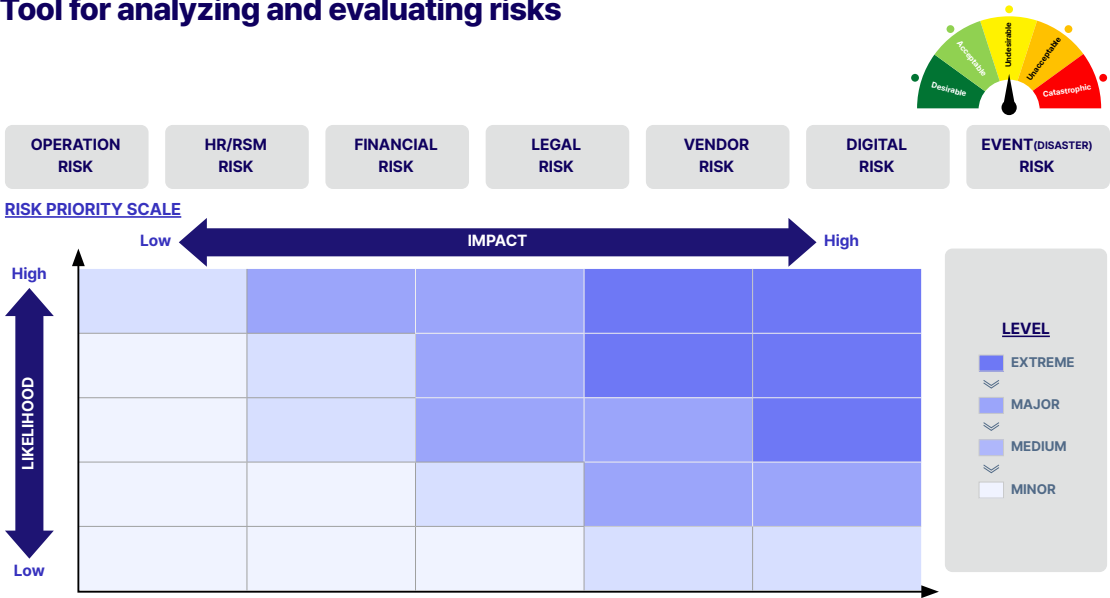
Governance

Risk Management

Risk management procedure



Tool for analyzing and evaluating risks



Current status and plans for risk management

Recently, our company has established a team dedicated to risk management, aiming to expand the scope of risks and strengthen crisis response manuals and systems accordingly. The risk management team is located within the Corporate Communications & Compliance division, conducting comprehensive exploration of potential risk factors and ensuring objectivity in risk assessment.

We classify, define, and evaluate detailed risks that may occur within our company, prioritizing key risks. Through this process, we secure measures and response strategies for each risk, and utilize key performance indicators to set Key Risk Indicators(KRI). In the future, the risk management team is preparing to computerize these KRIs to provide and promote more effective insights to the management.

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Financial Information

Financial Information

Consolidated Financial Statement

Unit: KRW			
Sort	2020	2021	2022
Liquid asset	304,704,110,097	382,994,977,984	493,425,594,094
Non-current asset	609,315,553,024	650,208,154,670	693,227,306,922
Gross amount of asset	914,019,663,121	1,033,203,132,654	1,186,652,901,016
Liquid dept	604,981,336,933	668,704,162,030	681,543,078,465
Non-current debt	48,483,395,811	35,210,094,909	49,684,420,106
Gross amount of debt	653,464,732,744	703,914,256,939	731,227,498,571
Capital	2,200,000,000	2,200,000,000	2,200,000,000
Other asset portfolio	-170,837,302	8,116,655,246	6,045,125,179
Accumulated income	254,783,675,927	310,206,504,605	435,557,137,575
Non-controlling shareholders' equity	3,742,091,752	8,765,715,864	11,623,139,691
Gross amount of capital	260,554,930,377	329,288,875,715	455,425,402,445

Consolidated Statement of Comprehensive Income

Unit: KRW			
Sort	2020	2021	2022
Sales figure	1,503,091,706,076	1,603,344,525,261	2,222,621,594,818
Cost of sales	1,292,591,620,192	1,349,579,717,387	1,814,354,552,496
Gross margin	210,500,085,884	253,764,807,874	408,267,042,322
Sales profit	28,798,115,995	68,917,556,094	200,399,873,909
Net income before deducting corporate tax expenses	-15,493,934,130	73,489,684,430	163,216,273,216
Current net income	-22,637,017,613	59,999,635,296	125,862,560,983
Other comprehensive income	5,239,626,735	8,761,810,042	1,219,621,876
Gross amount of comprehensive income	-17,397,390,878	68,761,445,338	127,082,182,859

Consolidated Subsidiaries

Subsidiary	Share ratio(%)	Location	Type of business
Changshin Vietnam	100.00	Vietnam	Shoe manufacturing and sales
Changshin Dongnai	100.00	Vietnam	Shoe manufacturing and sales
Qingdao Changshin Shoes Industry Co Ltd.	100.00	China	Shoe manufacturing and sales
Changshin Indonesia	66.67	Indonesia	Shoe manufacturing and sales
Changshin Rekso Jaya	95.00	Indonesia	Shoe manufacturing and sales
Changshin Technology Inc.	100.00	Busan in ROK	Shoes mold manufacturing and sales
Changshin Technology Vietnam	100.00	Vietnam	Shoes mold manufacturing and sales
Changshin Technology Indonesia	99.00	Indonesia	Shoes mold manufacturing and sales

Creation and Distribution of Economical Value

Unit: million KRW				
Sort	Item	2020	2021	2022
Country	Corporate tax	7,463.0	17,324.8	8,160.3
Shareholders	Dividend	27.5	27.5	27.5
Local community	Cost of social contribution	20	-	49

ESG DATA

Environment Performance Data

Green House Gas(GHG) and Energy Management

Type	Place of business	Unit	2020		2021		2022	
			Scope1	Scope2	Scope1	Scope2	Scope1	Scope2
GHG emissions	Korea	tCO ² eq	32	2,808	29	2,857	35	2,503
	Vietnam		4,793	70,863	3,650	60,701	4,345	164,242
	China		2,162	14,957	1,758	17,369	525	15,830
	Indonesia		4,145	59,158	3,389	75,833	4,519	39,649
	Sub Total		11,132	147,785	8,826	156,759	9,425	222,223
	Grand Total			158,917		165,585		231,649
	Emissions per pair by scope	kgCO ² eq/pair	0.2	2.5	0.1	2.5	0.1	2.8
	Emissions per pair by the standard of sum			2.7		2.6		3.0
Energy usage	Korea	MWh	158	5,136	143	5,225	174	5,235
	Vietnam		18,944	195,915	14,476	167,820	17,336	256,689
	China		8,145	23,892	6,592	27,812	3,047	25,729
	Indonesia		20,468	70,495	16,723	90,365	22,223	101,761
	Sub Total		47,716	295,438	37,935	291,223	42,780	389,414
	Grand Total			343,154		329,158		432,194
	Emissions per pair by scope	kWh/pair	0.8	5.0	0.6	4.6	0.5	5.0
	Emissions per pair by the standard of sum			5.8		5.2		5.5

*Data is based on the calendar year, and the emission figures may vary depending on the applied standards.
*Emissions were calculated using the Nike Green House Gas (GHG) Inventory Tool, which is based on data from the IPCC and USEPA

ESG DATA

Environment Performance Data

Water Management

Place of business	Sort		Unit	2020	2021	2022
Korea	Water resources consumption volume	Water consumption volume	ton	25,138	36,521	16,246
		Water supplied by third-party(water supply, industrial waterworks, and so on)	ton	25,138	36,521	16,246
	Water resources by water supply					
Vietnam	Water resources consumption volume	Water consumption volume		663,039	555,097	764,580
		Water recycling volume	ton	795,304	661,938	851,541
		Total		1,458,344	1,217,035	1,616,122
	Water resources by water supply	Water supplied by third-party(water supply, industrial waterworks, and so on)		880,129	773,013	1,026,852
		Underground water	ton	0	0	0
		Sea water		0	0	0
		Surface water		0	0	0
China	Water resources consumption volume	Water consumption volume		51,491	62,773	57,511
		Water recycling volume	ton	12,228	15,485	14,161
		Total		63,719	78,258	71,672
	Water resources by water supply	Water supplied by third-party(water supply, industrial waterworks, and so on)		130,877	157,635	144,500
		Underground water	ton	0	0	0
		Sea water		0	0	0
		Surface water		0	0	0
Indonesia	Water resources consumption volume	Water consumption volume		310,910	312,296	442,828
		Water recycling volume	ton	104,039	127,037	201,960
		Total		414,949	439,333	644,788
	Water resources by water supply	Water supplied by third-party(water supply, industrial waterworks, and so on)		88,126	111,692	158,605
		Underground water	ton	127,085	127,814	84,283
		Sea water		0	0	0
		Surface water		18,886	4,764	19,812

*In case of offshore corporations, we collected data from the main plants only. Satellite plants were excluded.

Air and Water Pollutants

Place of business	Sort		Unit	2020	2021	2022
Korea	Air pollutants	NOx emission volume(nitrogen oxide)		-	-	-
		SOx emission volume(sulfur oxide)	mg/m³	-	-	-
		PM emission volume(fine dust)		6.7	2.4	5.8
	Water pollutants	COD		4.8	10.2	8.4
		BOD	mg/L	2.5	5.4	4.4
		SS		2	1	21
		n-H		-	-	-
	Other pollutants	VOC emission volume	mg/m³	-	-	-
	Vietnam	Air pollutants	NOx emission volume(nitrogen oxide)		118.5	34.7
SOx emission volume(sulfur oxide),			mg/m³	14.8	16.0	22.0
PM emission volume(fine dust)				37.0	32.6	31.3
Water pollutants		COD		24.0	21.0	16.0
		BOD	mg/L	10.0	16.0	12.0
		SS		16.0	32.0	30.0
		n-H		18.3	15.2	13.2
Other pollutants		VOC emission volume	mg/m³	1,071.2	1,036.5	802.8
China		Air pollutants	NOx emission volume(nitrogen oxide)		-	-
	SOx emission volume(sulfur oxide)		mg/m³	-	-	-
	PM emission volume(fine dust)			-	-	-
	Water pollutants	COD		49.0	29.0	28.7
		BOD	mg/L	9.6	5.6	6.5
		SS		15.0	22.3	17.7
		n-H		11	10.6	13
	Other pollutants	VOC emission volume	mg/m³	1.89	4.87	2.05
	Indonesia	Water pollutants	NOx emission volume(nitrogen oxide)		673	496
SOx emission volume(sulfur oxide)			mg/m³	13	10	20
PM emission volume(fine dust)				59	20	29
Water pollutants		COD		30	43	38
		BOD	mg/L	6	9	8
		SS		6	13	15
		n-H		1	3	1
Other pollutants		VOC emission volume	mg/m³	-	-	-

*Data compiled based on in-house managed emissions

ESG DATA

Environment Performance Data

Waste Management

Place of business	Sort		Unit	2020	2021	2022
Korea	Amount of waste	General waste	ton	466.6	468.5	457.8
		Specified waste		41.3	39.1	37.1
		Total		507.9	507.6	494.9
	Waste disposal	Incineration	ton	0	0	0
		Landfill		0	0	0
		Recycling		507.9	507.7	494.9
	Amount of waste	General waste	ton	6,162.3	5,472.8	7,266.4
		Specified waste		784.2	616.7	903.3
		Total		6,946.5	6,089.4	8,169.7
Vietnam	Waste disposal	Incineration	ton	0	0	0
		Landfill		0	0	0
	Recycling	Incineration	ton	2,643.9	2,750.1	3,664.9
		Landfill		0	0	0
China	Amount of waste	General waste	ton	589.7	642.4	534.5
		Specified waste		63.6	72.9	66.6
		Total		653.3	715.3	601.0
	Waste disposal	Incineration	ton	0	0	0
		Landfill		0	0	0
		Recycling		43.0	47.7	35.6
Indonesia	Amount of waste	General waste	ton	3,584.7	4,495.4	4,988.4
		Specified waste		341.4	548.4	550.3
		Total		3,926.1	5,043.8	5,538.7
	Waste disposal	Incineration	ton	0	0	0
		Landfill		0	0	0
		Recycling		1,323.2	1,492.0	2,134.4

*Data compiled based on in-house managed emissions

Eco-friendly Investment

Sort	Place of business	Unit	2020	2021	2022
Amount of eco-friendly investment	Vietnam	USD	24,050.0	200,463.0	173,514.0
	China	USD	77,922.1	563,467.5	114,925.4
	Indonesia	USD	177,974.0	19,647.7	41,378.8

ESG DATA

Social Performance Data

Employee

Sort			Unit	2020	2021	2022
General status (Executives and regular staff only)	Total No. of Employees	All		73,813	78,965	77,745
	By Region	Korea	Persons	1,119	1,117	1,170
		China		5,541	4,892	4,641
		Vietnam		39,812	42,040	42,796
		Indonesia		27,341	30,916	29,138
	Gender (Korea)	Male	Persons	759	770	791
		Female		360	347	379
	Gender (Vietnam)	Male	Persons	8,230	9,192	9,788
		Female		31,582	32,848	33,008
	Gender (China)	Male	Persons	801	733	706
		Female		4,740	4,159	3,935
	Gender (Indonesia)	Male	Persons	2,963	3,000	3,001
		Female		24,378	27,916	26,137
	By Position	Male Manager	Persons	605	616	633
		Female Manager	Persons	189	180	209
		Total	Persons	794	796	842
		Female Manager Rate	%	24%	23%	25%
	Overseas	Male Manager	Persons	2,598	2,687	2,793
		Female Manager	Persons	2,942	3,050	3,255
		Total	Persons	5,540	5,737	6,048
		Female Manager Rate	%	53%	53%	54%
Diversity		Disabled Person		22	13	13
		Foreigner		4	3	4
		National Meritorious Person	Persons	14	15	13
		Temporary Position(including contract employment)		26	20	36
		Disabled Person		658	686	753
		Foreigner		N/A	N/A	N/A
	Overseas	National Meritorious Person	Persons	N/A	N/A	N/A
		Temporary Position				
		(including contract employment)		13,154	12,211	11,848

Employment and Tenure Status

Place of business	Sort	Unit	2020	2021	2022
Korea	New recruit	Persons	88	73	135
	No. of turnover (voluntary and urged turnover)	Persons	71	68	84
	Turnover rate %	%	6%	6%	7%
	Average length of tenure(as of the end of year)	Year	5.70	6.24	6.38
	No. of terminated employees, Persons	Persons	0	0	0
Vietnam	New recruit	Persons	8,542	8,557	8,682
	No. of turnover (voluntary and urged turnover)	Persons	1,562	2,309	2,832
	Turnover rate %	%	3.9%	5.5%	6.6%
	Average length of tenure(as of the end of year)	Year	5.00	5.30	6.20
	No. of terminated employees, Persons	Persons	0	0	0
China	New recruit	Persons	21	44	50
	No. of turnover (voluntary and urged turnover)	Persons	845	691	301
	Turnover rate %	%	15.2%	14.1%	6.5%
	Average length of tenure(as of the end of year)	Year	11.80	12.95	13.89
	No. of terminated employees, Persons	Persons	169	81	13
Indonesia	New recruit	Year	55	2,587	1,319
	No. of turnover (voluntary and urged turnover)	Persons	940	1,229	2,555
	Turnover rate %	%	5.3%	6.4%	14.3%
	Average length of tenure(as of the end of year)	Year	8.05	7.10	6.31
	No. of terminated employees, Persons	Persons	116	351	2,034
Changshin Reksa Jaya	New recruit	Persons	821	3,832	1,350
	No. of turnover (voluntary and urged turnover)	Persons	1,279	1,619	1,890
	Turnover rate %	%	13.4%	13.8%	16.8%
	Average length of tenure(as of the end of year)	Year	1.69	1.89	2.79
	No. of terminated employees, Persons	Persons	4	0	2

ESG DATA

Social Performance Data

Maternity and Parental Leave Status

Place of business	Sort	Unit	2020	2021	2022
Korea	No. of employees using parental leave	Persons	11	15	17
	No. of employees returning to work after parental leave	Persons	15	8	13
	Rate of employees who have worked for at least 12 months after parental leave	%	93%	50%	76%
Vietnam	No. of employees using parental leave	Persons	2,346	2,345	1,975
	No. of employees returning to work after parental leave	Persons	2,346	2,345	1,910
	Rate of employees who have worked for at least 12 months after parental leave	%	69%	68%	82%
China	No. of employees using parental leave	Persons	0	0	10
	No. of employees returning to work after parental leave	Persons	0	0	9
	Rate of employees who have worked for at least 12 months after parental leave	%	0%	0%	0%
Indonesia	No. of employees using parental leave	Persons	2,284	951	2,540
	No. of employees returning to work after parental leave	Persons	2,164	893	2,220
	Rate of employees who have worked for at least 12 months after parental leave	%	100%	100%	100%
Changshin Reksa Jaya	No. of employees using parental leave	Persons	908	1,101	1,032
	No. of employees returning to work after parental leave	Persons	682	727	741
	Rate of employees who have worked for at least 12 months after parental leave	%	59%	75%	95%

Education Status(Standard of Headquarters)

Sort		Unit	2020	2021	2022
Total education status (including compulsory education)	Total education/training hours	Hour	26,131	24,840	37,971
	Education/training hour per person	Hour	39.5	25.2	43.0
	Total No. of participants in education	Persons	622	961	884
	Rate of employees attending education	%	92.3	97.6	84.4
	Total education/training cost for employees	Million KRW	258	115	346
	Education cost per person	Thousand KRW	350	116	330
Education to prevent sexual harassment	Education hours	Hour	255	928	967
	No. of participants	Persons	255	928	967
Education to prevent workplace bullying	Education hours	Hour	255	928	967
	No. of participants	Persons	255	928	967
Education for improving the awareness of disability	Education hours	Hour	255	928	967
	No. of participants	Persons	255	928	967



ESG DATA

Social Performance Data

Labor Union and Membership Status

Place of business	Sort	Unit	2020	2021	2022
Korea	No. of employees who are entitled to sign up for Labor Union	Persons	1,119	1,117	1,170
	No. of Labor Union members	%	326	322	329
	Sign-up rate of Labor Union	%	29%	29%	28%
	Holding labor-management meeting	Times	4	4	4
	No. of grievance reception	Cases	32	12	43
	No. of grievance reception and settlement	Cases	32	12	43
	Average period for answering to grievance	Days	10	10	10
Vietnam	No. of employees who are entitled to sign up for Labor Union	Persons	39,807	42,035	42,790
	No. of Labor Union members	%	39,807	42,035	42,790
	Sign-up rate of Labor Union	%	100%	100%	100%
	Holding labor-management meeting	Times	18	0	16
	No. of grievance reception	Cases	20	26	43
	No. of grievance reception and settlement	Cases	20	26	43
	Average period for answering to grievance	Days	14	14	14
China	No. of employees who are entitled to sign up for Labor Union	Persons	5,541	4,892	4,641
	No. of Labor Union members	%	5,541	4,892	4,641
	Sign-up rate of Labor Union	%	100%	100%	100%
	Holding labor-management meeting	Times	1	1	2
	No. of grievance reception	Cases	36	37	25
	No. of grievance reception and settlement	Cases	36	37	25
	Average period for answering to grievance	Days	2	2	2
Indonesia	No. of employees who are entitled to sign up for Labor Union	Persons	17,788	19,150	17,914
	No. of Labor Union members	%	16,005	15,721	16,012
	Sign-up rate of Labor Union	%	90%	82%	89%
	Holding labor-management meeting	Times	7	7	8
	No. of grievance reception	Cases	9	10	10
	No. of grievance reception and settlement	Cases	9	10	10
	Average period for answering to grievance	Days	7	7	7
Changshin Reksa Jaya	No. of employees who are entitled to sign up for Labor Union	Persons	9,553	11,766	11,224
	No. of Labor Union members	%	3,791	4,495	3,790
	Sign-up rate of Labor Union	%	40%	38%	34%
	Holding labor-management meeting	Times	1	1	1
	No. of grievance reception	Cases	10	37	138
	No. of grievance reception and settlement	Cases	10	37	138
	Average period for answering to grievance	Days	30	30	30

Safety Management

Place of business	Sort		Unit	2020	2021	2022	
Korea	Safety management	Industrial accident rate		%	0	0	0
		No. of industrial accidents	No. of casualties	Cases	0	0	0
			No. of death	Cases	0	0	0
			Lost Time Incident Rate(LTIR)		No. of industrial accidents per 200,000 hours	0	0
	Safety education	Total education time		Hours	7,152	15,000	15,324
		Total No. of participants in education		person	298	930	964
		Education hours per person		Hour/person	24	16	16
Vietnam	Safety management	Industrial accident rate		%	0.05%	0.02%	0.03%
		No. of industrial accidents	No. of casualties	Cases	13	7	10
			No. of death	Cases	0	0	0
			Lost Time Incident Rate(LTIR)		No. of industrial accidents per 200,000 hours	0.04	0.03
	Safety education	Total education time		Hours	254,032	236,253	279,829
		Total No. of participants in education		person	31,305	32,263	32,921
		Education hours per person		Hour/person	8.11	7.32	8.50
China	Safety management	Industrial accident rate		%	0.03%	0.03%	0.07%
		No. of industrial accidents	No. of casualties	Cases	1	1	2
			No. of death	Cases	0	0	0
			Lost Time Incident Rate(LTIR)		No. of industrial accidents per 200,000 hours	0.03	0.03
	Safety education	Total education time		Hours	7,855	7,163	6,694
		Total No. of participants in education		person	36,760	29,786	30,685
		Education hours per person		Hour/person	0.21	0.24	0.22
Indonesia	Safety management	Industrial accident rate		%	0.15%	0.15%	0.08%
		No. of industrial accidents	No. of casualties	Cases	28	28	17
			No. of death	Cases	0	0	0
			Lost Time Incident Rate(LTIR)		No. of industrial accidents per 200,000 hours	0.16	0.16
	Safety education	Total education time		Hours	2,834	5,646	11,254
		Total No. of participants in education		person	6,455	12,964	30,781
		Education hours per person		Hour/person	0.44	0.44	0.37
Changshin Reksa Jaya	Safety management	Industrial accident rate		%	0.31%	0.20%	0.11%
		No. of industrial accidents	No. of casualties	Cases	30	24	13
			No. of death	Cases	0	0	0
			Lost Time Incident Rate(LTIR)		No. of industrial accidents per 200,000 hours	0.34	0.24
	Safety education	Total education time		Hours	3,090	8,375	9,967
		Total No. of participants in education		person	2,227	5,482	8,236
		Education hours per person		Hour/person	1.39	1.53	1.21

ESG DATA

Social Performance/Management·Governance Data

Social Contribution

Sort	Unit	2020	2021	2022
Cash	USD	84,578	220,585	62,965
Investment in local community	USD	18,568	120,990	14,455
Donation in kind	USD	14,938	42,051	27,316

Board of Directors

Sort		Unit	2020	2021	2022
BOD performance	Times of BOD meetings	Regular	Times	-	3
		Temporary	Times	-	0
	Agenda	Cases	-	11	13
	Reported agenda	Cases	-	11	13
	Modified agenda	Cases	-	0	0
	Rate of female directors	%	-	0%	0%
	Average attendance rate	%	-	100%	100%
Current status of BOD	Internal director	Persons	-	3	3
	External director	Persons	-	4	4

*There is no aggregated data in 2020 because we has systemized BOD since 2021.

GRI Standards Index

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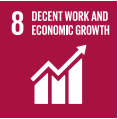
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*Application to all the employees

UN-SDGs

Changshin supports the UN Sustainable Development Goals (SDGs). Besides, it is fulfilling its corporate role and responsibility to achieve the following goals.

SDGs Goals		Key activities of Changshin
	End poverty in all its forms everywhere	Education and infrastructure support for the future growth of low-income children in global communities
	Ensure healthy lives and promote well-being for all at all ages	Establishment of occupational health and safety management system Risk assessment and management of occupational health and safety Activities to reduce air/water pollutants Establishment and minimization of hazardous chemical materials management system
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Operation of talent development programs and improvement of organizational culture
	Achieve gender equality and empower all women and girls	Implementation and dissemination of DE&I (Diversity, Equity, and Inclusion) education Various programs for fostering women leaders of health programs for women Recognition as an excellent company for women-friendly policies
	Ensure availability and sustainable management of water and sanitation for all	Activities for wastewater reduction and reuse
	Ensure access to affordable, reliable, sustainable and modern energy for all	Expansion of renewable energy and energy data management Facility replacement for energy efficiency improvement
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Technological enhancement through data innovation Support for enhancing capabilities of partner companies Recognition as a safe and excellent company in employment
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Ensuring competitiveness through data technology innovation and Lean innovative culture

SDGs Goals		Key activities of Changshin
	Reduce inequality within and among countries	Establishment of human rights management policy Implementation and dissemination of DE&I (Diversity, Equity, and Inclusion) education Operation of channels for human rights grievances
	Make cities and human settlements inclusive, safe, resilient and sustainable	Management of disaster response and emergency situations Improvement of housing environment for global vulnerable groups
	Ensure sustainable consumption and production patterns	Production of products through waste recycling Increased awareness through environmental campaigns for eco-friendliness
	Take urgent action to combat climate change and its impacts	Climate change response Establishment of greenhouse gas(GHG) reduction strategies and targets
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Environmental clean-up activities for ecosystem conservation
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Tree donation activities for environmental protection
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Strengthening and operation of expertise of BOD Compliance and ethical management Sustainable decision-making through risk management
	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Promotion of co-prosperity with partner companies Establishment of ESG (Environmental, Social, and Governance) promotion system Collaboration with global local governments and others

Independent Assurance Statement

To: The Stakeholders of Changshin

Introduction

Korea Value Convergence Association(the ‘assurance provider’ hereafter) has been engaged by Changshin to conduct an independent assurance of its 2023 Sustainability Report(the ‘Report’ hereafter). This assurance statement applies to the related information included within the scope of work described below. The information and its presentation in the Report are the sole responsibility of the management of Changshin. Our sole responsibility was to provide independent assurance on its content.

Scope and Criteria

The assurance process was conducted in accordance with AA1000AS v3, an international assurance standard. 'Type 2', which evaluates the application of four principles such as inclusivity, materiality, responsiveness, and impact, information collection process and system, and reliability and quality of disclosed information, and 'Moderate Level' based on limitedly collected evidence was applied. GRI(Global Reporting Initiative) Standards and ISO 26000 were also used. The scope of work included:

- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyze and review the information reported.
- Evaluation of the Report against the main principles of the Assurance Standard- Inclusivity, Materiality, Responsiveness, Impact.
- Reliability of data and information.

Methodology

As part of its independent assurance, the assurance provider undertook the following activities.

- Review of documentary evidence produced by Changshin.
- Review of data and information systems for collection, aggregation and analysis.
- Interviews with relevant personnel of Changshin.

Our work was conducted against standard procedures and guidelines for external assurance of sustainability reports.

Conclusions

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

- The report appropriately reflects the application of the principle of inclusivity. Inclusivity is actively identifying stakeholders and enabling their participation in establishing an organization's material sustainability topics and developing a strategic response to them. An inclusive organization accepts its accountability to those on whom it has an impact and to those who have an impact on it. Changshin identified key stakeholders such as customers, employees, local communities, suppliers, and the government, and operated an official stakeholder engagement program.
- The report appropriately reflects the application of the materiality principle. Materiality relates to identifying and prioritising the most relevant sustainability topics, taking into account the effect each topic has on an organization and its stakeholders. A material topic is a topic that will substantively influence and impact the assessments, decisions, actions and performance of an organization and its stakeholders in the short, medium and long term. Changshin derived material

issues through a double materiality assessment to consider both the impact on the company's financial performance and the impact on the environment and society.

- The report appropriately reflects the application of the principle of responsiveness. Responsiveness is an organization's timely and relevant reaction to material sustainability topics and their related impacts. Responsiveness is realized through decisions, actions and performance, as well as communication with stakeholders. Changshin reflected material issues in the organization's strategies and activities and responded appropriately to the needs of stakeholders.
- The report appropriately reflects the application of the impact principle. Impact is the effect of behaviour, performance and/or outcomes, on the part of individuals or an organisation, on the economy, the environment, society, stakeholders or the organisation itself. Material topics have potential direct and indirect impacts which may be positive or negative, intended or unintended, expected or realized, and short, medium or long term. Changshin is identifying and evaluating the impact, and disclosing the impact determined by each material issue through the report.
- Changshin has established appropriate systems for the collection, aggregation and analysis of relevant information. The information and data included in the Report are accurate, reliable and free from material mistake or misstatement.

Recommendation

The following is a recommendation which does not affect our conclusions on the assurance statement. Based on the work conducted, we recommend Changshin to consider the following. For areas where key performance indicators(KPIs) for each sustainability subject have not yet been prepared, it is recommended to develop and manage new key performance indicators(KPIs) using relevant global standards such as GRI Standards and ISO 26000.

Independence and Competencies

No member of the assurance team has a business relationship with Changshin. We have conducted this assurance independently, and there has been no conflict of interest. The assurance team consists of the best experts equipped with sufficient knowledge and expertise in the relevant areas.

Hyun Lee, Head of ESG Assurance Committee,
Korea Value Convergence Association

Hyun Lee



Awards & Certifications

Awards

Sort	Awards(2021 ~ March 2023)	Governing body	Date
Changshin Inc.	Selected as an excellent case of "Company focused on developing sewing skills and craftsmanship"	Korea SMEs and Startups Agency	February 2022
	Grand Prize at "education program sector (Sewing Craftsmanship development training)"	Human Resource Development Association	April 2022
Changshin Vietnam	Class-2 labor medal by the prime minister of Vietnam	Ministry of Labor	October 2020
	Dong Nai Red Cross award	Dong Nai Red Cross	January 2021
	Excellence award for COVID-19 prevention	Dong Nai People committee	December 2021
	Dong Nai government achievement award	Dong Nai Provincial Government	April 2022
	Award as outstanding case of summer volunteer activities	Dong Nai Provincial Youth Union	September 2022
	Excellence award for humanitarian activities	Nghệ An Red Cross	November 2022
	Excellent company for employment management	Jiaozhou Human Resources and Social Security Administration	February 2021
Changshin China	National Blue Award from Environmental Ministry Indonesia	Ministry of Environment and Forestry	January 2020
Changshin Indonesia	Excellent company for COVID-19 disinfection	Karawang local government	June 2020
	Excellent company for paying medical insurance	Western Java state Social Security Agency	July 2020
	Excellent company for paying medical insurance	Karawang County Social Security Agency	August 2020
	2020 Outstanding private company	Karawang local government	September 2020
	Excellent company for hiring disabled persons	Indonesia Disabled Persons Management Corporation	December 2020
	2021 Excellent company for hiring disabled persons	Local representative council	April 2021
	Social security system(BPJS) excellent company	Social Security Agency	September 2021
	Won the award of GP2SP (female workers' health campaign)	Western Java state governor	November 2021

Sort	Awards(2021 ~ March 2023)	Governing body	Date
Changshin Indonesia	National Women Health Awards	Minister of Health of the Republic of Indonesia	November 2021
	CSR excellent company	Karawang local government	December 2021
	Excellent company for responding to COVID-19	Karawang local government	December 2021
	National Blue Award from Environmental Ministry Indonesia	Ministry of Environment and Forestry	December 2021
	Excellent company for hiring disabled persons	Karawang local government	February 2022
	Indonesia Labor Ministry Award (Excellent company for COVID-19 disinfection)	Ministry of Manpower of the Republic of Indonesia	May 2022
	Indonesia Labor Ministry Award (Award for preventing and managing HIV AIDS)	Ministry of Manpower of the Republic of Indonesia	May 2022
	Social security system(BPJS) excellent company	Social Security Agency	June 2022
	Achievement award for participating in the business for improving public hospital	Karawang local government	September 2022
	Excellence award by Social Security & Employment Ministry	Social Security & Employment Ministry	November 2022
	Western Java State CSR Excellent Company	Western Java State	December 2022
	Karawang County CSR Excellent Company	Karawang local government	December 2022
	National Blue Award from Environmental Ministry Indonesia	Ministry of Environment and Forestry	March 2023
	Excellent company for hiring disabled persons	Garut local government	December 2021
	Excellent company for hiring female and disabled persons	Western Java State	April 2022
Changshin Reksa Jaya	Workplace COVID-19 Disinfection Excellent Company	Ministry of Manpower Republic of Indonesia	May 2022
	Workplace HIV AIDS Prevention Program Excellence Award	Ministry of Manpower Republic of Indonesia	May 2022
	Excellent company for hiring disabled persons	Western Java State	August 2022
	Excellent company for operating Labor-management meeting	Western Java State	September 2022
	Excellent company for implementing labor of Social Security Agency	Social Security Agency	March 2023

Awards & Certifications

Certifications

Place of business	Certification	Period	Governing Body
Changshin Inc.	ISO 45001	July 2023~July 2026	Korean Standards Association
Changshin Inc.	ISO 27001	March 2023~March 2026	IGC
Changshin Vietnam	ISO 14001	May 2021~May 2024	BSI
Changshin Vietnam	ISO 45001	May 2021~May 2024	BSI
Changshin Indonesia	ISO 14001	February 2023~February 2026	SGS
Changshin Indonesia	ISO 45001	February 2023~February 2026	SGS
Changshin Indonesia	ISO 14001	January 2023~January 2026	Sucofindo
Changshin Indonesia	ISO 45001	January 2023~January 2026	Sucofindo
Changshin Indonesia	ISO 50001	January 2023~January 2026	Sucofindo

Association Memberships

Sinpyeong Janglim Industrial Complex Management Corporation
Busan Branch of the Korea Environmental Preservation Association
Korean Personnel Improvement Association
Korea Electric Engineers Association
Korean Footwear Industries Association
Busan Chamber of Commerce and Industry
Korea International Trade Association
Korea Fire Safety Institute
Korea Management Association
Korea Productivity Center
Korea Industrial Safety Association
Human Resource Development Association
Indonesia Footwear Association (APRISINDO)
Korean Footwear Association (KOFA)

