

# MAKING PROGRESS ONE STITCH AT A TIME

Sustainability Report  
Fourth edition, 2015-2016

# WELCOME TO TAL APPAREL

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This is the fourth TAL Apparel biennial sustainability report, covering 2015 to 2016. An update to our [last report](#), it introduces new initiatives, and discusses the opportunities and challenges we experienced in the interim. The content reflects TAL Apparel's core values of honesty, integrity and commitment to stakeholders.

TAL Apparel is the manufacturing arm of the TAL Group, which offers a range of innovative products and services across various stages of the apparel supply chain. In addition to manufacturing garments under TAL Apparel Limited, the US-based Apparel Group Limited is active in wholesaling, providing design, merchandising and logistics management services to some of the world's top brands and retailers. We also provide apparel-related technological solutions and consultancy services via Weave Services Limited, TPC (HK) Limited, and Size Stream LLC.

The report is produced in accordance with the GRI Standards Core option. The GRI (Global Reporting Initiative) is the most widely used framework for sustainability reporting and includes agreed principles and metrics that make sustainability reports, including ours, more relevant and comparable.

**Comments, questions, concerns? Please contact us via [sustainability@talapparel.com](mailto:sustainability@talapparel.com)**



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# MANAGEMENT VIEWPOINTS



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## MESSAGE FROM THE CEO



Roger Lee, CEO

Thank you for taking the time to read our fourth sustainability report which explains the implementation of our triple bottom line approach: People, Planet and Profit.

On the business side, if you read our [previous reports](#), you will notice a shift in our manufacturing footprint.

In 2013, we undertook a large-scale review of our manufacturing footprint and where we should be locating our factories in the future. The most significant decision was opening our first factory in Africa.

After conducting two years of on-the-ground research, we decided to set up a garment manufacturing facility in Ethiopia. We foresee our first five years there will be a learning period that will let us understand the differences between operating in Africa and Asia.

At first we will employ expatriates in Ethiopia, recruited from our sister factories in Asia. During the first five years, we aim to develop a local team to take on more senior management roles and reduce the reliance on expatriates.

This is a serious undertaking for TAL. Ethiopia is still taking its first steps towards becoming an industrialized nation and there will be many unforeseen challenges. However, it has been extremely comforting and

exciting to see so many TAL people wanting to join us in Ethiopia as one of the first multinational apparel companies bringing employment to people there.

During this reporting period we have started to give more space to Health and Safety: we have developed a more focused Health and Safety strategy and we now need to strive for its implementation across all our manufacturing facilities.

On the environmental side, our program has now been running for a few years. We are embracing new challenges in our efforts to reach our ambitious greenhouse gas and water intensity reduction targets. We have also launched a waste management system in all our factories.

On the social side, we launched a comprehensive SOP communication program in all our manufacturing plants. Consequently we have updated our internal self-monitoring tool to incorporate the content of these SOPs.

Continuing on my theme from the [previous sustainability report](#), we are saddened to see little progress from brands when it comes to tackling the real question – how can the factories producing their garments be more environmentally and socially responsible while chasing lower production prices?

We see this contradiction as being the main sustainability roadblock at this level of the supply chain.

At the retail level, we believe too little effort is spent sharing the clear links between price, quality and sustainability with end-consumers.

Meanwhile, TAL has been closely involved in the development of the Higg Index. We are very keen to see consumer-facing labels that will allow people to understand the environmental, social and product sustainability impact of their garments.

We expect this level of transparency will allow consumers to make more informed choices and take greater responsibility for their buying decisions. The Higg index could be the catalyst for the industry to realize that consumers might want garments that have less environmental impact and more positive social impacts. As a consequence, these choices would have to be reflected in brand and retailer sourcing practices and costing priorities.

We are working with many other stakeholders to support the development and implementation of the Higg Index to make it ready for the consumer market. People often say change happens faster than ever and it is hard to keep up. In this specific case, change could not come fast enough!

## MESSAGE FROM THE PRESIDENT AND CTO



Dr Delman Lee, President & CTO

There is a clear commitment to sustainability at the senior level of our organization. Sustainability is one of eight important elements of our three-year business plan. However I wonder, will readers of this report conclude that sustainability is fully embedded in our organization?

We have been busy since our last report. To support our environmental initiatives we have fully adopted the facility module of the Higg Index to measure progress and drive improvement. For our social and labor efforts, we follow closely the themes under consideration for inclusion in the Higg Index. We have resumed improvements to our Health & Safety management system. We have also focused on enhancing our manufacturing facilities and processes.

In 2016 we were delighted to become a part of the Redress EcoChic Design Award, which gives young talented designers the opportunity to visit our factories and learn how to design products that can significantly improve manufacturing sustainability.

I deeply appreciate the efforts of everyone connected with these important activities.

Looking forward, I believe we, as a business, must continue to support global initiatives that address the core issues of sustainability in the fashion industry. For example, a circular economy is proposed as a tangible solution to the strains of mass production and consumption. How can we be meaningfully involved and contribute to the realization of a circular economy?

This report offers a perfect opportunity to reflect on our diligence and persistence of the past few years and to ask what degree is sustainability integral to our organization. We encourage a culture of transparency, openness and self-awareness. In that spirit, reader comments and questions are welcome.

## SUSTAINABILITY STRATEGY UPDATE



Christelle Esquirol, Vice President, Sustainability

Sustainability is part of TAL Apparel's eight value drivers we use to execute our company strategy. As with all the value drivers, our sustainability implementation is defined by a detailed three-year plan that is segmented into three main topics: Health and Safety, Environment, Social.

We prioritize our sustainability initiatives in line with the most material social, environmental and health and safety impacts of our business activities. In parallel, we take into consideration our main stakeholders' interests. So far, we have mainly been trying to address the needs of our employees and clients; however, we are dedicating significantly more efforts to our supply chain partners.

At times, it has been challenging to match our sustainability agenda and priorities with those of our partner brand and retailer clients. We have had interesting conversations explaining the rationale of our priorities, and aligning our sustainability focus with what we deeply believe in, the practical realities and the maturity of our industry. We deeply value our business partners who appreciate our commitment, understand our phased approach and respect our need for sustainability ownership.

In 2016, we directed a new focus on health and safety. We have developed a specific strategy for this topic which rests on four pillars:

- Leadership
- Management system
- Skills and competencies
- Employee engagement

The Health and Safety strategy was approved by the Executive Committee, and implementation details were developed as part of the 2016-2018 three-year plan.

At the industry level, we strongly believe in the necessity for the entire apparel sector to define and measure sustainability in a mutually beneficial way.

We have therefore been working at giving the Higg Index a more central role in our strategy. By using this wider framework, we intend to align the rest of the industry and the heart of our own strategy. We have started with the environmental section of the Higg as it is currently the most-developed part of the index; the social and labor portion is still at an early stage of conception.

At the end of 2016, we made the decision to join the [Social and Labour Convergence Project](#) which aims to develop an industry-wide assessment framework to collect data to measure social and labor conditions. Hopefully this will encourage our industry's brands and retailers to replace their current proprietary social and labor measurement tools. The content of the Social and Labour Convergence tool will populate the Higg Index Social Facility Module in the future. We support this industry initiative as we are currently suffering from many brand and retailer auditing requirements that dissipate resources and effort.

Finally, to have a fully integrated sustainability strategy, we believe it is essential for us to correlate our clients' sourcing strategy and our sustainability performance. We ultimately believe that our sustainability commitment and efforts should be in line with the cost of our products. While we have seen more openness on this topic in the industry overall, we still see discrepancies. We understand we need to work hard to align these two concepts. I suspect that, like our other efforts, we will also eventually make progress here, one stitch at a time!

# SCOPE OF THIS REPORT



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## SCOPE OF THIS REPORT

The purpose of this report is to share our performance in a relevant, balanced and complete way.

We ask ourselves two questions when developing the content: Will a topic illuminate the significant economic, environmental and social effects of our operations? And will it influence our stakeholders' decisions, livelihoods or perceptions of us?

### THE IMPACT WE MAKE

When assessing our economic, environmental and social impact, we score a topic on a one-to-five scale according to three main criteria - *likelihood*, *severity* and *responsibility*.

### STAKEHOLDER PERSPECTIVES

Next, we consider the concerns of five key stakeholder groups:

- Employees
- Customers
- Management
- Community
- Supply chain partners

Instead of commissioning formal independent surveys, we are informed by daily operational reports and interactions with these groups.

We also assess the degree that each group will expect us to be transparent or accountable on a particular topic and rate it on a one-to-five scale.

For details of our methodology, please refer to page 15 of our [2013 - 2014 report](#).

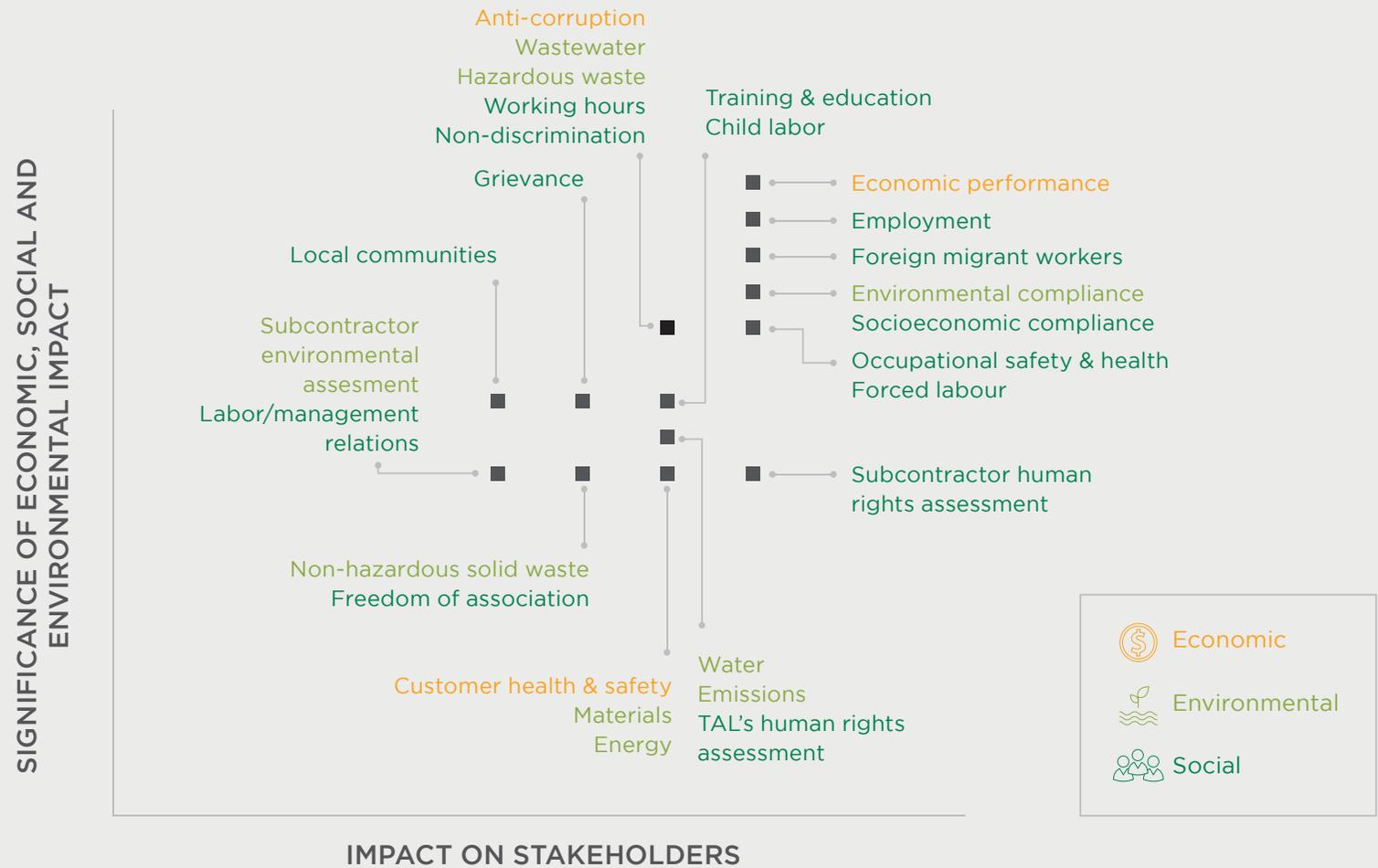
CRITERIA	DEFINITION
Likelihood	How often we are exposed to risk, the possibility of an incident reoccurring. The probability we might need a natural resource.
Severity	Degree of impact on the physical and mental health of those involved in an incident or non-compliance. The degree of our effect on a natural resource that we need either for business-as-usual or in an emergency.
Responsibility	The degree of control and accountability we have in relation to the topic being addressed.
STAKEHOLDER GROUP	INFORMATION SOURCE
Customers	Code of conduct, sustainability reports, vendor sustainability programs and audits
Employees	Engagement surveys and informal feedback
Management	Company strategy, vision and objectives
Supply chain partners	Industry and NGO reports, informal feedback
Community	Industry and NGO reports

# SCOPE OF THIS REPORT

## MATERIALITY ASSESSMENT

We plot each sustainability topic onto a materiality matrix to discern the significance of our impact and importance to our stakeholders. The following material topics are covered in detail in this report.

## MATERIALITY MATRIX



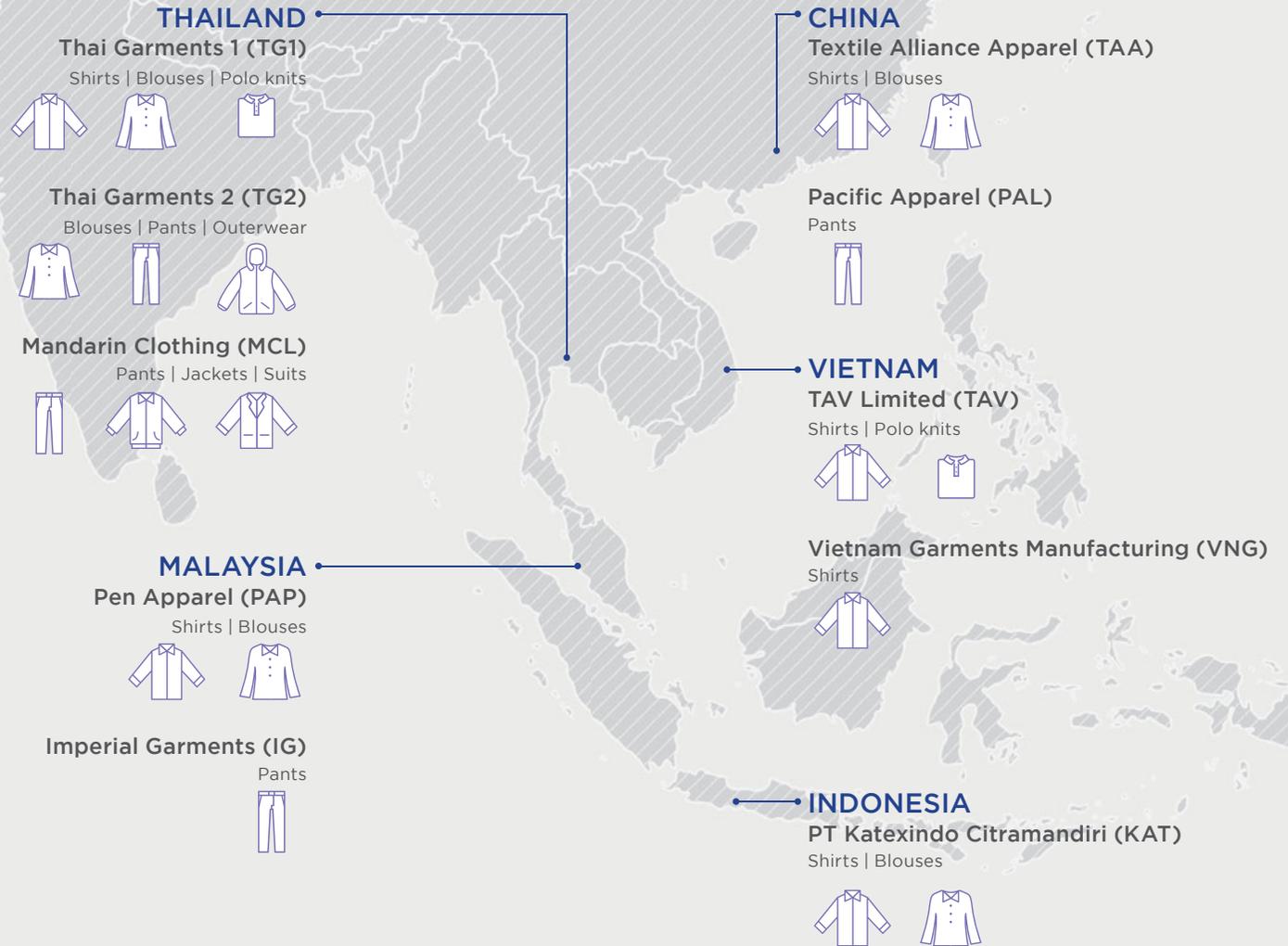
# BUSINESS



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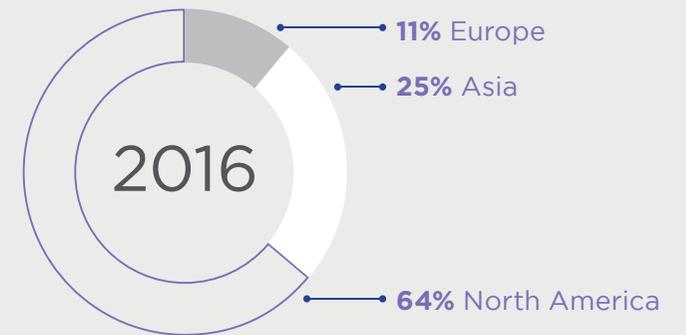
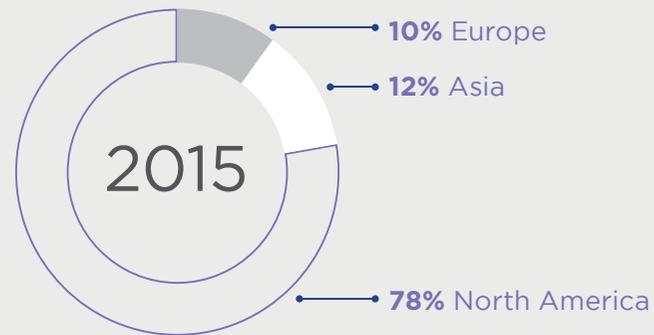
# WHERE WE OPERATE

Headquartered in Hong Kong, we operate 10 factories in five countries with various capabilities.

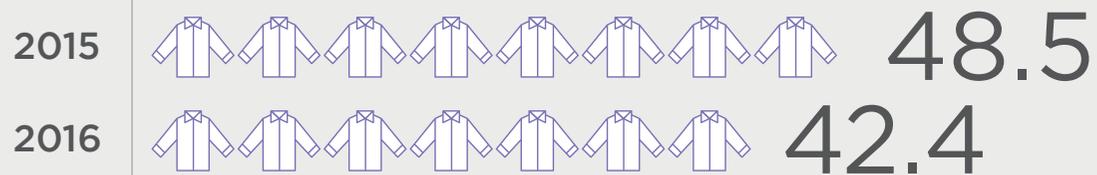


# BUSINESS PERFORMANCE

## SALES BY REGION



## TOTAL GARMENTS SOLD (MILLIONS OF PIECES)



## STRATEGIC INITIATIVES

Since our founding we have dedicated our efforts to becoming a world-class apparel manufacturer. Our core beliefs include innovation, service, quality and people. Adhering to these beliefs helps us to strive towards a positive ongoing impact on our business, the environment and global society.

We aim for continual improvement by building on the eight value drivers introduced in 2014. In 2016 we achieved 16 initiatives designed to enhance our customer and employee experiences, and build our core strengths.

In line with our long-term capital investment strategy we recently commissioned two new factories in Vietnam and Ethiopia. Our pioneering entry into Ethiopia illustrates how we continue to optimize our manufacturing footprint.

To achieve long-term success, we continue to invest in tools and infrastructure that will enable us to consistently manufacture products tailored to the exact needs of our customers.

Our processes and supply chain solutions are optimized to produce technologically advanced garments characterized by style, comfort and functionality.

We aim to empower the people who work with us, and contribute positively to the communities in which we operate. We are committed to a sustainable approach to business.

### OUR VALUE DRIVERS



Lead time



Profit



Quality



Product innovation



On-time delivery



Replenishment solutions



People



Sustainability

# BUSINESS CHALLENGES

Slowing sales and rising costs continue to be our major challenges.

## SLOWING SALES, RISING COSTS

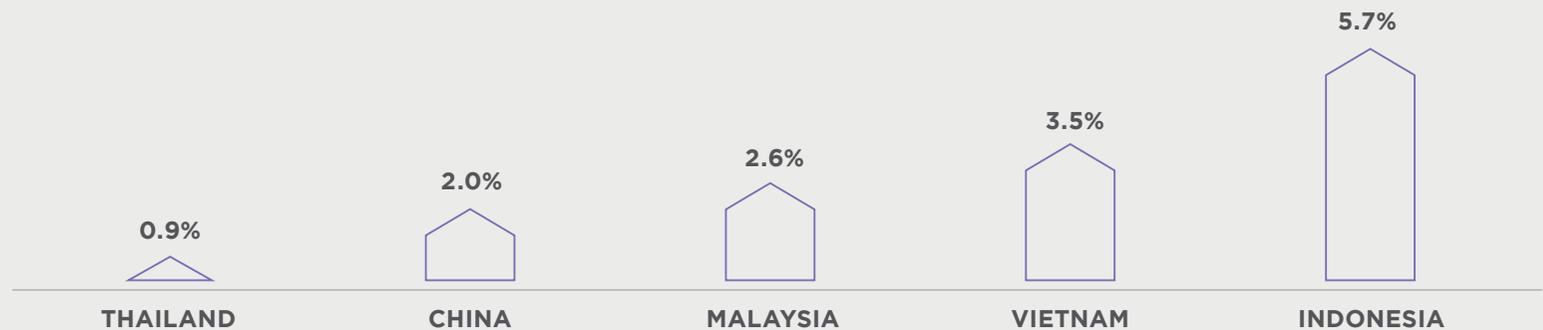
Although the US retail industry began to pick up in 2015 and 2016, the lingering effects of the 2007 to 2008 recession are still discernible in the relatively weak retail economy. This is particularly evident in the apparel industry. The 2016 Thanksgiving and Christmas retail sales were slower than expected. Nordstrom, Kohl's, J. Crew and many other big US retailers have experienced dropping sales and store closures. Decreasing consumer appetite

and increasing bricks-and-mortar operating costs have brought margin pressures and operational challenges to the manufacturing side.

Meanwhile, manufacturing costs keep increasing. In our Asian manufacturing countries, the average annual inflation ranged between 0.9 percent and 5.7 percent from 2013 to 2016. Rising labor costs add to the challenge. For example, in Dongguan China, average wages in 2016 were about one-third higher than in 2013.

Our Malaysian operations also experienced its longest restriction on hiring foreign labor as the Malaysian government issued a policy banning migrant workers in 2016. The majority of workers in our two Malaysian factories are foreign migrants from neighboring Asian countries. We had to freeze foreign hiring for most of the year, which led to huge challenges in both human resources and relevant costs.

## AVERAGE ANNUAL INFLATION RATE (2013 TO 2016)



## MAJOR BUSINESS CHANGES

During the past two years we worked to rebalance our manufacturing footprint to support our continuous growth.

### BIGGER COMMITMENT TO VIETNAM

Vietnam Garments Manufacturing commenced operation in late 2015 and was officially inaugurated in October 2016. Located in Vinh Phuc Province, Binh Xuyen District, it is our second shirt factory in Vietnam and projected to be the largest TAL Apparel factory.

In line with TAL's commitment to sustainability, the factory is built in accordance with Leadership in Energy & Environmental Design (LEED) requirements.



Vietnam Garments Manufacturing will become our largest factory

The factory employed over 1,000 people by the end of 2016. It is expected to create around 8,000 jobs in the region when fully operational.

Shift operations have started in both our Vietnam factories. The two-shift rotation increases capacity and lets us fill orders faster.

### NEW FACTORY IN ETHIOPIA

In 2016 we decided to set up a shirt factory in Ethiopia to take advantage of cost benefits arising from the African Growth and Opportunity Act

(AGOA). This essentially waives all duties for products exported from Ethiopia to the US.

The vast majority of Ethiopia's 90 million people lack full-time employment. With the support of the Ethiopian government, our factory there will provide over 5,000 stable jobs when fully operational.

The factory will start operations in 2017.



New TAL team members from Ethiopia being trained in Indonesia

## MAJOR BUSINESS CHANGES

### CHINA CLOSURES

After struggling for many years with ever-increasing costs and falling margins, we began the process of closing Pacific Apparel in China.

In June 2015 we regrettably announced this closure. The situation was explained in detail to our employees – how the closure would impact them and efforts we have made to minimize these impacts.

Some staff had the opportunity to join other TAL factories. Laid off workers received severance pay above local legal requirements.

In 2016, the hiring freeze announced by the Malaysian government impeded the transfer of orders from Pacific Apparel, and led to the postponement of the closure to 2017.

Our manufacturing rebalancing also saw the closure of Cheong Shun Garments, our small factory in Hong Kong.

### NEW INITIATIVES, NEW OPPORTUNITIES

In addition to the manufacturing changes, we also built stronger partnerships with our long-term customers.

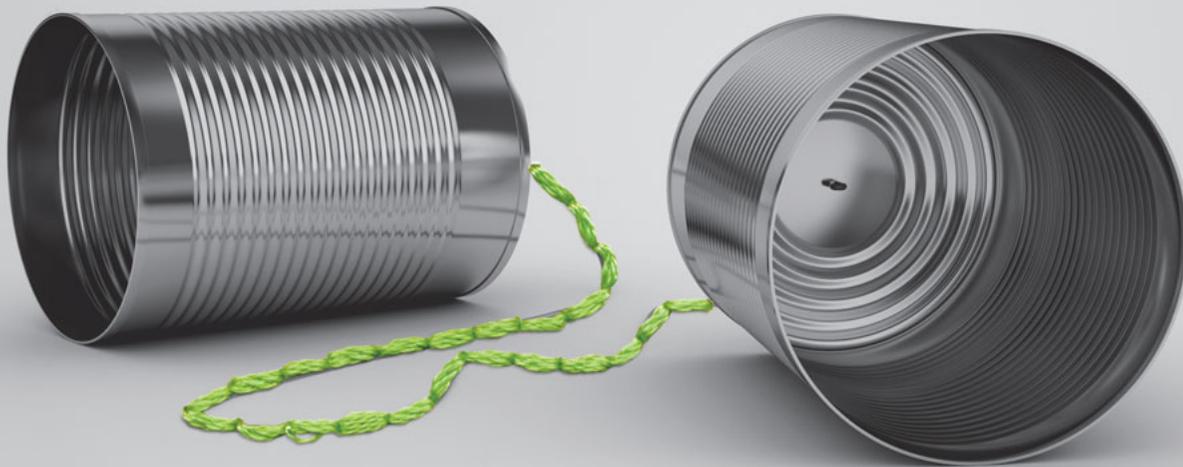
In 2016 we started working with Brooks Brothers' shirt factory in Garland, North Carolina to share best practices in manufacturing. We also helped and gave advice on the potential new Burberry factory in England. These two examples demonstrate how we are deepening the buyer-supplier relationship into stronger, more sustainable partnerships.

To build our brand value among customers, we launched a new website with a more user-friendly, modern interface at [www.talapparel.com](http://www.talapparel.com).



Last days for Pacific Apparel

# SOCIAL AND LABOR

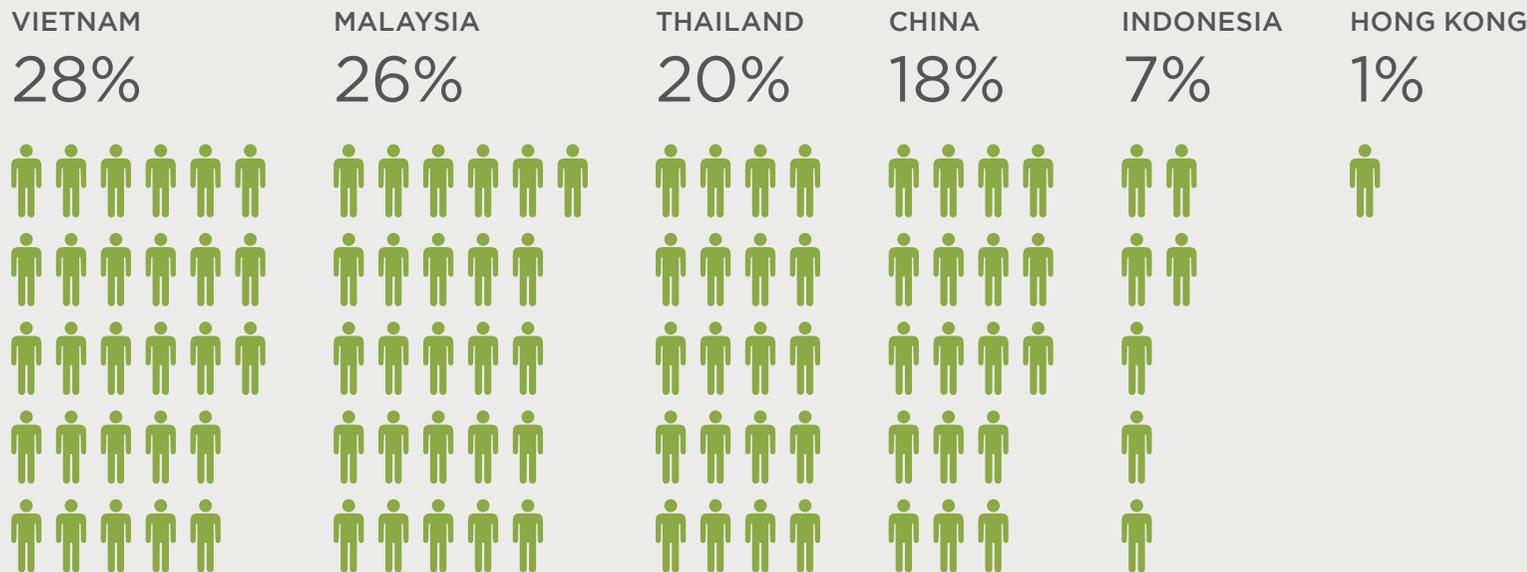


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# SOCIAL AND LABOR PROGRAM HIGHLIGHTS

Total number of employees as of December 2016:  
**22,344**

## EMPLOYEES BY REGION IN 2016



## KEY FACTS ABOUT OUR WORKERS IN 2016

GENDER		AGE		NATIONALITY	
Female	80%	<30	52%	Local	73%
Male	20%	30-50	45%	Foreign	27%
		>50	3%		

# SOCIAL AND LABOR PROGRAM HIGHLIGHTS

## LABOR SOPs COMMUNICATED IN 2016



Working hours



Exceptional working hours



Compensation and benefits



Prohibition of forced labor

**>16,500**  
EMPLOYEES ENGAGED IN  
**LABOR COMPLIANCE TRAINING**  
IN 2016

## LABOR SOPs TO BE COMMUNICATED IN 2017 AND 2018



Grievance

Freedom of association

Anti-harassment

Non-discrimination

Disciplinary action

Subcontractor screening

Prohibition of child labor

Young workers

## SOCIAL AND LABOR MANAGEMENT SYSTEM

Our social and labor management system aims to help our facilities maintain social and labor standards.

### MANAGEMENT SYSTEM RATIONALE

We can only achieve sustainability if our entire team totally supports our efforts. That means everyone at TAL must keep sustainability top-of-mind. To encourage this we have implemented a social and labor management system that aims to help everyone at our facilities to maintain social and labor standards.

Our management system's Plan, Do, Check and Act approach is proven to raise the standards of industrial operations ([see page 27 of our 2013 - 2014 report](#)). It is ideal to implement alongside local standards in our factories worldwide.

### SOCIAL SUSTAINABILITY MANAGEMENT SYSTEM

Ethical Business Practices (EBP) is the highest level document endorsed by TAL's top management. It outlines our commitment to sustainability. Our social and labor management system builds upon this document and includes Standard Operating Procedures (SOP) for each topic detailed in the EBP. These span many areas, from working hours, wages and benefits to the prohibition of forced labor, anti-discrimination, anti-harassment and freedom of association.

Our management systems are designed in line with local and international benchmarks to ensure the rights of our employees are respected and they are always treated fairly.

### THREE-YEAR SOP TRAINING PLAN

Achieving strong and consistent sustainability performance is a complex challenge. Success depends entirely on the people involved. Training is critical to engage individuals at every level and in every team to ensure everyone understands the SOPs and how to play their part.

We aim to distribute the SOPs and communicate the plan within three years, from 2016 to 2018.

In 2016 we focused on four SOPs - Working hours, exceptional working hours, compensation and benefits, and the prohibition of forced labor.

### SOP IMPLEMENTATION SCHEDULE

#### 2016

- A. Working hours, exceptional working hours, compensation and benefits, prohibition of forced labor
- B. Foreign migrant worker recruitment agencies management, foreign migrant worker recruitment fees loan management

#### 2017

- A. Freedom of association, anti-harassment, non-discrimination, disciplinary action
- B. Subcontractor screening

#### 2018

- A. Grievance
- B. Prohibition of child labor, young workers

# SOCIAL AND LABOR MANAGEMENT SYSTEM

## COMMUNICATION AND TRAINING

Our management system rollout plan is designed to ensure consistent levels of compliance across the company. Communication is the key to achieving this.

At the first level of our three-stage communication plan, our Sustainability team trains each factory's Human Capital Management (HCM) team to understand the SOP standards.

On the second level, the HCM team trains the managers and supervisors of other departments.

Finally, at the third level, production managers and supervisors train workers to understand the SOP.

Training materials for each level have been tailored to match the trainee's job responsibility. For example, the Operations Director needs a more in-depth understanding of rules and best practices than a sewing operator.

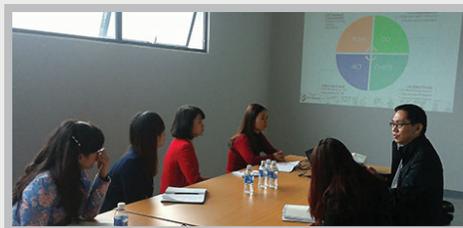
Training at levels one and two usually takes place in a classroom. It is more practical to provide level three training on the production floor.

Communication is enhanced with activities, games, public announcements and posters. Each factory is encouraged to think of creative ways to disseminate important information in a way that will appeal to their workers.

## CASCADING SOP COMMUNICATION

### LEVEL 1

- Conducted by sustainability team
- Target audience – factory HCM and compliance team
- English



TAL's sustainability team provides level one training to the HCM team in Vietnam

### LEVEL 2

- Conducted by factory's HCM and compliance team
- Target audience – factory management team
- English and local language



The factory HCM team in Vietnam share their level two training with their management team

### LEVEL 3

- Conducted by factory management team
- Target audience – workers
- Local language



Managers in our Thailand factory bringing level three training to sewing operators

## SOCIAL AND LABOR MANAGEMENT SYSTEM

### CHALLENGES

It requires considerable resources and determination to communicate SOPs to everyone. With factory teams ranging from 800 to more than 5,000 employees, numerous training sessions must be conducted.

Management faced difficulties fitting training into tight schedules during peak production seasons. Some management teams lacked the confidence to conduct training sessions and needed the help of HCM teams.

Language is also another barrier. Our factories are located in five countries, each with a different national language. Plus our foreign migrant workers in Malaysia and Thailand speak different languages. These factories had to involve translators to help bring workers training materials in their own language.

In spite of the obstacles, our factories completed 75% of the training scheduled for 2016, covering more than 16,500 employees. Training will continue until completion in 2017.

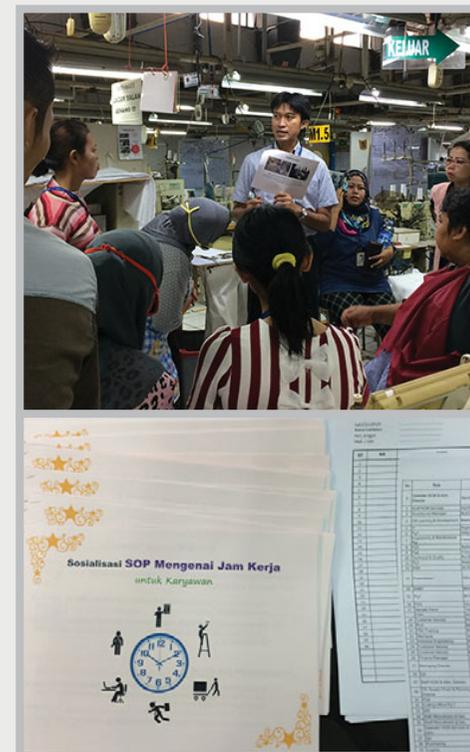
### LOOKING AHEAD

Our experiences in 2016 helped us to identify areas to be improved in the second year of our social and labor management system communication program.

We shared experiences and reviewed the difficulties encountered in our factories.

For the second phase of training in 2017 and 2018, factories will be required to submit in advance details of their training plans. Implementation will be tracked monthly. Following their initial experience, factory teams will better understand the effort, time and resources needed to complete the training and be able to plan better.

Communication is a two-way street. It is essential that we ensure everyone understands each SOP. In 2016 we realized we were not evaluating the effectiveness of our training program. In response we began to develop an appropriate methodology to achieve this. We aim to introduce effectiveness metrics in the second phase of the SOP training.



Materials in Bahasa for level three training in Indonesia

## SOCIAL AND LABOR MANAGEMENT SYSTEM

✓ Implemented

∞ In progress

⌚ To be developed in the next 2 years

### SUMMARY OF ACTIONS TAKEN AND INTENDED

	Topic	Written SOP	SOP trained to relevant employees	SOP implementation assessed through monthly self-monitoring	Corrective actions followed up through monthly reporting
1	Prohibition of forced labor	✓	✓	✓	✓
2	Working hours and exceptional working hours	✓	✓	✓	✓
3	Compensation and benefits	✓	✓	✓	✓
4	Foreign migrant workers <ul style="list-style-type: none"> <li>• Recruitment agencies management</li> <li>• Recruitment fees loan management</li> </ul>	✓	✓	⌚	⌚
5	Anti-harassment and abuse	∞	⌚	⌚	⌚
6	Non-discrimination	∞	⌚	⌚	⌚
7	Freedom of association	∞	⌚	⌚	⌚
8	Labor incident investigation	∞	⌚	⌚	⌚
9	Grievance	∞	⌚	⌚	⌚
10	Disciplinary action	∞	⌚	⌚	⌚
11	Prohibition of child labor	⌚	⌚	⌚	⌚
12	Young workers	⌚	⌚	⌚	⌚

## SOCIAL AND LABOR MANAGEMENT SYSTEM

### UPDATING OUR SELF-MONITORING PROGRAM

Self-monitoring has been the backbone of TAL's social sustainability program since 2012. During our self-monitoring audits we ask ourselves: Do our SOPs really cover everything we do? And how well do we follow each SOP? When we updated our management system in 2016 we issued ourselves a challenge - could we upgrade our self-monitoring approach and link SOP performance metrics directly to the management system?

In 2016 the sustainability team organized internal human resources system audits at each factory. We used these audits to better understand factory HR practices and how to align them with SOP requirements. We also checked each factory's self-reported compliance performance against the reality.

This rewarding process highlighted specific areas for improvement. For example, factories are required to have an "available and functional attendance system". However, onsite,

we saw some factory teams overlooking inaccurate clock records and payments, marking themselves compliant simply because workers clock in and out.

We also found some teams only reviewed policy statements, while others diligently cross-referenced policies with HR records. The source of this inconsistency was a lack of guidelines for auditing each requirement.

### EVOLUTION OF THE SELF-MONITORING PROGRAM



# SOCIAL AND LABOR MANAGEMENT SYSTEM

Each factory applies different methods to check SOP implementation. This led to some omissions of requirements that were not fully understood. Audit depth and accuracy varied greatly even though each factory followed the same checklist. We concluded that we needed an agreed standard for our self-monitoring approach.

Updating the self-monitoring tool was a huge endeavor. We meticulously mapped the audit checklist with the four SOPs we introduced in 2016. We

developed detailed guidance about how to interview workers, observe factory operations, review documents and select representative samples for analysis.

Upon completing an audit, factories were required to attach notes and records clarifying compliance or non-compliance.

This methodology was tested then implemented at the end of 2016. As we roll out new SOPs we will continue

to update the audit checklist topic-by-topic. This new approach will enable us to measurably improve our management system.

In our [previous report \(p.26-29\)](#), we explained how we measured a factory's ability to implement corrective action in a sustainable and timely way. We hope that our improved self-monitoring program will let us measure the robustness of our management system as well as the quality of corrective actions.

Question Number	Topic (Purpose)	Audit Standard Item	Important *	Question Number	How to Assess	Audit Frequency	Type of Checking	compliant/ non-compliant? (Please note N/A if an item is not relevant to you)	Please Attach or Upload in Sharepoint...	Prepared: Yes/No/NA
	Working Hours Standard (Ensure that WH standards are followed)	1. Total working hours must not exceed 12 hours per day. 2. Employees have at least one day off in every consecutive 7-day period. 3. All legally required and contractually agreed rest breaks are provided. 4. Workers should have a minimum rest period of 11 consecutive hours before the next shift. 5. Total overtime hours must not exceed 40 hours per year.	Critical	WHE_01_01	1. Check attendance record sample for exceptional working in the past 2 months: (a) Identify and report the maximum daily hours worked (b) Identify and report the maximum consecutive days worked (c) Identify and report if workers have taken all the required breaks (between shifts, OT break, etc.) 2. Report exceptional working cases found through other channels.	Monthly	Attendance record		Name list of your worker sample 1 example of attendance record (for 1 worker only) (If there is exceptional working, attach clocking record from relevant case(s))	No
			Critical	WHE_01_02	2. Ensure that factory monitors 6-month rolling average for every worker and identify promptly every case exceeding the standard: a. Report if every worker in your sample is included in the working hours monitoring report. b. For your sample, report the highest rolling average c. From the overall report, identify the highest rolling average. Report the worker's name and rolling average number. Note: Subcontractors may not measure rolling average like TAL. Please	Monthly	Working hours monitoring report			No

**Audit Standard Item** often refers to a legal requirement or TAL Apparel SOP requirement

**Pay attention and follow the How to Assess** guidelines

**Type of Checking** helps you to identify the documents and actions needed for the audit.

- Documentation review: Refer to the [Sampling Guide & Documentation Checklist](#) link below to compile all the documents needed for review
- Interview: Refer to the [Interview Guide](#) for sampling tips and questions list. Sometimes interviews are needed for workers, production staff and managers.
- Onsite observation: Follow "How to Assess" guidelines and record your methodology.

**Each audit item is categorized into Item Importance:**

Item Importance	Definition
Critical	<ul style="list-style-type: none"> <li>This is mandatory according to the <u>legal law</u>, either in local/universal convention/TAL standard in SOP</li> <li>Required to check during internal self-monitoring and subcontractor's screening</li> </ul>
Basic	<ul style="list-style-type: none"> <li>This is a fundamental workflow/ procedure/ system/ activity that support the process to ensure the Critical items are reached. Where non-compliance is found in Critical item, factories may go through the Basic items to help identify the root cause.</li> <li>Required to check during internal self-monitoring only</li> </ul>

**Pay attention to the Audit Frequency:**

- Monthly:** Check every time when you audit for this topic
- Annually:** Check only once every year (better at the start of year)

**Resources:** [Sampling Guide & Documents Checklist](#)  
[Sampling Guide & Interview Topics](#)

*\* Please note that the sample used for documents review and interview can be different. Please make sure to explain your methodology for clarity.*

## SOCIAL AND LABOR MANAGEMENT SYSTEM

Training and communication is critical to engage individuals at every level and in every team to play their part.

### SOP TRAINING - IN THEIR OWN WORDS

The training brought good opportunities to get closer to the workers and hear their voices and concerns. We will organize annual refresher training to help people remember the content.

 **TAV team - Vietnam**

Some employees found the translation of HR jargon confusing. Also, we decided to emphasize that we were refreshing everyone's understanding of current factory practices, as we have always implemented the SOP approach here. Presenting an existing initiative through a new training program might lead people to question our motives.

**Katexindo team - Indonesia** 

 **Textile Alliance Apparel team - China**

The cascading training method requires supervisors to thoroughly understand the SOPs before training their teams. Supervisors need a new mindset because in the past HR teams trained everyone. A supervisor who understands the SOP will be able to train newcomers at any time without the involvement of the HR team. HR jargon should be simplified and explanations illustrated with examples. This will help supervisors take ownership of the training.

 **Mandarin Clothing team - Thailand**

We found the training sessions useful. Many employees took the opportunity to raise questions around SOP topics. In future classes, we will be better prepared to answer those questions with details and examples. To help people remember, it may be useful to explore other training methods, such as videos.

**Thai Garment team - Thailand** 

The effort of training led management to worry about its impact on the production schedule. We eased their concerns by including the SOP training in monthly KPI metrics. Because the training was delivered inconsistently across various teams, we are considering to reinforce understanding via other communication channels.

**Pen Apparel team - Malaysia** 

The many languages spoken by our foreign migrant workers presented challenges. Training materials in English, Mandarin and Malay did not cover everyone so we engaged translators to help with training in the other languages. Logistics presented another obstacle. The huge size of our workforce made it difficult to manually track attendance and ensure that every worker had been trained.

To enhance level two training we encouraged participants to share their ideas. We believe the sharing sessions raised understanding and awareness among the management team. We also encourage employees to teach and learn from each other. The interaction helps us measure how well people understand the training.

**Imperial Garments team - Malaysia** 

## EXTERNAL AUDITS

Every year, customers audit our factories to gauge our level of social compliance. In 2015 and 2016 we underwent 66 and 55 audits respectively, exceeding previous years. Our Malaysia and Vietnam factories were the most intensely audited.

As in previous reports, the top labor findings concerned working hours (37% of all audit findings from 2015 and 2016) and compensation and benefits (24%). Many customers insist we limit working hours to less than 60 per week.

Internally we control working hours to a rolling average of 60 hours per week per worker over a six-month period to enable flexibility in peak and valley seasons. Our internal management system ([see page 21](#)) and our self-

monitoring program ([page 25](#)) help us to comply with legal labor requirements, establish strong work processes and promptly identify and resolve non-compliance.

### HEALTH AND SAFETY

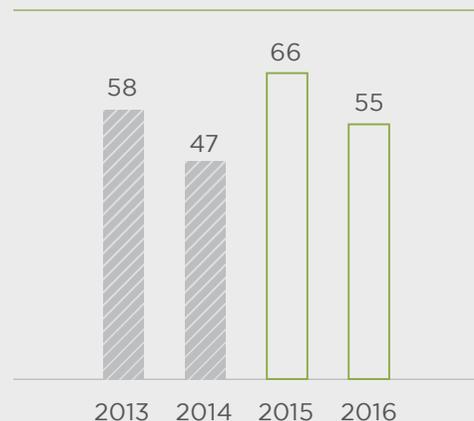
Health and safety findings are mostly related to fire safety (33%), chemical safety (15%) and machine safety (10%). We ensure compliance with these topics via our health and safety strategy ([page 44](#)), risk assessments ([page 45](#)), awareness-raising activities ([page 49](#)) and self-monitoring.

The status of findings are tracked and evaluated as part of each factory's monthly sustainability KPIs. When relevant we use audit results to assess gaps in our management system.

Access to wet process areas are restricted to personnel authorized to handle chemicals. Every six months we invite an external independent party to conduct an audit. This audit covers any aspect of compliance that cannot be assessed during a regular audit, including environmental and health and safety conditions. Results become part of the factory's monthly sustainability KPIs and are shared with customers.

In 2016 we reviewed the depth and accuracy of these audits and the requirements of our customers. As a result we launched an improved audit checklist with clearer guidance on how to determine compliance with each audit standard.

### NUMBER OF EXTERNAL AUDITS FROM 2013 TO 2016



### EXTERNAL AUDIT FINDINGS

LABOR	
Working hours	37%
Compensation & benefits	24%
General labor practices	14%
Migrant workers	11%
Other	14%

HEALTH & SAFETY	
Fire safety	33%
Chemical safety	15%
Machine safety	10%
Environment	9%
Health	9%
Other	24%

## EMPLOYEE ENGAGEMENT AND COMMUNICATION

### FREEDOM OF ASSOCIATION

Freedom of association and collective bargaining refers to the right of employees to freely form, join and operate unions, and to lawfully and peacefully bargain collectively for their benefit.

All employees at our factories in Thailand, Malaysia, Vietnam and Indonesia are covered by workers' unions and collective bargaining agreements (CBA).

In China the government does not allow workers to join or form unions of their choice as there is only one lawful union nationwide.

Unions provide channels for workers to express grievances. However sometimes workers feel an urgency to be heard without union support. As a result, four factories had brief work interruptions. All were peacefully resolved.

#### **One-day disruption at Vietnam Garments Manufacturing – February 2015**

After the Vietnam government introduced a new minimum wage in 2015, the factory tried to balance the cost of production by reducing worker performance incentives.

The change was made without notifying workers. Upset that the policy was changed abruptly without prior consultation, they spontaneously expressed dissatisfaction.

The factory subsequently reinstated the incentive scheme and paid the agreed incentives. The incident was the result of insufficiently developed HR systems at the new factory.

Management further reiterated HR policies, posted confirmed policies on a public notice board and supported the establishment of a union and internal grievance channels to handle future complaints.

#### **Two-day disruption at Thai Garment – November 2015**

A supervisor made physical gestures when embroiled in a work-related disagreement with a worker. The case was initially handled by HR and the supervisor given a warning letter.

Dissatisfied with the disciplinary measure, the worker encouraged others to protest. She compared her case with a previous case where employees found instigating a fight were dismissed. She felt the resolution of her case was inconsistent and insufficient. The factory investigated

and concluded that the case involved physical abuse and suspended the supervisor without pay for seven days.

The walk-out incident was a spontaneous event before dialogue with either the management or union. The factory subsequently conferred with worker representatives about the incident and took corrective action. The factory also reiterated grievance procedures and channels to workers.

#### **Three-day disruption at Imperial Garments in Malaysia – January 2016**

A group of Sri Lankan workers mistook net payment for gross payment. They challenged the factory for short paying them and walked out in protest.

Their basic salary was in fact aligned with the minimum wage. However their net pay was reduced by payments for legal deductions.

The factory subsequently redesigned the pay slip to clarify the difference between gross and net pay. Training materials were updated to include more details about wage calculations. To clear up any misunderstanding, net pay calculations were further explained during training sessions.

## EMPLOYEE ENGAGEMENT AND COMMUNICATION

### Half-day disruption at Pacific Apparel in China – June 2016

A group of workers became dissatisfied when they heard that the scheduled closure of the factory was to be postponed ([page 17](#)).

Initially the closure was planned for June 2016. However difficulties with order transfers required an unforeseen reschedule.

A group of workers confronted the management and demanded a firm commitment to the closure date.

The management explained to workers that the delay was unintended. They laid out the business difficulties that forced the postponement and all work resumed that afternoon.

### LESSONS LEARNED

These incidents suggest our internal grievance systems can be further strengthened to ensure employee complaints are settled satisfactorily at the lowest possible escalation level.

To upgrade our approach we will review existing policies, and benchmark against legal requirements and industry best practices.

In 2017 we will communicate our freedom of association SOP with associated training and self-monitoring tools, in line with our management system approach ([page 21](#)) to enhance the handling of labor incidents and related record-keeping.



Communicating with our employees and settling their complaints satisfactorily will be the key to preventing labor incidents

## EMPLOYEE ENGAGEMENT AND COMMUNICATION

### HANDLING GRIEVANCES

As a company with a sizable workforce we need to create grievance mechanisms to learn and resolve employee concerns and maintain harmonious relationships between workers and factory management.

In 2014 we introduced an ethics hotline for all employees in every TAL factory in China, Indonesia, Malaysia, Thailand and Vietnam ([see pages 33 and 34 of our 2013 - 2014 report](#)). This channel enables employees to lodge grievances in their native language.

In 2015 and 2016 the hotline continued to operate under the TAL Board of Directors, with support from the Internal Audit team. A number of whistleblowers provided email or voicemail reports relating to matters such as management interactions, labor practices and procurement practices. Cases with proven ill-intention were followed up with disciplinary action from management.

In those two years we have found the main challenge is obtaining sufficient evidence to adequately judge a complaint. Some whistleblowers may prefer to remain anonymous and not provide contact information for further clarification, or hesitate to offer details that might reveal his or her identity. Some reports may require longer term observation or monitoring to ensure that the required or expected practices are in place.

We are aware that workers often lack options and resources to protect themselves from unfair treatment at work. This awareness drives our determination to establish multiple internal grievance channels with multilingual access to hear and resolve complaints in a way that ensures confidentiality and non-retaliation. Our goals for the coming two years include fine-tuning internal grievance procedures and infrastructure.



Strengthening our internal grievance system will be our focus in the next two years

## HUMAN CAPITAL MANAGEMENT

### MANAGERIAL LEADERSHIP COMPETENCIES

In 2009 we introduced Managerial Leadership Competencies (MLCs) as a tool to help managers consistently coach and develop employees. The origins and rationale for this initiative are detailed on page 30 of our [2011-2012 Sustainability Report](#).

We currently have 33 in-house certified MLCs trainers for various functions and factories, and 17 more in training. Each annually provides over 800 hours of training designed to enhance work behavior and build personal development.

In response to feedback collected through numerous training sessions, program content in 2015 and 2016 evolved from describing the MLCs, to explaining how to apply them at work.

18 videos were produced showing real TAL people applying MLCs in real-life situations. The videos enriched the training workshops with participants able to observe and analyze real scenarios while enjoying the story. The videos stimulated discussion and allowed MLCs advocates to pinpoint key behavioral indicators.

To support MLCs advocates, we also created a facilitator's guide detailing workshop practice and expected learning outcomes. This tool will help us standardize the workshops, align key points across our factories and offices, and provide a framework for continuous content improvement.



MLCs video production

### FUNCTIONAL SKILLS TRAINING

*Go! Skills!* is the name of our functional skills (FSK) training program. It takes a methodical approach to analyzing, designing, developing, implementing and evaluating practical worker training.

Content is based on instructional design principles that are proven to help learners achieve their performance objectives.

The key components of our FSK programs are curriculum and framework development, train-the-trainer programs, and building a comprehensive reference library to retain and disseminate know-how.

The FSK program covers factory-based roles such as garment technician, quality assurance inspector and mechanic. The program graduated 470 participants in 2015 and 2016.

Since 2015 FSK has also been available in our Hong Kong office for sales, merchandising and marketing (SMM), and supply chain management (SCM) roles.

We also began developing a pants product knowledge training program for SMM teams in October 2015. The program was completed in January 2017 with 47 graduates.

## HUMAN CAPITAL MANAGEMENT

The 23 modules were presented in two levels to cover four major areas:

- Basic knowledge
- Materials and testing
- Pants production
- Related topics

Mr Shun Fong Yeung, a VP of our Sales, Merchandising and Marketing team who retired in August 2011, took the role of key subject matter expert to develop training content. To ensure effectiveness, trainers rehearsed the program before it was implemented.

We also launched a fabric knowledge training program for our Supply Chain Management team members in November 2016 that's still in progress with 17 participants. This program includes 17 modules at three levels.

### AWARD-WINNING APPROACH

Our *Go! Skills!* FSK program was awarded Bronze in the Award for Excellence in Training and Development 2016 by the Human Resources Development Management Committee of The Hong Kong Management Association (HKMA).

Our entry highlighted three key characteristics of the program:

**Consistency** – In terms of training analysis methodology, content, delivery and implementation among different factories.

**Scalability** – In terms of training analysis methodology, training progress, and evaluation of effectiveness.

**Continuity** – In terms of training content renewal, and ongoing implementation.

The Bronze Award helps to validate our efforts and investment in training and development.



An FSK session



The TAL team celebrates our Bronze Award for Excellence in Training and Development



An MLCs training day in Thailand

## HUMAN CAPITAL MANAGEMENT

### UPDATING OUR CORPORATE STRUCTURE

In late 2014 we introduced and implemented the standard factory structure (SFS) across all our factories ([for details see page 38 of our 2013-2014 Sustainability Report](#)).

We later introduced the same organizational concepts to our headquarters in 2015, along with standard job grades based on a reputable methodology, in the form of the standard corporate structure (SCS).



These initiatives seek to ensure our company has established the appropriate structure and roles to effectively achieve our business goals. By introducing a standard job grade system, we can benchmark salaries against the market and help attract more great talent.

Major changes to our structure include the following:

- We pride ourselves as being *The Garment Innovator* capable of delivering innovative products to our customers. To strengthen our innovation abilities we reorganized our R&D department into a Product Innovation (PI) function whose role is to conceive viable product innovations. The focus of PI extends beyond garment processing (the application of treatments to enhance performance) to garment engineering (how to better construct garments).
- Supply chain excellence continues to be a key differentiator to distinguish us from our competition. To sustain our competitive edge, we have consolidated the Material Sourcing, Production Planning & Control, and Replenishment Solutions departments into a Supply Chain Management function. This will offer better integrated Supply Chain solutions to internal and external customers.
- A standard structure improves our ability to adapt to a changing business landscape. In 2016 we established our financial planning and analysis team to enhance our approach to financial analysis and budgeting.
- Customers have become more concerned about the sustainability of their Tier 2 suppliers – our fabric mill, trims, chemicals and washing facility partners. We have added a specialist role to work exclusively with our supply chain partners to better serve customer needs.

We will continue to refine and adapt our corporate structure to offer superior support to all our business activities.



Our business support teams continually seek ways to improve our organization

# COMMUNITY ENGAGEMENT

Charitable donations in 2015-2016:  
**>US\$4 million**

## CHARITABLE DONATIONS

TAL Apparel and its associated family foundation contributed over US\$4 million in 2015 and 2016. Most of this went to scholarships for students conducting industry-relevant research and to children of TAL employees. Each year CC Lee Scholarships are awarded to enable gifted and academically outstanding children of our employees to pursue undergraduate studies in their country or overseas.

## DONATIONS FOR WORKERS AFFECTED BY NATURAL DISASTERS

Natural disasters struck in some of our employees' home countries. Nepalese immigrant workers in Malaysia were

affected by the 2015 Nepal earthquake, and other workers hit by severe flooding in Myanmar in 2015, and in Vietnam in 2016.

Following news of the earthquake, one factory collected staff donations and added another US\$10,000 to support our 150 Nepalese workers.

When accounts emerged of severe flooding in the Quang Binh province of Vietnam, some workers reported that the water rose to roof levels and damaged their rice fields, livestock and homes. The factory again launched a donations drive for the nine affected workers.

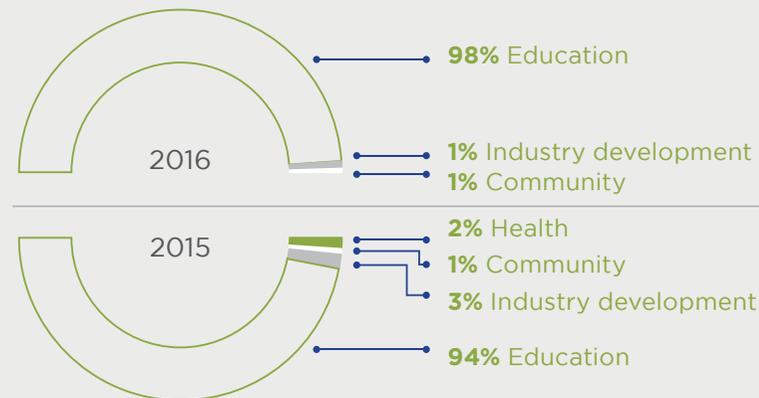


CC Lee Scholarships are presented at the TAL Annual Dinner



Malaysia factory team members rally to help those affected by natural disasters

## TAL APPAREL DONATIONS IN 2015-2016



## COMMUNITY ENGAGEMENT

During 2015 and 2016 we organized various activities to engage with our employees' families, give back to the community and support locally relevant causes. We share some of them below:

### SUPPORTING CHILDREN IN THAILAND

When possible we give surplus equipment, overstock garments and non-essential materials at factories a second life. Our Thai factories accordingly donated computers, uniforms and toys to local schools for underprivileged children.

In October 2015 a team from our Mandarin Clothing factory donated uniforms, snacks and toys to the 58 students of Baan Tab Kradan School. They also organized a talent show and game.

Meanwhile, Thai Garment gave uniforms, pillows and mosquito nets to the Rajchaburi Orphanage Home in March 2016.

### A SPORTS DAY IN CHINA

In July 2015 our Textile Alliance factory organized a sports day for employees and their children. Activities included games and a talent show.

### SHARING SKILLS IN MALAYSIA

Members of our Pen Apparel factory in Malaysia helped the Akademi Ilham Bestari (AIB) training center to develop their sewing skills curriculum. This win-win community initiative partnership helps AIB enhance its teaching and also potentially provides a pipeline of local workers.

### BLOOD DRIVES

Our Indonesia factory organized a blood drive in July 2016 with 48 donors.

Thai Garment organized three donations in 2015, each with close to 100 donors.

Pen Apparel in Malaysia added a complimentary health screening to their blood drive which attracted an overwhelming team response.

### SOCIAL ENTERPRISE BAZAAR IN HONG KONG

In 2015 and 2016 our Hong Kong office organized bazaars to support local social enterprises that provide healthy, quality products and services, and offer employment and decent livelihoods to disadvantaged groups. Our team heard the stories behind the enterprises and bought nearly US\$3,000 of goods.



The Mandarin Clothing factory team with Baan Tab Kradan students



All for a good cause



Mindful choices support meaningful causes

## DEVELOPING A SUSTAINABLE SUPPLY CHAIN

### SUBCONTRACTOR SCREENING

Producing garments involves diverse supply chain partners, from suppliers of fabrics and trims to subcontractors who add value with embroidery, quilting, dyeing and more. To be sustainable ourselves, we need to have systems that allow us to select more

sustainable supply chain partners and support their sustainability roadmap.

Previously we covered the systems we set up to screen and approve the subcontractors who provide us with special expertise ([for details see page 50 of our 2013-2014 Sustainability Report](#)).

### SUBCONTRACTOR SCREENING PROCESS



## DEVELOPING A SUSTAINABLE SUPPLY CHAIN

In 2015 and 2016 we screened 52 subcontractors, 41 of whom completed the assessment process. Altogether 18 were compliant with TAL's internal standards.

A further 23 subcontractors had more critical issues, such as late salary payments, excessive working hours, insufficient provision of mandatory benefits, lack of basic firefighting systems and violation of environmental regulations.

Seven of these subcontractors made a strong commitment to improve and were accepted as partners. Those not accepted were advised why and encouraged to review their standards for possible future collaboration.

We have since refined the screening process to more accurately align with the social and environmental risks of each subcontracted operation.

For example, dyeing, bleaching, washing and printing subcontractors use more water and chemicals and pose greater environmental risks. The environmental checklist we developed for them therefore pays more attention to wastewater treatment, onsite chemical management and hazardous waste handling.

To monitor subcontractor compliance, we maintain a database that documents profile information, audit reports and evidence of improvement. Every month factories update the database with new subcontractors under consideration and follow-up of corrective actions from previous audits.

### GOING FORWARD

Implementing a robust supply chain sustainability program is a complex challenge. Strong communications are essential between compliance teams, and internal supply chain management and merchandising teams. Rushed production schedules often put pressure on the screening process. It is difficult to find subcontractors that offer high quality and who also comply with our compliance requirements.

We will continue to improve our subcontractor management system with the goal to establish a steady subcontractor base over time. We are also planning to extend our supply chain sustainability program to include third party contractors onsite, and materials and trims suppliers too.

### SUBCONTRACTOR SCREENING 2015 - 2016

**16** did not pursue further collaboration after major issues identified

**11** did not complete the screening

**7** were approved after improving upon major issues

**18** were approved as minor issues were identified

# HEALTH AND SAFETY



5

# HEALTH AND SAFETY PROGRAM HIGHLIGHTS

Since our previous report we can record a number of new developments in health and safety:



Published the *TAL Apparel Health & Safety Strategy*

Commenced a three-year implementation plan

Distributed our *Health & Safety Management Manual*

Developed various Health & Safety SOPs, including *Incident Investigation* and *Workplace Risk Assessment*

Conducted SOP training and implementation

Implemented self-assessment and monitoring

Reported monthly KPIs

## NUMBER OF WORK INJURIES



2016 300

2015 500

2014 600

## NUMBER OF LOST TIME INJURIES



2016 130

2015 150

2014 200

## NUMBER OF LOST WORK DAYS



2016 700

2015 1100

2014 1000

# HEALTH AND SAFETY PERFORMANCE UPDATE

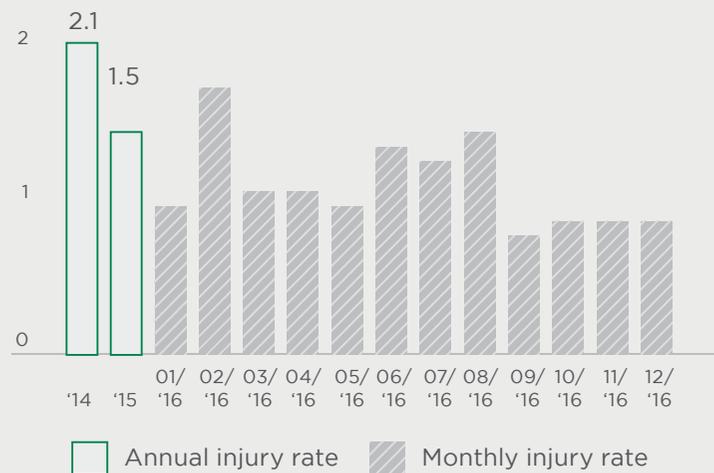
In 2016 we introduced three safety KPIs – *Work Injury Rate, Lost Time Rate and Lost Work Day Rate*<sup>1</sup>. These aim to measure how a factory raises safety awareness, manages workplace hazards and improves overall safety performance.

Each month the factories report all injury cases to the sustainability team who compiles the data into a monthly report that is distributed to management across the organization.

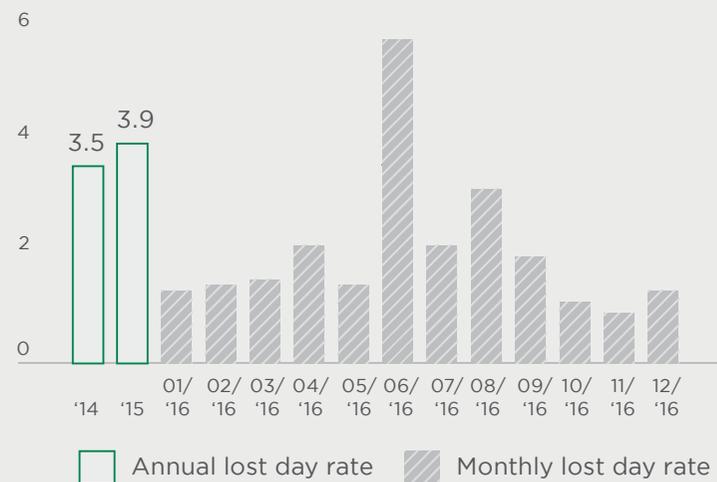
The sustainability team also follows up all serious incident investigations. They ensure root causes are identified and appropriate corrective actions are quickly implemented to prevent reoccurrence.

The graphs below reveal work injury rates and lost work days at TAL factories from 2014 to 2016. Although injury and lost work day numbers are trending downwards in response to our increased focus, they are still way too high and we must consider anything above zero as unacceptable.

## INJURY RATE



## LOST DAY RATE



<sup>1</sup>Based on OSHA standards, Work Injury and Lost Work Date rates are calculated per 100 fulltime workers logging 40 hours/week, 50 weeks/year. i.e. Work Injury Rate = Number of Work Injuries/Number of Hours Worked\*200,000)

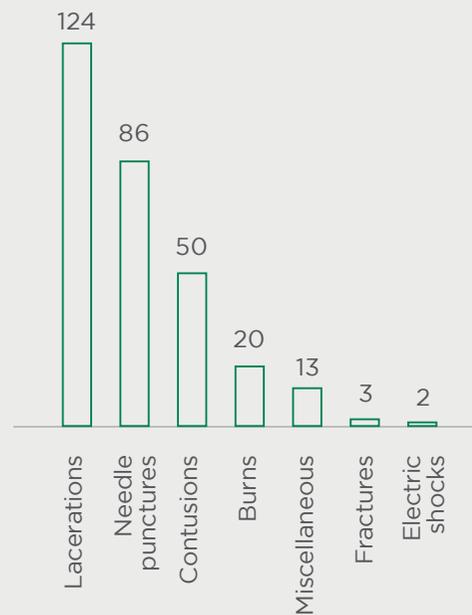
# HEALTH AND SAFETY PERFORMANCE UPDATE

Over 80% injuries occur to hand and fingers within the sewing and cutting departments.

Analysis of work injuries reported in 2016 reveal that the main cause of employee injuries was lacerations from sharp tools (straight knife machines, scissors, etc.), sewing machine needle punctures, and contusions to the hand and fingers.

The graph below illustrates which parts of the body are most likely to be injured. Understanding the causes of injury helps managers to take action to prevent or minimize recurrence.

## INJURIES BY TYPE



## INJURIES BY AREA

### HEAD/EYES

- foreign body x4
- lacerations x3
- bruises x3
- tooth x1

### ARMS/SHOULDERS

- burns x2
- lacerations x2
- bruises x1

### HANDS/FINGERS / THUMBS

- lacerations x105
- needle punctures x96
- bruises x38
- burns x17
- fractures x2
- electric shocks x2
- strains x1
- bee sting x1

### BACK/WAISTS

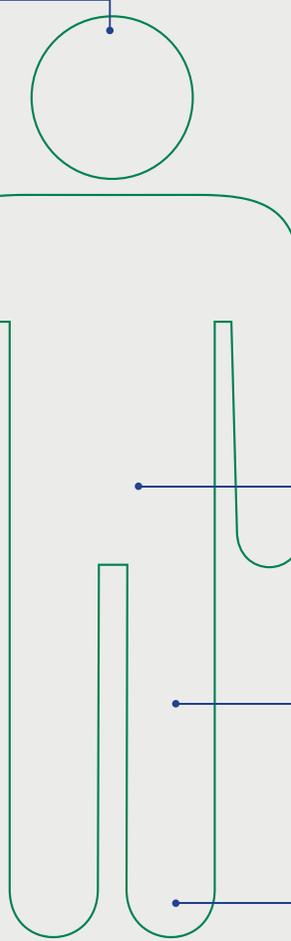
- strains x3
- bruises x1

### KNEES

- bruises x1
- strains x1

### FEET/ANKLES/TOES

- bruises x8
- lacerations x4
- strains x1



# HEALTH AND SAFETY PERFORMANCE UPDATE

Although injury rates appear to be falling, we must improve our safety record further. This means every injury must be reported – we are not 100% certain this is currently happening. An unreported injury is an injury we cannot learn from.

For benchmarking we must classify injuries consistently across all our factories. We must also subject each injury to a thorough investigation that identifies the cause and details preventative action.

The TAL Sustainability team has developed the injury reporting, investigation and classification SOP to address these challenges. The SOP will be deployed to factory EHS and management teams in Q1, 2017.

Accurate and consistent injury reporting, comprehensive injury investigation and mistake-proof preventative measures will help our factory safety performance continue to head in the right direction.

## LEARNING FROM INCIDENTS

In 2016 our factories reported 298 workplace injuries. Of these, 126 were classified as lost time injuries, totaling 630 lost work days.

A lost time injury occurs when an injury is severe enough to prevent an employee from working a full eight-hour rostered shift. The impact of such an injury to both the employee and TAL is extremely costly in both human and financial terms. Injuries cause pain and suffering, lost earnings, and lower productivity and morale.

Incident and accident investigations are key to an effective injury reduction program and can help promote continuous improvement and learning. However many organizations fail to gain maximum benefit from investigations and don't learn vital lessons that could help improve overall health and safety. A quality investigation can provide unique opportunities to learn how to prevent accidents occurring across the company.

To keep employees aware of major incidents and key learnings, we publish and distribute one-page "Safety Alert Bulletins" documenting serious accidents, subsequent investigations and key learnings.

Although we require all accidents to be investigated, we recognize we can improve investigation quality. With this in mind, in 2017 we aim to provide incident investigation training to key personnel.

**SAFETY ALERT BULLETIN**  
ISSUE 2, FEBRUARY 2016

**Armhole press machine operator sustains burn to her hand requiring hospital treatment**

On 25<sup>th</sup> December 2015, a TAL machine operator sustained 2<sup>nd</sup> degree burns to her hand while operating the armhole press machine. The employee was taken to hospital for treatment and missed 7 days' work as a result of the injury.

The operator positioned the shirt onto the armhole press machine mold and pushed the two green start buttons. Before the hot press panel lowered, the operator placed her hand into the press machine to adjust the garment. At this point the hot press panel came down, trapped and burnt the operator's hand.

The KATEX factory in Indonesia reported a similar incident and implemented a mistake proof solution. The 2 green push buttons were relocated to a lower position and the operator needs to hold the two start buttons down for about 5 seconds until the hot press panel is fully lowered. This solution ensures there is no chance of getting a hand caught in the danger zone as both hands are still on the green start buttons.

**KEY LEARNINGS:**

- All TAL Apparel factories need to inspect the operation of their armhole press machines to ensure a similar incident cannot occur. If the potential exists for a similar incident, then a mistake proof solution similar in principle to the KATEX solution shall be implemented.

**ALL EMPLOYEES ARE REMINDED TO:**

- **ALWAYS** follow the machine standard operating procedures.

This bulletin is part of ongoing safety communications issued by TAL Apparel. Safety alerts need to be translated and communicated to relevant employees and displayed on notice boards.

TAL Apparel

A TAL Safety Alert Bulletin

## TAL'S FIRST HEALTH AND SAFETY STRATEGY

Effective health and safety management requires strong leadership with focus and visibility where it matters.

In December 2015 we hired our first Health and Safety Director. A key responsibility of this role is aligning our health and safety strategy with our Ethical Business practices Policy (EBP).

The new director first conducted a situation appraisal to shed more light on health and safety at TAL. This entailed visiting the ten TAL factories over six months, conducting site audits, evaluating the current management system, identifying the top ranked risks, reviewing injury statistics, and getting familiar with processes, policy, performance, and existing structures and resources.

The situation appraisal provided a number of insights. Overall, the lack of a comprehensive corporate health and safety management system revealed low consistency in the way health and safety is managed across the group.

Although injury numbers are reducing, the total number of injuries sustained by employees in 2016 is considered too high when benchmarked against other industries. We were unable to compare TAL with peer garment manufacturers as data is very difficult to obtain.

Key findings from the situation appraisal, the proposed new health and safety strategy, and key initiatives were shared with the CEO and the Executive Committee in September 2016.

We propose to focus on four directions to improve health and safety across TAL Apparel:

- Developing strong leadership in health and safety
- Strengthening the management system
- Ensuring team members have the necessary skills and resources
- Involving and engaging employees in relevant initiatives

To fulfil these directions, specific tasks and actions are included in our three-year health and safety plan that will be rolled out across the organization from 2017.

Although TAL has reduced injuries and introduced new safety programs over the past two years, the journey has only just begun.

A robust health and safety management system, effective training, involving employees in safety activities and strong leadership and direction at all levels will help us improve the health and safety of all TAL Apparel employees.

### HEALTH AND SAFETY STRATEGY

#### Pursue operational excellence across all functions of the organization

Continue to pursue productive and efficient ways to enhance business process efficiency, customer experience, employee engagement and sustainable business practices.

- A** Strengthen and develop health and safety leadership
- B** Strengthen implementation of a health and safety management system
- C** Ensure the necessary skills and competencies
- D** Involve and engage employees

# RISK ASSESSMENT

In 2014 TAL introduced the Hazard Identification, Risk Assessment and Risk Control (HIRARC) tool for analyzing hazards and risks across all production activities.

From a two-factory pilot program ([detailed on page 43 of our 2013 – 2014 Sustainability Report](#)), HIRARC has spread to our other factories.

In 2016 we launched a corporate risk register listing key hazards and risks in all TAL factories. There are two key risks faced by TAL Apparel factories and employees:

**High severity, low likelihood event**  
– fire in a factory or dormitory.

**Low severity, high likelihood event**  
– employees suffering lacerations, needle puncture wounds, and minor burns.

Identifying, assessing and prioritizing key risks lets us plan measures and allocate resources to reduce the possibility of accidents.

We are still in the early phases of implementing our risk assessment programs. In time our understanding will improve and factories will be better equipped to effectively assess, address and minimize risk to employees and property.

## RISK MATRIX

		POTENTIAL SEVERITY RATING			
		Minor	Moderate	Significant	Catastrophic
LIKELIHOOD SEVERITY OCCURS	Very likely	Moderate	High	Extreme	Extreme
	Likely	Low	Moderate	High	Extreme
	Unlikely	Very low	Low	Moderate	High
	Rare	Very low	Very low	Low	Moderate

## RISK ASSESSMENT

We consider factory or dormitory fire to be the number one critical risk faced by employees.

### FIRE - A CRITICAL RISK

Our workplaces contain many fire hazards – fabrics, paper and cardboard that burn easily, and machines that generate heat.

We must take every precaution to reduce the risk of fire. This is critical in the garment industry, which has a history of serious fires involving extensive property damage and loss of life.

Over the years we have introduced many measures to reduce the risk of factory fire. These include fire prevention equipment, such as fire extinguishers, hose reels, hydrants and sprinklers, that are readily accessible and regularly maintained.

We strictly enforce SOPs detailing requirements for fire prevention and emergency readiness.

Factories and dormitories must conduct two emergency evacuation drills every year to familiarize employees with emergency evacuation procedures and emergency exit routes.

These drills are sometimes conducted with local fire brigades and rescue teams who also provide training to employees in firefighting techniques. (Our fire safety program is detailed on [pages 44 to 46 of our 2013 – 2014 Sustainability Report](#)).

### AN ADVANCED APPROACH

In September 2016 we opened Vietnam Garments Manufacturing, our new factory located around half an hour from Hanoi Noi Bai International Airport in Vinh Phuc Province.

This modern state-of-the-art facility incorporates advanced fire detection and protection systems, which meet International and US National Fire Protection Association Standards.

All areas of the factory are protected by sprinkler and smoke detection systems. Carbon dioxide extinguishing systems cover the electrical control rooms. The basement car park features water curtains to guard against motor vehicle fire.

Crash bar exit doors, emergency lighting, exit signage, and easily accessed fire hydrants, hose reels and fire extinguishers are installed throughout the factory.

These measures combined with enhanced housekeeping and 5S standards are designed to minimize fire risk and harm to our factory teams.



A fire drill at our Vietnam factory in April 2016



Fire safety equipment in our Thailand factory

## PROMOTING HEALTH AND WELLBEING

Company health and safety programs typically focus on the reporting, treatment, investigation and prevention of injuries. However employee health programs are often met with uncertainty.

Do employer-run health programs actually succeed in improving employee health? Do they lower medical expenses and absenteeism? Experts continue to debate the pros and cons of employee health programs and employer benefits. We won't join that debate here, but instead will outline a few health initiatives implemented at our factories.

### FOCUS ON FACTORY CLINICS

Each day health clinics at our factories help employees with medical issues. Clinics offer diagnosis, treatment and medication. However in the past we collected and analyzed very little data about the illnesses and health issues reported by employees.

In 2015 some of our clinics began collecting and recording employee health data, including illnesses reported, patient numbers, sick leave days and relevant departments.

The aim was to identify major employee health issues and, if practical, develop programs that would minimize and reduce the impact.

For a workplace health program to succeed, employees, management and other stakeholders must all get involved, and initiatives should aim to improve the health of everyone who participates.

We are still at the early stages of our health program. As we proceed we hope that improved worker well-being will bring such benefits as higher morale, reduced turnover, lower absenteeism, reduced medical costs and increased productivity.



Our health program starts with each factory's in-house clinic

## PROMOTING HEALTH AND WELLBEING

### HYGIENE PILOT PROGRAM IN MALAYSIA

Over 80 percent of our workforce in Malaysia are from neighboring countries, such as Myanmar, Laos, Nepal, Indonesia, Cambodia and Vietnam.

Many of these workers grew up in rural areas and have low awareness of how hygiene and sanitation help to prevent disease. We believe that raising this awareness will contribute to their health and productivity.

In 2015 one of our Malaysia factories rolled out a pilot program to increase

hygiene awareness and instill healthy habits. The factory's HR and safety teams developed a curriculum on basic personal hygiene, food hygiene, toilet etiquette, dengue fever knowledge and basic health and safety. The training covered all existing and new workers. Production managers agreed to reserve two hours for each worker to attend the training. New employee orientation materials were updated with hygiene topics.

Apart from classroom training, the factory organized a housekeeping campaign to motivate workers to practice their new knowledge. Dubbed *Gotong Royong* the campaign ran in

the main dormitory during the June to September rainy season when dengue fever is most prevalent. The campaign included a prevention refresher course, and inspection and cleaning for private spaces and public areas. Around 90 percent of workers living in the hostel participated.

The factory's HR and safety teams monitor sickness data trends and conduct health and safety audits in worker hostels to assess behavioral change. We will develop more ways to collect program data, evaluate results and assess future needs for our expanded worker health programs.



Factory team members join our Gotong Royong campaign against dengue fever

# ENGAGING EMPLOYEES IN HEALTH AND SAFETY

For our health and safety strategy to succeed, employees, management and other stakeholders must work together in a genuine partnership based on trust, mutual respect and cooperation.

In 2016 all TAL factories involved employees in activities designed to raise awareness of health and safety issues. In Thailand for example, the factory safety committee organized a road safety campaign. The campaign shared safe driving tips and accident scene first aid before the high risk

Songkran (Thai New Year) holiday. We also discussed the risk of disease in summer and the dangers of working in high temperatures.

In September 2016, VNG and TAV introduced the layered audit program. This program involves factory management, supervisors and employees in daily workplace audits. The aim is to ensure health and safety and 5S measures are being followed and employees are aware of workplace safety requirements.

The layered audits seek to identify and change unsafe workplace conditions and behavior, and poor 5S practices. The initiative also recognizes good practices and ensures the factory, machinery and equipment complies with safe operating standards.

A typical audit commences by observing people in the workplace. It also involves dialogue about unsafe conditions and practices, and their consequences. Employees are invited to suggest improvements.



Safe Trip For Songkran Day campaign in Thailand

EHS+5S REFERENCE LIST			
BẢNG ĐỐI CHIẾU AUDIT AN TOÀN, MÔI TRƯỜNG VÀ 5S			
Item stt	EHS+5s Focus Activities <i>Các hoạt động kiểm tra an toàn, môi trường và 5S</i>	Incorrect ❌ <b>KHÔNG đúng</b>	Correct ✅ <b>ĐÚNG</b>
1	Sewing machine needle guard in place & correctly positioned <i>Máy may được lắp đặt tấm chắn bảo vệ tay đúng vị trí</i>		
2	Sewing machine broken needle eye guard in correct position <i>Máy may được lắp đặt tấm chắn bảo vệ mắt đúng vị trí</i>		
3	All sharp tools in sewing area tied off. <i>Tất cả các dụng cụ có cạnh sắc nhọn được buộc cố định</i>		

A layered audit checklist for sewing machines

## ENGAGING EMPLOYEES IN HEALTH AND SAFETY

### MOTORCYCLE HELMET PROGRAM IN VIETNAM

Motorcycles are the most popular method of family transportation in Vietnam. But appallingly, over 22,000 people die yearly on the nation's roads, a significantly higher rate than the global average.<sup>1</sup> Vehicle crashes are the number one cause of death for young people aged 15 to 29 years.<sup>1</sup>

These demographics include a large percentage of our workforce in Vietnam. Most employees ride motorcycles to work daily. Observations and injury data collected by our factory safety team revealed commuting by motorcycle posed critical risks for workers.

Although helmets are compulsory in Vietnam, many employees were failing to comply with the law. Workers' helmets often offered very little protection due to improper design or manufacturing standards.

To reduce the impact of employee motorcycle crashes and raise awareness of motorcycle safety, VNG management and trade union officials cooperated to provide each employee with an approved motorcycle helmet as a 2017 New Year's gift.

Around 1,400 employees subsequently received a motorcycle helmet made by the HJC Helmet Company.

To ensure that employees wore their helmets, a *No Helmet, No Entry to Site* policy was introduced. Any employee not wearing a helmet is refused entry at the factory's front gate.

In 2017 the company plans to offer all employees basic motorcycle safety training. The helmet policy and safe-riding training will also become a compulsory part of the new employee orientation program.



Colleagues in Vietnam with some of the 1,400 high quality motorcycle helmets we gave to factory workers

<sup>1</sup> WHO Global Status Report on Road Safety 2015. Geneva: World Health Organization, 2015.

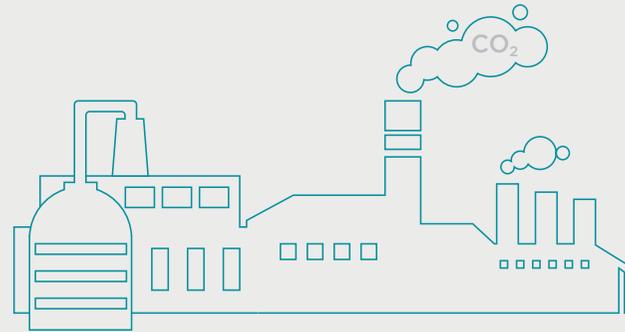
# ENVIRONMENT



6

# ENVIRONMENTAL PERFORMANCE

## GREENHOUSE GAS PERFORMANCE



Change in GHG intensity compared to 2009 (by the end of 2016)

**-21%**

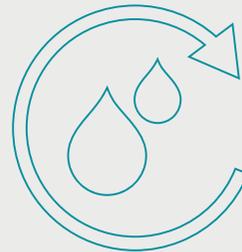
GHG reduction target for 2018 (compared to 2014 baseline)

**-12%**

## WATER PERFORMANCE

**13%**

**WATER RECYCLED  
IN 2016**



Change in water intensity compared to 2011 (by the end of 2016)

**-33%**

Water use reduction target for 2018 (compared to 2014 baseline)

**-13%**

## ENVIRONMENTAL MANAGEMENT SYSTEM

For every impact we have on the environment we implement a corresponding management system.

As with all our management systems, we aim for continuous improvement according to the Plan, Do, Check, Act cycle.

During the years covered by this report we focused on improving and developing a hazardous and non-hazardous waste management system, and a chemical management system.

### CHEMICAL MANAGEMENT

In 2015 we launched the TAL chemical management system. The first mission of our new chemical management team was to structure an approach to developing the system, which aims to ensure employee and customer safety, and minimize the environmental impact of our chemical use. The system spans the whole production cycle, from chemical sourcing, use and storage, to waste and wastewater treatment and disposal.

Since then we have developed the TAL manufacturing restricted substances list (MRSL). Developed based on the Zero Discharge of Hazardous Chemicals (ZDHC) standard, our MRSL v1.1 is even

more stringent for certain restricted substances.

When sourcing and purchasing we ask our upstream suppliers to declare their compliance in regard to potentially hazardous substances. Only chemicals conforming with the TAL MRSL and EU REACH are allowed for finishing our garments.

We simultaneously developed the TAL product restricted substances list (PRSL). This includes specific requirements from our customers and regulations from countries we export to. The PRSL applies to our finished products and those from upstream suppliers, such as fabrics and trims, and subcontractors. We seek cooperation from our supply chain partners to ensure chemical safety during all production processes.

To be responsive to change, we developed a monitoring and control program to keep track of updated global and country regulations and customer demands. Changes are promptly communicated internally and

recorded in our monitoring system and updated MRSL and PRSL editions.

We have also developed several SOPs to ensure our chemical management system is being properly executed, maintained and updated.

### WASTE MANAGEMENT

In 2014 we decided waste was the next topic to tackle and began by analyzing the waste situation in all our factories. We looked at the waste streams for hazardous and non-hazardous waste, and waste at collection and storage areas.

We subsequently developed two waste SOPs for each factory, one for hazardous waste and the other for non-hazardous waste. A comprehensive waste training program was provided for each factory to communicate each necessary step for waste handling, labelling, sorting, storage and disposal.

Correct waste management begins with a clear and comprehensive inventory of the waste produced. Quantity, as well as collection and

## ENVIRONMENTAL MANAGEMENT SYSTEM

treatment methods, are recorded in detail along with supporting documentation.

After analyzing our current situation we will implement a waste reduction scheme with corresponding KPIs. We aim to reduce waste by raising production efficiency, or reusing or recycling the waste in some way. The final option is to identify the treatment or disposal option with the least impact on air, water, land and people.

Unfortunately we must recognize that the reality of effective waste disposal is often far from ideal.

### Thinking outside the lunch box

A caterer regularly served TAL factory meals individually wrapped in disposable packaging. Following the factory's request, the supplier developed a system to deliver individual portions in reusable containers. The outcome was less wasted packaging and less wasted food.

A major challenge is identifying and implementing appropriate measures in countries that lack waste treatment facilities. Waste disposal infrastructure in developing countries is lagging and waste production rates are increasing.

On the bright side, middle to low income cities in developing countries in Southeast Asia have long-established informal recycling industries. This has led to the development of mainly family-run enterprises that gather, trade and reprocess materials in places like Bangkok and Jakarta.

However businesses are chiefly interested only in recycled materials that are cheaper than virgin options. The result is highly selective, market-driven recycling that fails to process some materials appropriately. In Jakarta we give our recyclable waste to a scavenging community. This gives revenue to several families but we lack control over the final use of the waste.

We even lack control over our waste when working with authorized, certified contractors. Sometimes we are forced to choose the less-worse option because there is no best option. Incineration is almost non-existent because of the high cost of building and maintaining high-tech low-impact plants with air emissions control and abatement.

This forces us to study the waste problem and seek innovation as each factory has its own local waste infrastructure support and scavenger culture.

## ENVIRONMENTAL MANAGEMENT SYSTEM

✓ Implemented

∞ In progress

⌚ To be developed in  
the next 4 years

### SUMMARY OF ACTIONS TAKEN AND INTENDED

	Written SOP	SOP implemented in every factory	KPI developed to follow up performance	Targets released to challenge performance	New round of targets released
GHG emissions calculation guidelines and reporting	∞	∞	✓	✓	✓
Water consumption guidelines and reporting	∞	∞	✓	✓	✓
Air emission testing guidelines and reporting	⌚	⌚	⌚		
Wastewater quality management guidelines <ul style="list-style-type: none"> <li>• Reclaim water</li> <li>• Operating and monitoring wastewater treatment</li> </ul>	✓	✓	✓	⌚	
Waste management (solid waste and hazardous waste)	✓	✓	∞	∞	
Chemical management system	∞	⌚	⌚		
Supply chain management <ul style="list-style-type: none"> <li>• Suppliers</li> </ul>	⌚		⌚		
Supply chain management <ul style="list-style-type: none"> <li>• Subcontractors</li> </ul>	✓	∞	✓		

## GREENHOUSE GAS AND WATER

We started setting specific greenhouse gas (GHG) reduction targets in 2009 and water reduction targets in 2011.

By 2014 we realized that our factory performance varied and decided to apply a new baseline with new targets. The new targets are calculated to avoid penalizing factories that performed well in previous years, and also to motivate lower performers.

We were also inspired to improve by a water and energy audit we performed at the end of 2013. This audit made us realize we could not use the same target for all of our factories because some are more advanced than others. A LEED certified factory (Leadership in Energy and Environmental Design) cannot be expected to reduce as much water and energy use as our weakest performer.

We therefore adjusted targets for each factory according to the following criteria:

- Best-in-class performance across TAL factories
- Percent reduction achieved since the last plan cycle
- GHG footprint intensity (Kilogram of CO<sub>2</sub> equivalent per Standard Garment Piece)
- Water footprint intensity (Litres per Garment Piece)
- Proposed energy and water reduction potential as measured and forecast via the audit
- Current percentage of water recycled or reused

At the beginning of 2015 every factory received a customized new four-year target against the 2014 baseline.

The performance of each factory is now reviewed every year and targets are adjusted if the following year's target has been achieved or is close to being achieved.

Take for example a factory with a 4 percent annual reduction target for year one, 8 percent for year two, and 12 percent for year three. If year one performance is 11 percent, targets for years two and three will be increased in order to be more challenging.



Energy-efficient equipment inside our factory in Dongguan

# GREENHOUSE GAS AND WATER

## GHG PERFORMANCE

When evaluating our GHG footprint intensity for group-wide performance we globally apply the KPI of kgCO<sub>2</sub>e per Standard Garment Piece.

A Standard Garment Piece is an internally-developed unit denoting a single shirt or pair of pants.

The calculation of a Standard Garment Piece includes another unit, the

Standard Operating Hour, which denotes the time needed to produce one garment.

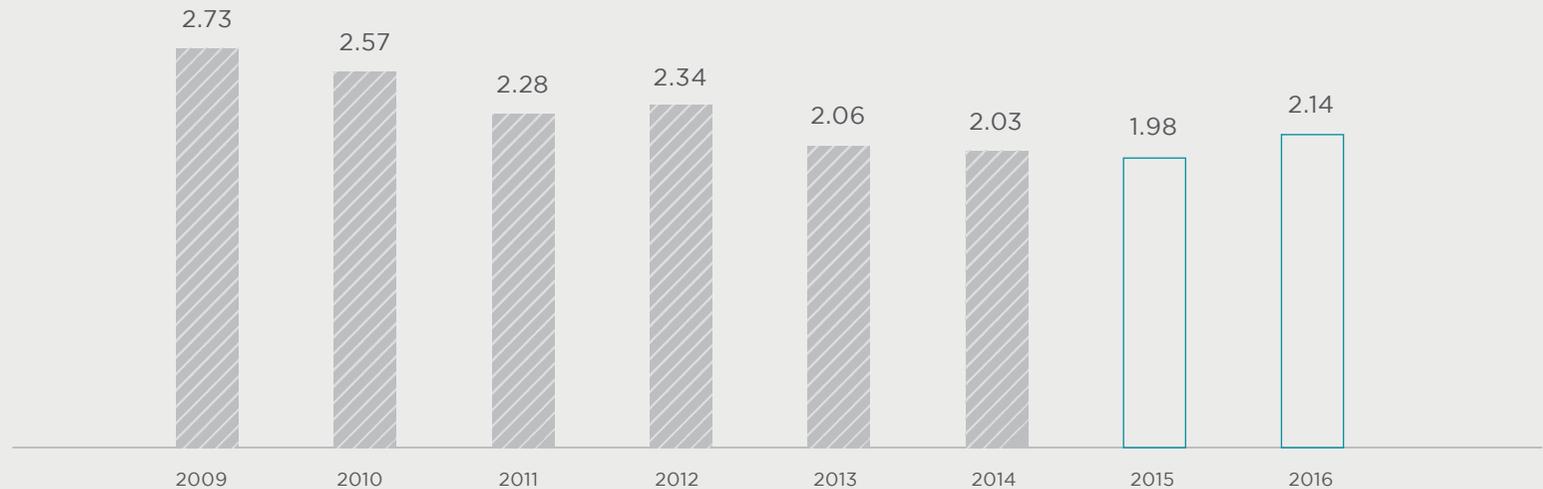
Our GHG intensity therefore encompasses both our ability to reduce energy consumption during manufacturing and also our workers' efficiency.

By the end of 2016 our GHG intensity had increased by 5.6 percent compared

to our new 2014 baseline. Our 2018 target is to achieve a 12 percent reduction so we will need to double our efforts in the next two years, which will require a thorough analysis of our current poor performance.

By the end of 2016, our absolute GHG emissions had decreased compared to our 2014 baseline.

## GHG FOOTPRINT INTENSITY - PER STANDARD GARMENT PIECES (KG CO<sub>2</sub>e/PC) YEAR-TO-YEAR COMPARISON



## GREENHOUSE GAS AND WATER

However, changing economic circumstances led our business to slow down which resulted in a decrease in Standard Garment Pieces. So even though our absolute GHG emissions decreased these past two years, our GHG intensity per Standard Garment Piece increased.

The graph below shows the biggest contributor to our GHG footprint intensity is electricity for air conditioners, compressed air, as well as large production machinery such as

pressing, and fusing and drying machines. When garment output decreases the workers still come to work and equipment still operates so our overall GHG intensity (CO<sub>2</sub>e/ Standard Garment Piece) tends to increase.

Some factories had to adapt to unstable and rapidly changing conditions, which hampered GHG performance as factory systems cannot easily be downsized to match lower order volumes.

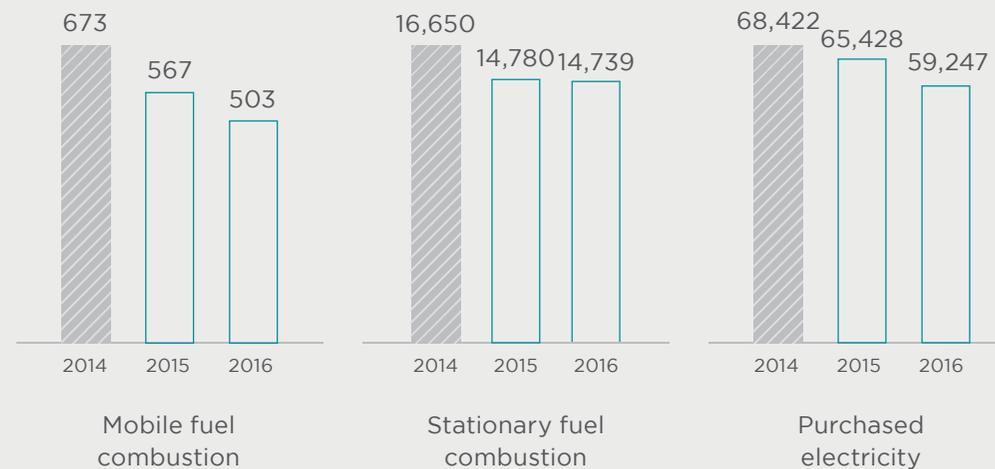
For example, boilers and air compressors use the same energy even if less output is produced. Wastewater pumps, air conditioners and other systems also do not scale efficiently to production output.

A similar problem occurs when shutting down a factory. In 2016 we slowly downsized our production volume and prepared to close one of our China factories. The factory significantly worsened our 2016 GHG performance with an increase of about 18 percent of its GHG intensity from 2015 to 2016.

In the coming years we will continue to focus on our GHG performance. We will strengthen our management system, which may need invigorating after several years of implementation. Reinforcing the Plan, Do, Check, Act, cycle will help encourage preventive and corrective actions.

We believe the best way to manage our environmental impact is to empower onsite TAL employees with the responsibility for improving GHG and water KPIs. This is reflected in the objectives of all our corporate sustainability programs.

### GHG EMISSION - IN TONS OF CO<sub>2</sub>e - BY SOURCE



## GREENHOUSE GAS AND WATER

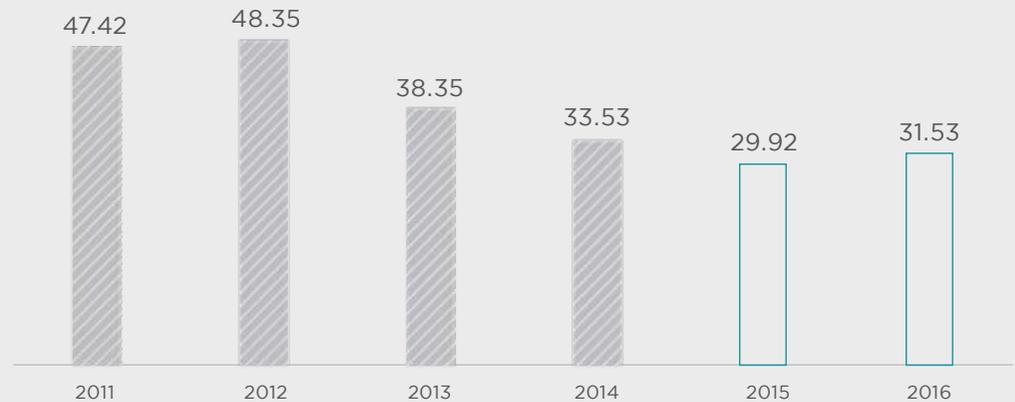
### WATER PERFORMANCE

In 2016 we achieved a 6 percent reduction compared to our 2014 baseline. The factors that inhibited our GHG performance during the period under review also contributed to our increase in water intensity during 2015 to 2016.

Municipal water contributes to 99.43 percent of our water consumption. The remaining 0.5 percent is ocean water we use in our Hong Kong office for toilet flushing. We do not use underground water. Recycled and reused water accounts for 13 percent of our total water used and we will continue to explore this opportunity for reduction.

In 2016 we strengthened our water tracking and data verification process to allow us to detect abnormal consumption in an easier and faster way. We aim to equip all factories with an improved tool to early detect, analyze and correct any cause of over-consumption.

### EVOLUTION OF WATER FOOTPRINT INTENSITY FROM 2011 BASELINE TO 2016 (L/PC)



## WASTEWATER MANAGEMENT

Our wastewater management objectives moved from basic regulatory compliance to more stringent self-imposed standards in 2011.

In addition to making sure existing water treatment plants operate at optimum levels, in 2013 we began seeking opportunities to reuse and reclaim treated wastewater in China.

In 2015 and 2016 we evaluated the technology to upgrade four wastewater treatment plants in Malaysia, Thailand and Vietnam. The objective was to reclaim treated water without compromising product quality.

Two types of technology are typically used in wastewater treatment: chemical and biological. Chemical treatment is usually simpler to maintain and control. Biological systems are usually applied as a secondary treatment targeting residual pollutants.

TAL has a strong belief that the chemical treatment of wastewater is not fully sustainable as the chemicals used often take an additional toll on the environment. We are proud that all our wastewater treatment plants exclusively use biological treatments.

Opting for biological treatment is no easy feat and remains a day-to-day challenge for us. Unlike chemical treatment, biological treatment employs bacteria, which digest pollutants by converting them into gas or solid sludge. The efficiency of the process is dependent on a number of conditions. Bacteria can only provide a strong performance within a certain pH, temperature, and dissolved oxygen range, and this is unique to each bacteria population and bacteria species.

To join us in this quest, TAL has engaged biologists and environmentalists from universities, research centers, and system suppliers to develop water reclaiming processes.

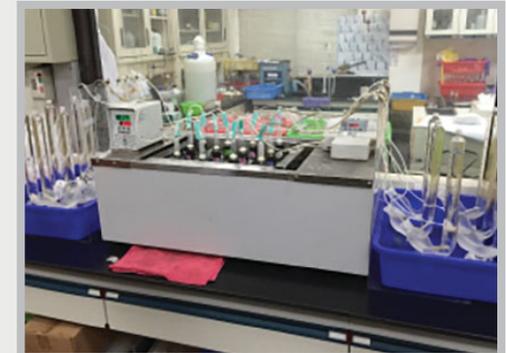
Technology requirements included:

- Bio-based decontamination methods
- Safe water output with no hazardous byproducts discharged into the environment
- Ability to attain TAL reclaimable water standard
- Sustainable operation and maintenance

Our 2015 to 2016 journey has helped us understand the challenges of upgrading wastewater treatment plants to reclaim wastewater and identify potential solutions that will be implemented in the following years.



Wastewater treatment plant at a TAL factory



Testing the potential of bio-methane treatment

## LEED CERTIFICATION

Vietnam Garments Manufacturing will be TAL's third LEED certified site.

On 20 October 2016 we marked another special milestone with the official opening of our latest garment factory, Vietnam Garments Manufacturing (VNG).

VNG represents a capital investment of US\$50 million and is TAL Apparel's largest garment manufacturing facility. The total area of 75,000 m<sup>2</sup> houses state-of-the-art machinery and a team of expert sewers. In line with our sustainability strategy the new plant was designed to attain official LEED Gold standard certification, which will be granted in Q3 2017.

After the gold certification of our other Vietnamese factory (TAV), and the platinum certification of our Hong Kong office renovation, this will be our third site to comply with LEED.



Construction underway at VNG



The architect's vision of the factory

# LEED CERTIFICATION

## LEED FEATURES OF OUR NEW FACTORY IN VIETNAM

### Energy and GHG



- Improve the building energy performance by 29 percent compared with LEED baseline building performance
- Use zero chlorofluorocarbon (CFC)-based refrigerants and select refrigerants, heating, ventilating, air conditioning and refrigeration methods that eliminate the emissions that contribute to ozone depletion and global climate change
- Provide individual lighting controls for 92 percent of the building occupants to enable adjustments

### Materials and resources



- Divert 75 percent of construction debris from disposal in landfills and incineration facilities by redirecting recyclables back to the manufacturing process and reusable materials to appropriate sites
- Use 20 percent of materials with recycled content to reduce the impact of extraction and processing virgin materials
- Use 20 percent of building materials or products that were extracted, harvested or recovered, as well as manufactured, within 500 miles of the project site to support indigenous resources and reduce the environmental impact of transportation

### Water efficiency



- Reduce the use of potable water consumption for irrigation by 50 percent
- Reduce potable water use by 50 percent through the use of water-conserving fixtures (water closets, urinals) and non-potable water (captured rainwater and on-site treated wastewater). We managed to achieve a 63 percent reduction compared to LEED baseline

### Indoor air quality



- Design natural ventilation systems for occupied spaces to improve indoor air quality and enhance occupant comfort
- Ensure all adhesives and sealants, paints and coatings and flooring elements installed in the building meet the requirements of the California Department of Health for the Testing of Volatile Organic Emissions

## LEED CERTIFICATION



Han Mia Low – Vice President of Facilities Management, TAL Apparel

### INTERVIEW WITH HAN MIA LOW - Vice President of Facilities Management, TAL Apparel

#### What was the most challenging aspect of this project?

It was a challenge to make people understand and feel conscious of what safety means and to align everyone's safety standards. Contractors talk a lot about safety but when it comes to action, it's another story.

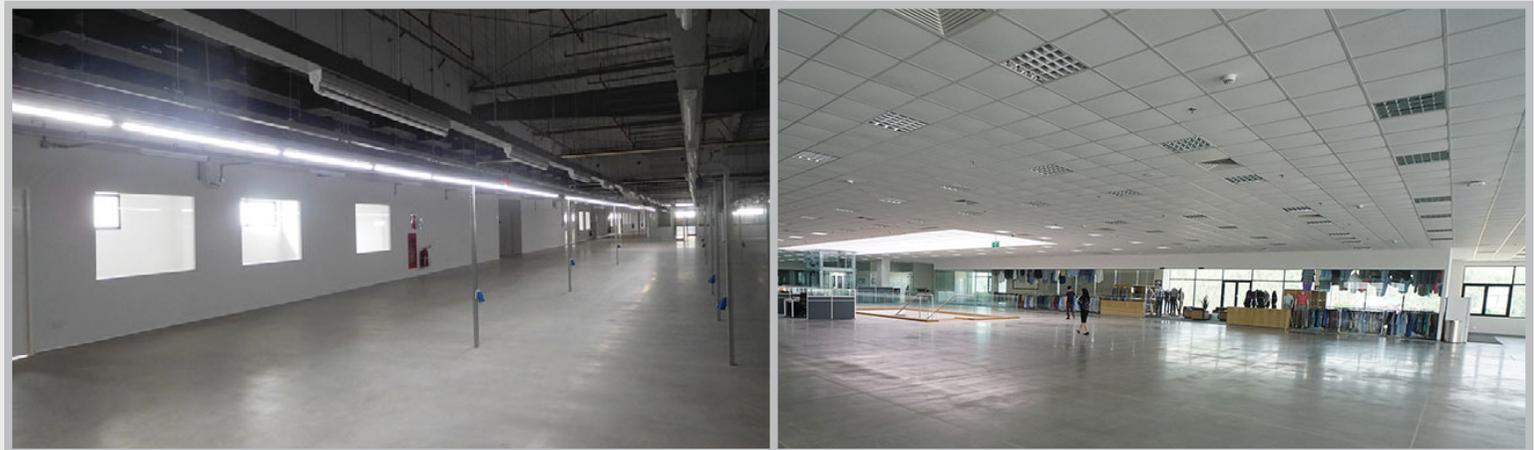
Once I had to shut down the construction site for four days. The 400 contractors coming onsite every day were not allowed to work.

This happened after a near-miss incident when material dropped from a crane lift strap. A safety perimeter was implemented when lifting so nobody would get hurt. But after several discussions, the contractor proved unable to identify the root cause of the incident. An onsite visit revealed the crane involved in the incident lacked a safety catch, had not been certified and no regular safety checks had been performed on it.

So we stopped work on the construction site for four days and asked the contractor to bring a third party auditor to analyze all the lifting equipment and implement an inspection process.

We also asked the contractor to nominate a supervisor to assume responsibility for each area. Supervisors underwent mandatory training before they were authorized to take the role. We needed to make sure every supervisor knew what to look for and which safety requirements required a compulsory daily audit.

Quality was another issue. Our contractors did not understand the concept of doing it right the first time. We had a lot of issues with crooked walls and uneven floors.



## LEED CERTIFICATION

**INTERVIEW WITH  
HAN MIA LOW - Vice President of  
Facilities Management, TAL Apparel**

**With your experience, what are the best design features of this building?**

We designed the air conditioning system without distribution ducting. Instead it uses jet nozzles like in an airport. Also, we have no tubing and cabling going from ceiling to machines. This allows cleaner, lighter interiors with less dust accumulation.

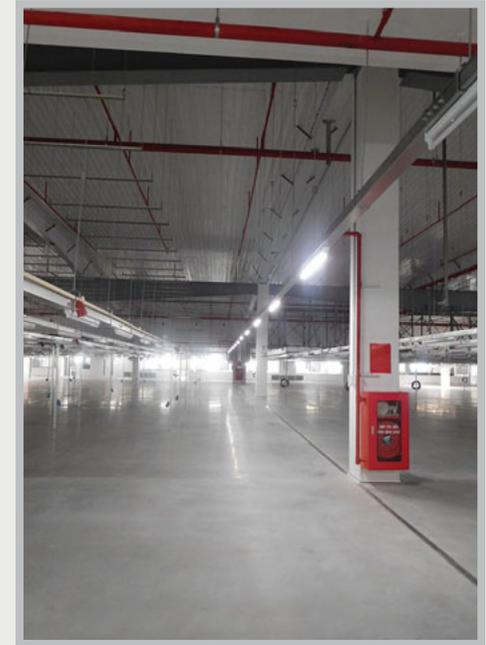
We also implemented high efficiency water cooling centrifugal chillers on the top of variable-frequency drive (VFD) controlled pumping. And of course energy efficient air conditioning alone is meaningless without good insulation and an improved envelope.

**What are the best EHS features of this building in your opinion?**

All the features we implemented to reduce our water footprint.

All our waste water, industrial and domestic, will be treated onsite and wastewater will be reused after treatment. We harvest and store rainwater and use it for flushing and landscape irrigation mixed with treated wastewater. To minimize water use, we installed low-flow water sensor-controlled fixtures and dual flush fittings everywhere.

We also took health and safety very seriously. We followed the International Eurocode for structural safety and earthquake proof design, and applied NFPA international firefighting safety standards. We also included separate entrances for workers and trucks to reduce the risks of mixing the streams.



Factory floor undergoing renovation

## PRODUCT INNOVATION

### EZWash – a new approach to stain-free collars and cuffs

EZWash contains a special soil release function that virtually eliminates the need for stain removers to clean collar rings and cuff stains on dress shirts.

We launched EZWash in early 2013 and are still rolling out bulk production in our various plants. The product was developed mindful of both customer needs and sustainability.

Initially EZWash was formulated with perfluorinated carbon (C8). This provides excellent durability and is often used in textile manufacturing for stain release. However, research identified traces of prohibited carcinogenics PFOA (perfluorooctanoic acid) and PFOS (perfluorooctanesulfonic acid) in C8-based byproducts.

In response we started looking to replace C8 chemistry with C6, which features shorter perfluoroalkyl chains that reduce the risk of hazardous substances.

We faced various challenges locating a more sustainable replacement that offers effective soil release with minimal color change, comparable handfeel and good durability. However in March 2015, we found an appropriate C6 chemical.

After thorough testing, our new C6 EZWash chemical passed evaluation and was launched to bulk production in October 2015.

We continue to research chemistry that is free from perfluorinated compounds (PFC) and hopefully stop all our use of such chemicals.

**OUT, DAMNED SPOT! OUT, I SAY!**

(Quote by Lady Macbeth, Macbeth by Shakespeare)  
EZ-Wash™, a stain-free collar and cuff solution.

EZ-Wash™ is a targeted solution for eliminating collar and cuff stains. A special soil release function is designed to apply on a garment's collar and cuffs and through various wear tests. It has been proven to virtually eliminate the formation of collar rings and cuff stains. There is no longer the need to go through the hassle of using stain removers. What will Lady Macbeth say now?

- Visually eliminates collar rings and cuff stains
- Combines a soil release function
- No need for stain removers

TAL Apparel

# INDUSTRY COLLABORATION



7

# TAL AND THE SUSTAINABLE APPAREL COALITION (SAC)

We believe that sustainability can only be approached in a collective way.



TAL is a founding member of the Sustainable Apparel Coalition (SAC), established in 2010

Numbering around 200, SAC members are established all over the world and represent every link in the supply chain

TAL is part of the Index Development Council which influences the more strategic directions about the Higg Index

TAL is part of the steering team helping to develop the new version of the Facility Environmental Module (FEM), scheduled for release at the end of 2017

TAL is part of the Project Management Team of the Social and and Labour Convergence Project and also participates in various working groups to develop a unified tool for the industry to improve social and labor performance via a future Facility Social and Labor Module

## INDUSTRY APPROACH: TAL'S INVOLVEMENT IN THE HIGG INDEX DEVELOPMENT

TAL is a founding member of the Sustainable Apparel Coalition (SAC) and we believe firmly in SAC's vision to have a holistic sustainability approach. SAC aims at measuring the sustainability of a product, not only by measuring the sustainability of who manufactures the product, but also who designs and sells this product. We believe that sustainability can only be approached in a collective way within the value chain and we have a collective responsibility to look into interrelated sustainability issues upstream and downstream. TAL has hence been actively participating in the development of the Higg Index, ie. a suite of tools which provides a common industry approach for measuring and evaluating apparel and footwear product sustainability performance.

## HIGG INDEX



**BRAND**



Environment  
Social & Labor

**PRODUCT**



Design and Development  
Material Sustainability Index

**FACILITY**



Environment  
Social & Labor

The Higg Index is the core driver of SAC. This groundbreaking suite of self-assessment tools empowers brands, retailers and facilities of all sizes, at every stage in their sustainability journey, to measure their environmental and social and labor impacts and identify areas for improvement. Higg delivers a holistic overview of the sustainability performance of a product or company – a big-picture perspective that is essential for progress to be made.

# TAL AND THE SUSTAINABLE APPAREL COALITION (SAC)

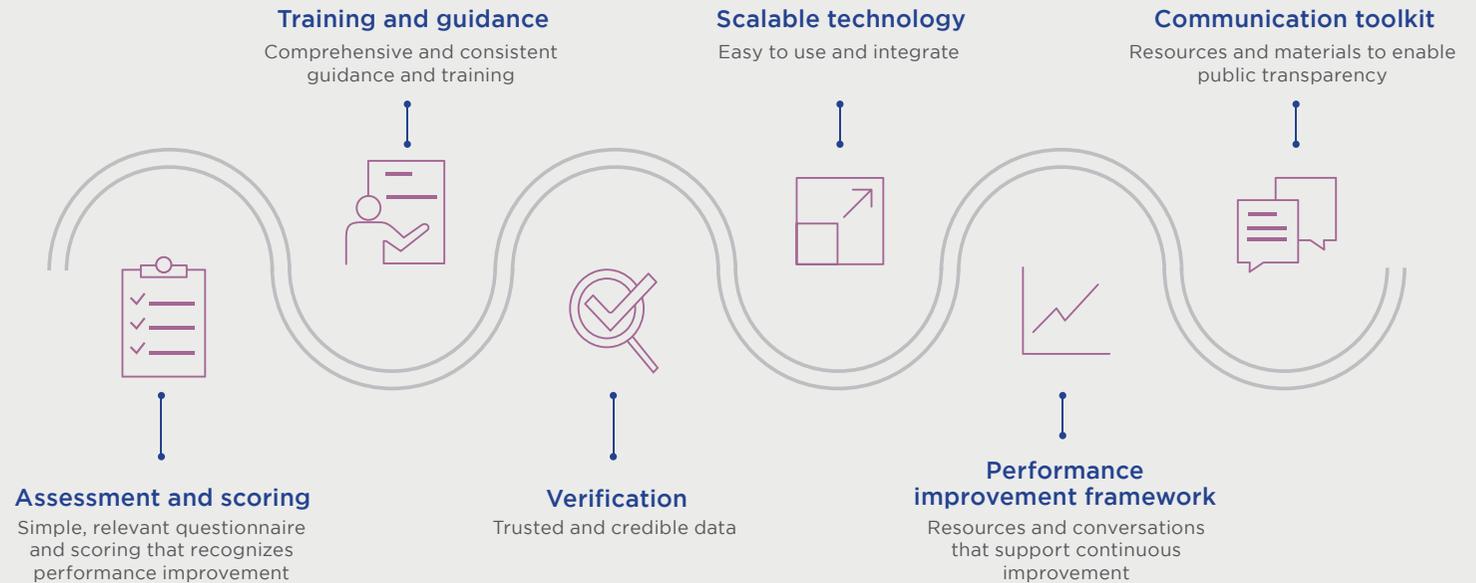
## HIGG INDEX FACILITIES ENVIRONMENTAL MODULE UPDATE

TAL was part of the committee which updated the Facilities Environmental Self-Assessment Module together with one other manufacturer, two brands, one consultant and an NGO. The various parties shared their diverse environmental experience and knowledge to create the best possible tool that will help the industry and specifically, the manufacturers, to move towards more sustainable practices.

This major update, which is strictly focused on environmental impact reduction, brought a lot of changes and innovation to the tool. During the tool update process, we realized that assessing alone would not drive the shift we wanted to see. Indeed, the industry has been assessing its supply chain for years without real impact so we decided to try another approach by delivering an ecosystem of tools for different levels of knowledge and environmental impacts.

The verification module is part of a tool ecosystem. The objective of the verification is to assess the facility environmental self-assessment to calibrate the performance reported by all the facilities in the industry. TAL was a member of the committee that developed and tested the methodology to verify self-assessment scores that would ultimately enable reliable sourcing decisions within the value chain.

## HIGG INDEX ECOSYSTEM: EVOLVING TO BETTER OUR INDUSTRY



## TAL AND THE SUSTAINABLE APPAREL COALITION (SAC)



Cameron Childs – Manager, Facility and Brand Modules at Sustainable Apparel Coalition

### INTERVIEW WITH CAMERON CHILDS – Manager, Facility and Brand Modules at Sustainable Apparel Coalition

#### What were your biggest challenges in making FEM v.3 alive?

There were two primary challenges. The first one, that caught me off guard, was the volume of work! I've worked with members to build assessment tools before and back then we wrote the assessment questions and were done. This time we were writing questions, writing guidance, building a new technology platform, creating training materials, providing email support, and so on... it has been a huge volume of work to release this tool compared to three years ago! It was a good learning experience because we need to implement Higg with robust supporting resources.

The second big challenge was learning more about how to navigate the power dynamics between our different members. In the standard brand-facility relationship, brands typically

design their own audit (or product specs) for the facility to complete. But for the FEM v.3 we are not developing another audit. Sustainability problems are extremely complex and hard to solve – we need more than a checklist, we need to educate the supply chain about why improvement is important, how they are performing, and how to get better. To do this, we are developing a self-assessment tool intended to be educational and valuable for factories to improve their performance. We had to resolve how to build a valuable tool *for factories* when brands are used to making the rules. We needed more brands to start collaborating as equals with the factory in order to understand what was valuable from a factory perspective.

We had many conversations about equal partnership and user design before we could start creating the tool. Through this process, several brands have shared that they learned valuable lessons about how to approach supply chain improvement as a partnership rather than a forced requirement. We started to see a mindset shift on how brand and facilities can work together on sustainability issues.

#### What left a strong mark? What was your major discovery and souvenir from this journey of creating the FEM v.3?

One big discovery that came out last year was that to reach our goals, every element of our tools must be designed for the user... in this case, the facility. It seems obvious now, but you have to design a tool for the person filling it out and doing the work if you want anyone to use it and learn from it.

It has been a great year because we had manufacturer leaders in sustainability stepping up and leading the design and structure of their tool. It's been a great experience to see the facilities stepping up into the leadership role and shaping a valuable tool as no one knows better what needs to be done for the supply chain than the supply chain itself.

## TAL AND THE SUSTAINABLE APPAREL COALITION (SAC)

### SOCIAL AND LABOUR CONVERGENCE PROJECT

In 2016, TAL joined the Social and Labour Convergence Project (<http://slconvergence.org/>), a project funded by the C&A Foundation and the Sustainable Apparel Coalition (SAC), which aims at building a single social and labor assessment via a descriptive (standard - agnostic) tool and verification methodology.



TAL is part of the Project Management Team - responsible for the operational decisions of the Social and Labour Convergence Project - as well as various working groups such as Tool Development and Verification. The Social and Labour Convergence Project includes signatories beyond the Sustainable Apparel Coalition as it aims at including as many players as

possible within our industry. However, the content of the tool will be integrated into the Higg Index Facility Social Module and we intend to integrate this industry wide framework within our social and labor sustainability strategy, just as we do for the Higg Index Facility Environmental Module.

The content of the Social and Labour Convergence Project tool, as well as the verification methodology, are currently being developed and will go through different pilot phases until their official release, which we hope to see in 2018.

As a manufacturer, we suffer from social audit fatigue, as proprietary audits currently introduce resource inefficiencies and duplication of efforts. In addition, we strongly believe that sustainability performance must be measured via a common language and tool in order to be able to generate reliable industry benchmarks and hopefully place sustainability at the center of sourcing decisions.

## TAL AND REDRESS

### ECOCHIC DESIGN AWARD

In 2011 Redress created the EcoChic Design Award to encourage emerging designers to create mainstream apparel with minimal textile waste. TAL participated in the 2016 edition.

The 2015/16 cycle celebrated the competition's fifth anniversary and was open to emerging designers living in Europe and Asia. The competition took 10 finalists on a journey of education and design, which included

a TAL factory visit in China where we hosted a zero-waste workshop. We also invited the Product Engineering Manager of Burberry, one of our closest partners, to join the event, and TAL designers also participated.

The day started with a facility tour that explained in detail each step of production. The finalists were guided step-by-step through TAL's garment production practices. We introduced several initiatives to minimize textile waste, energy and water usage.

The finalists got hands-on experience in sustainable manufacturing practices before pitching their zero-waste ideas to TAL Apparel's senior teams.

It was the first factory encounter for most participants, offering eye-opening insights into process complexity, environmental impact, quality controls and cost issues.



The 10 EcoChic Design Award finalists visit the TAL factory in China

## TAL AND REDRESS



Serge Bieri – Product Engineering Manager, Asia Pacific, Burberry Asia

### INTERVIEW WITH SERGE BIERI - Product Engineering Manager, Asia Pacific, Burberry Asia

**What impression did you get of the emerging designers you met at the TAA workshop?**

The designers impressed me with their interest, motivation and determination to make an impact. It was great to see the diversity of each individual and their ideas. Each one had such different views of how to make a sustainable product. That was the beauty of it.

**What do you think is needed to drive the industry towards sustainable products?**

I think that consumers are not aware enough and lack information about their purchases. They tend to be more concerned with factories and working conditions but much less with sustainability. I am lucky to work for a brand which is investing a lot of resources, money and effort to develop sustainable products. But too many fashion brands are lacking because of the high costs and time associated with the commitment.

### INTERVIEW WITH THERESE CHAN - Product Development Director, TAL Apparel

**What were your key takeaways from the workshop in China?**

It was great talking with the young designers. They are so creative and full of ideas. Their genuine approach to production surprised me. They have not been exposed to the constraints of mass production, which allows them to think out of the box. It's very refreshing and fun to watch!

It was also good to watch them realize how complex bulk production can be. They tried out our software to optimize fabric utilization, and folded and packed a shirt according to the customer's specification. You could see their enthusiasm turning to surprise and frustration when all their efforts failed quality control!

It was a great day of exchange, learning, interaction with workers, and fresh ideas popping up. It's also great to see how passionate they are about their careers and how committed they are to change the industry and prove it's possible.



Therese Chan – Product Development Director, TAL Apparel

Redress's work is fantastic as they help young, talented and energetic designers grow. You can already see that this will get big. Hopefully creative and talented people all over the world from different backgrounds and cultures are the future of our industry.

To be honest, sustainable fashion could easily be seen as second hand, already worn, out of fashion clothes, but to see their collection was eye opening. When I looked at their pieces on the runway it was outstanding. And when you add to this look the sustainability concept they have developed for design, materials and recyclability, they are building great products with an extra touch of soul while being responsible for the "future".

# TAL AND REDRESS

Approximately 15 percent of textiles intended for clothing ends up on the cutting room floor. This waste represents valuable resources used in the production of the textiles, including raw materials, and water, oil, soil, air emissions and water.

Minimizing waste production means raising fabric use efficiency. Many years ago TAL developed a Key Performance Indicator (KPI) to monitor and improve fabric utilization during the cutting process. It involved applying fabric

markers in order to increase the efficiency of patterns. The utilization rate varies with the garment design and fabric pattern.

To use this waste TAL developed a product called InnoGreen. This innovation collects fabric remnants from cutting tables, sorts them by color and respins it into new fabric for the garment production cycle. Unfortunately, this product is not very popular.

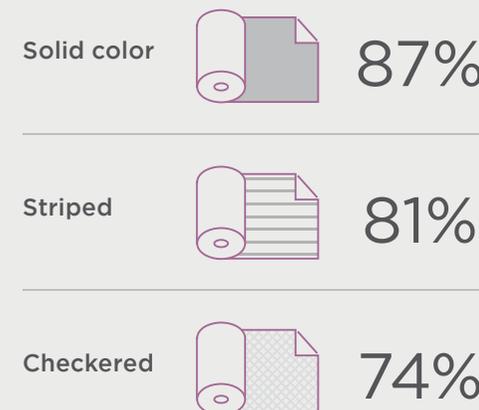
TAL's success here is tightly linked to the market's appetite for eco-friendly garments. Buy-in from fashion brands and demand from end consumers are needed for us to continue producing recycled garments.



## GARMENT LIFE CYCLE



## AVERAGE FABRIC UTILIZATION RATE



## TAL AND REDRESS



Christina Dean – Founder and CEO, Redress

### INTERVIEW WITH CHRISTINA DEAN - Founder and CEO, Redress

#### What inspired you to create this NGO?

I moved from London to Hong Kong 12 years ago and was quite shocked by the lack of infrastructure for recycling and pollution, specifically air pollution.

So as a journalist, I pursued the topics and was deeply affected by the statistics that China at that time had 16 of the world's 20 most air polluted cities. My research brought me to a better understanding of China's industry and how it was affecting the environment and people's life quality and health. And of course I saw the pollution created by the fashion industry. So Redress's mission is to reduce waste in the fashion industry. At Redress, we truly believe in positive power in fashion and that it can be a force for good. Fashion is beautiful and creative and every single human being can relate to it, so this industry can be a leader in sustainability across other sectors.

We want to educate the entire fashion supply chain about key aspects to show that fashion can be done better. We do not want to make fashion less bad, which doesn't unlock the full potential of this industry. We really want to make fashion good.

#### Where are the industry's biggest show stoppers in reaching a sustainable business model?

One of them I will say is the lack of collaboration in the supply chain. In the last 10 years I've found that you can champion a designer to source a better fabric but unless they understand the entire operation and link with the full supply chain and each of the partners working actively together, we cannot achieve our goal.

The second major one is cost. I get really angry when I see how much the cost of fashion has dropped as the result of globalization and mass production. Today consumers are drugged on cheap clothes. This is a massive problem as they are basically addicted to something that is truly unsustainable at that price.

The next thing is technology. One example, if we could get the right technology to recycle fibre we could really reshape and change the industry. We are sitting on millions of tons of waste but there is no single outstanding solution for that yet.

#### Why did you decide to target emerging designers with the Redress EcoChic design award?

Research showed that around 80 percent of a product's environmental impact is determined by the designer. Educating designers must be considered as an act of environmental activism. It sounds simple but it's so fundamentally obvious and true.

We know that just educating designers will not create a sustainable fashion business overnight. But what we hope is that by implanting these values, designers will push better values down the supply chain. A lot of emerging designers are young millennials who are connected with the biggest demographics in history. They have huge power, including social networks, and we hope that this will have a halo effect on their peers and inspire others.

## TAL AND REDRESS

### INTERVIEW WITH CHRISTINA DEAN - Founder and CEO, Redress

Can you give us a sneak peek on what's coming next for Redress?

Redress' work is now being reborn as a new fashion brand called BYT.

BYT is affordable luxury, upscale upcycled fashion that aims to be a best-case business example of how fashion can be more sustainable.

We really want to inspire innovation and best practices in every single part of the supply chain and connect them together in beautiful garments our customers will be really proud to wear.

We're really excited that from the onset BYT is produced in TAL factories. We created BYT because for the last 10 years the Redress charity has been promoting environmental leadership and that sustainable fashion can also be profitable - now we can prove it! BYT is a social impact business that will help to raise funds for the Redress charity. And finally, the winner of the EcoChic Design Award 2017 cycle will join BYT to create the next upcycled capsule collection. With Harry Lee among our judges, TAL will be even closer to what's happening at the heart of Redress and BYT.



Inspiring innovation and best practice for future generations

## TAL AND THE TRUE COST DOCUMENTARY



### THE TRUE COST DOCUMENTARY

TAL met Redress for the first time in early 2015 while participating in the documentary *The True Cost*, directed by Andrew Morgan. The film makes a statement on the global impact of the apparel industry.

The starting point was a constant reduction in clothing prices, while the human and environmental costs are growing dramatically.

The world now consumes about 80 billion new pieces of clothing every year, which is 400 percent more than two decades ago. As more new clothing comes into our lives, we discard our existing wardrobe at an increasingly fast pace.

*The True Cost* pulls back the curtain on the untold story and asks the viewer the viewer: Who is really paying for our clothing?

### INTERVIEW WITH ROGER LEE ABOUT THE FILM

**How did you get involved in *The True Cost*?**

It began with an advertisement on Kickstarter seeking finance for the [movie](#). The topic caught our attention and we felt we had a story to tell. We suffer from unfair competition and poor sourcing practices so this topic is very close to our heart. We approached the filmmakers and asked to be interviewed and participate in the documentary.

**Is the film faithful to the industry, its current impact and future challenges?**

It accurately represents a reality of the apparel industry and unequivocally points at the total disconnect between the always decreasing cost of clothing and the increasing social and environmental costs. It casts light on the people who truly pay the cost of cheap clothing and gives some hope about the possibility of reshaping this industry.

On reflection it also makes us proud of our sustainability roadmap, and our difficult journey defending our values in an often inequitable business environment.

We were impressed by the film crew's professionalism and the depth of their

research. It followed the parties involved in a very comprehensive and detailed way.

**Which message you would like audiences to remember about *The True Cost*?**

It's fundamental for consumers to understand their products and know where they come from. Consumers have the responsibility and unimagined power to change things. We cannot wait for products to bear a Higg Index score tag.

Over the past two years I have had the life-changing privilege of directing *The True Cost*. The story has profoundly changed the way I think about the things that I wear and it has given me a profoundly hope-filled belief that we can do better. That hope is rooted in the many people all over the world I have met, who have dedicated themselves to leading us forward. Roger Lee and the team at TAL are among those people and I hope that this film serves as a reminding encouragement of why doing business the right way matters so very much. Thank you for taking the time to view the film, keep up the good work. We need you.

Andrew Morgan, Director



# APPENDICES

# GRI INDEX

GRI standard	GRI disclosure content	Page number(s), URLs or comment
<b>GENERAL DISCLOSURES</b>		
<b>GRI 102: General Disclosures</b>	<b>Organizational profile</b>	
102-1	Name of organization	<a href="#">p.2</a>
102-2	Activities, brands, products, and services	<a href="#">p.12</a>
102-3	Location of headquarters	<a href="#">p.12</a>
102-4	Location of operations	<a href="#">p.12</a>
102-5	Ownership and legal form	TAL Apparel is a privately held business.
102-6	Markets served	<a href="#">p.13</a>
102-7	Scale of organization	Refer to p.19 for total number of employees and <a href="#">p.12</a> for total number of operations. Revenue and sales data are not available due to commercial confidentiality.
102-8	Information on employees and other workers	<a href="#">p.83-84</a>
102-9	Supply chain	<a href="#">p.37-38</a>
102-10	Significant changes to the organization and supply chain	<a href="#">p.16-17</a>
102-11	Precautionary principle or approach	TAL Apparel's top management holds regular meetings to make decisions on critical management matters, including precautionary policies for suspected risks that maybe harmful to the company, environment and public.
102-12	External initiatives	<a href="#">p.66-76</a>
102-13	Membership of associations	<a href="#">p.67-70</a>
102-14	Statement from senior decision-maker	<a href="#">p.4-7</a>
<b>Ethics &amp; integrity</b>		
102-16	Values, principles, standards, and norms of behavior	<a href="#">p.14</a>
<b>Governance</b>		
102-17	Governance structure	Our board welcomed one new member in 2015. <a href="#">Please refer to our Sustainability Report 2013-2014, p.12</a> , for our board structure.

GRI standard	GRI disclosure content	Page number(s), URLs or comment
<b>GENERAL DISCLOSURES</b>		
<b>GRI 102: General Disclosures</b>	<b>Stakeholder engagement</b>	
102-40	List of stakeholder groups	<a href="#">p.9</a>
102-41	Collective bargaining agreement	<a href="#">p.29</a>
102-42	Identifying and selecting stakeholders	<a href="#">p.9</a>
102-43	Approach to stakeholder engagement	<a href="#">p.9</a>
102-44	Key topics and concerns raised	<a href="#">p.10</a>
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	<a href="#">p.2</a>
102-46	Defining report content and topic Boundaries	Refer to the Scope of this report, <a href="#">p.10</a> , for list of topics and GRI Index, <a href="#">p.78-82</a> , for details
102-47	List of material topics	Refer to the Scope of this report, <a href="#">p.10</a> , for list of topics and GRI Index, <a href="#">p.78-82</a> , for details
102-48	Restatements of information	No reinstatements from previous reports.
102-49	Changes in reporting	No changes except for adjustments made based on newly released GRI Standards.
102-50	Reporting period	<a href="#">p.2</a>
102-51	Date of most recent report	<a href="#">p.2</a>
102-52	Reporting cycle	<a href="#">p.2</a>
102-53	Contact point for questions regarding the report	<a href="#">p.2</a>
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">p.2</a>
102-55	GRI content index	<a href="#">p.78-82</a>

GRI standard		GRI disclosure content	Impacts inside TAL only	Impacts outside TAL also	Page number(s), URLs or comment
<b>MATERIAL TOPICS</b>					
<b>Economic performance</b>					
GRI 103	103-1-3	Management approach*	X	X	Financial performance remains a crucial factor as we continue to deliver equitable commitment to employees, society and shareholders. We remained financially sustainable by manufacturing more efficiently and becoming more agile with customer needs despite adverse market conditions in 2015 and 2016.
GRI 201	201-1	Direct economic value generated and distributed	X	X	Refer to our donations in Community engagement, <a href="#">p.35</a> , and other financial figures in Business, <a href="#">p.13</a> Revenue and sales data are not available due to commercial confidentiality.
<b>Anti-corruption</b>					
GRI 103	103-1-3	Management approach	X		In late 2016, we reviewed our internal code of conduct and began to develop training materials on this topic. The update will be included in the next report.
GRI 205	205-3	Confirmed incidents of corruption and actions taken	X		No confirmed incidents of corruption.
<b>Materials</b>					
GRI 103	103-1-3	Management approach	X	X	Some suppliers are nominated by customers while others are developed by ourselves. Information is unavailable as we are yet to begin a new program on this topic.
GRI 301	301-1	Materials used by weight or volume	X	X	
<b>Energy</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.51-58</a>
	302-1	Energy consumption within the organization	X	X	
	302-3	Energy intensity	X	X	
	302-4	Reduction of energy consumption	X	X	
<b>Water</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.51-56, 59-60</a>
GRI 303	303-1	Water withdrawal by source	X	X	
	303-3	Water recycled and reused	X	X	
<b>Emissions</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.51-58</a>
GRI 305	305-1	Direct Scope 1 GHG emissions	X	X	
	305-2	Energy indirect Scope 2 emissions	X	X	
	305-3	Other indirect GHG emissions	X	X	
	305-4	GHG emissions intensity	X	X	
	305-5	Reduction of GHG emissions	X	X	

GRI standard	GRI disclosure content	Impacts inside TAL only	Impacts outside TAL also	Page number(s), URLs or comment	
<b>MATERIAL TOPICS</b>					
<b>Effluents and waste</b>					
GRI 103	103-1-3	Management approach	X	X	Refer to Waste Water Management, <a href="#">p.60</a> , for water discharge management. Refer to Environmental Management System, <a href="#">p.53-55</a> , for solid waste management.
GRI 306	306-1	Water discharge by quality and destination	X	X	
<b>Environmental compliance</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.53-55</a>
GRI 307	307-1	Non-compliance with environmental laws/regulations	X	X	Imperial Garments received a fine (RM 2,000) from Malaysia's Department of Environment in November 2015 for not meeting the design requirements of hazardous waste storage. The factory has since built a new hazardous waste storage with proper shelter and secondary containment.
<b>Supplier environmental assessment</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.37-38</a>
GRI 308	308-2	Negative environmental impacts in the supply chain and actions taken	X	X	
<b>Employment</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.21-27</a>
GRI 401	401-1	New employee hires and employee turnover	X	X	<a href="#">p.83</a>
<b>Labor/management relations</b>					
GRI 103	103-1-3	Management approach	X	X	For the closing of Pacific Apparel and Cheong Shun Garments, management informed employees well in advance, and handled disputes promptly and transparently. See <a href="#">p.30</a> .
GRI 402	402-1	Minimum notice periods regarding operational changes	X	X	
<b>Occupational health and safety</b>					
GRI 103	103-1-3	Management approach	X	X	<a href="#">p.41-44</a>
GRI 403	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	X	X	Update on Health & Safety Performance, <a href="#">p.41-43</a> Occupational disease rate (ODR) and absentee rate (AR), injury data breakdown by region and gender are unavailable due to lack of information.
<b>Training and education</b>					
GRI 103	103-1-3	Management approach	X		<a href="#">p.32-34</a>
GRI 404	404-2	Programs for upgrading employee skills and transition assistance programs	X		No formal transition assistance programs for employees who retire or are terminated.

GRI standard	GRI disclosure content	Impacts inside TAL only	Impacts outside TAL also	Page number(s), URLs or comment
<b>MATERIAL TOPICS</b>				
<b>Diversity and equal opportunity</b>				
GRI 103	103-1-3 Management approach	X		Our board welcomed one new male member in 2015. Please refer to our <a href="#">Sustainability Report 2013-2014, p.80</a> , for the diversity metrics. For the diversity of our managerial, non-managerial and operator employees, see <a href="#">p.83-84</a>
GRI 405	405-1 Diversity of governance bodies and employees	X		
<b>Non-discrimination</b>				
GRI 103	103-1-3 Management approach	X	X	Customer audits highlighted a few (< 10) instances where benefit provisions may be discriminatory. All findings were followed up thoroughly as part of the self-monitoring program and corrective actions were accepted by our customers.
GRI 406	406-1 Incidents of discrimination and corrective actions taken			
<b>Freedom of association and collective bargaining</b>				
GRI 103	103-1-3 Management approach	X	X	Freedom of Association is monitored as part of the Management System, <a href="#">p.21-24</a> , and the Self Monitoring Program, <a href="#">p.25-26</a> . Incidents are reported in <a href="#">p.29-30</a> . Subcontractors are screened on this topic as well, <a href="#">p.37-38</a> .
GRI 407	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	X	X	
<b>Child labor</b>				
GRI 103	103-1-3 Management approach	X	X	Child Labor is monitored as part of the Management System, <a href="#">p.21-24</a> , and the Self Monitoring Program, <a href="#">p.25-26</a> . Subcontractors are screened on this topic as well, <a href="#">p.37-38</a> .
GRI 408	408-1 Operations and suppliers at significant risk for incidents of child labor	X	X	
<b>Forced or compulsory labor</b>				
GRI 103	103-1-3 Management approach	X	X	Forced Labor is monitored as part of the Management System, <a href="#">p.21-24</a> , and the Self Monitoring Program, <a href="#">p.25-26</a> . Subcontractors are screened on this topic as well, <a href="#">p.37-38</a> .
GRI 409	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	X	X	
<b>Human rights assessment</b>				
GRI 103	103-1-3 Management approach	X	X	All TAL Apparel factories were subject to internal self-monitoring and external audits, <a href="#">p.25-27</a> . As part of Management System implementation, all factory managers, frontline supervisors and workers have been trained on human rights related policies or procedures.
GRI 412	412-1 Operations that have been subject to human rights reviews or impact assessments	X	X	
	412-2 Employee training on human rights policies or procedures	X	X	

GRI standard	GRI disclosure content	Impacts inside TAL only	Impacts outside TAL also	Page number(s), URLs or comment
<b>MATERIAL TOPICS</b>				
<b>Local communities</b>				
GRI 103	103-1-3 Management approach	X	X	Local community activities were organized in our office locations, and donations were given to charitable causes, <a href="#">p.35-36</a> .
GRI 413	413-1 Operations with local community engagement, impact assessments, and development programs	X	X	
<b>Supplier human rights assessment</b>				
GRI 103	103-1-3 Management approach	X	X	<a href="#">p.37-38</a>
GRI 414	414-2 Negative social impacts in the supply chain and actions taken	X	X	
<b>Customer health &amp; safety</b>				
GRI 103	103-1-3 Management approach	X	X	No fines and non-monetary sanctions incurred.
GRI 416	316-1 Incidents of non-compliance concerning the health and safety impacts of products and services	X	X	
<b>Socioeconomic compliance</b>				
GRI 103	103-1-3 Management approach	X	X	No fines and non-monetary sanctions incurred.
GRI 419	419-1 Non-compliance with laws and regulations in the social and economic area	X	X	

## SUPPLEMENTAL DATA

### GHG EMISSIONS BY SCOPE (IN TCO2E)

	2015	2016
<b>Scope 1</b>		
Mobile fuel consumption	567	503
Stationary fuel consumption	14,780	14,739
<b>Scope 2</b>		
Electricity purchased	65,428	59,247
<b>Scope 3</b>		
Paper consumption	5	6
Business travel	1,302	912
<b>Total GHG emissions (tCO2e)</b>	<b>82,084</b>	<b>75,406</b>

### TAL WORKFORCE DEMOGRAPHICS

	2015	2016
Total number of employees	23,625	22,344

### EMPLOYEES BY REGION

	2015		2016	
China	4,910	21%	4,060	18%
Thailand	4,882	21%	4,384	20%
Malaysia	6,033	26%	5,845	26%
Vietnam	5,524	23%	6,166	28%
Indonesia	1,970	8%	1,641	7%
Hong Kong	306	1%	248	1%

### EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER

	2015		2016	
	Female		Male	
Permanent	9,881	9,730	2,587	2,671
Fixed term	7,818	7,396	3,186	2,493

### NEW HIRES AND TURNOVER BY AGE GROUP

	2015		2016	
	New hires %		Turnover %	
Under 30	7%	6%	7%	7%
30-50	2%	2%	3%	3%
Over 50	0%	0%	1%	2%

### NEW HIRES AND TURNOVER BY GENDER

	2015		2016	
	New hires %		Turnover %	
Female	3%	3%	4%	4%
Male	8%	6%	8%	7%

### NEW EMPLOYEE HIRES AND TURNOVER BY REGION

	2015		2016	
	New hires %		Turnover %	
China	10%	8%	13%	10%
Thailand	3%	2%	3%	3%
Malaysia	4%	4%	3%	4%
Vietnam	3%	2%	3%	4%
Indonesia	2%	0%	0%	1%
Hong Kong	2%	2%	2%	4%

## EMPLOYEE CATEGORY AND GENDER BREAKDOWN

	2015	2016	2015	2016	2015	2016	2015	2016
	Managerial		Non-managerial		Operators		Total	
Female	49%	52%	67%	68%	78%	80%	75%	77%
Male	51%	48%	33%	32%	22%	20%	25%	23%

## EMPLOYEE CATEGORY AND AGE GROUP BREAKDOWN

	2015	2016	2015	2016	2015	2016	2015	2016
	Managerial		Non-managerial		Operators		Total	
Under 30	5%	4%	38%	36%	54%	52%	50%	48%
30-50	79%	79%	56%	58%	43%	45%	47%	48%
Over 50	16%	17%	5%	6%	3%	3%	4%	4%

## EMPLOYEE CATEGORY AND NATIONALITY BREAKDOWN

	2015	2016	2015	2016	2015	2016	2015	2016
	Managerial		Non-managerial		Operators		Total	
Local	88%	87%	95%	95%	73%	73%	78%	78%
Foreign	12%	13%	5%	5%	27%	27%	22%	22%



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