



**LI & FUNG**

# **2022** **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

To deliver value in  
global supply chains  
by living our values  
around **people,**  
**partners &**  
**planet.**

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# 1 ABOUT THIS REPORT

Li & Fung Limited (“Li & Fung”, “we”, “our”, “us”) is pleased to present our annual Environmental, Social and Governance (“ESG”) Report for 2022. Driven by our ESG strategy, the ESG report (“the report”) discloses and highlights our ESG priorities and key achievements towards living our values around people, partners and planet in 2022. This ESG report aims to provide our various stakeholders, including investors, business partners, and others, with a deep understanding of our sustainability policies, targets, and undertakings.

## 1.1 SCOPE OF THE REPORT

The report covers the period from 1 January 2022 to 31 December 2022. It includes the headquarters in Hong Kong, and 60 entities<sup>1</sup> of the Company's trading and distribution businesses and 41 offices across the world, including wholly-owned subsidiaries.

## 1.2 REPORTING STANDARD AND PRINCIPLE

The report was prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to the ESG Guide and Global Reporting Initiative (GRI) Sustainability Reporting Standards. It also refers to selected guidelines from the United Nations 2030 Sustainable Development Goals (SDGs).

When disclosing our sustainability performance, the report adheres to the four Reporting Principles stipulated in the ESG Guide: materiality, quantitative, balance and consistency. We defined the topics of this report by continuing to engage with our stakeholders and through regular reviews of the ‘materiality’ of sustainability topics. Quantitative data and key performance indicators (“KPIs”) presented throughout the report are following the consistent methodologies, which illustrate a balanced view of Li & Fung’s sustainability performance. Any changes in the reporting scope will be revealed to maintain the report’s consistency.

## 1.3 APPROVAL

The report was approved by the Group CEO in August 2023, following the confirmation review by the Board of Directors.

## 1.4 CONTACT INFORMATION

If you wish to know more about our ESG practices or provide any comments or suggestions, please contact us at [media@lifung.com](mailto:media@lifung.com) (corporate communications team)

<sup>1</sup> Details refer to Annex 1 – Reporting Scope entities

## 2 MESSAGE FROM GROUP CEO

Dear stakeholders,

In line with our aspiration “to deliver value in global supply chains by living our values around people, partners, and planet,” we have collaborated with our stakeholders across a broad range of ESG initiatives. In this report, you will notice that we have made great strides in improving supply chain transparency and strengthening the intensity of our ESG activities across our office locations as well as our global vendor network.

Although the pandemic is behind us, industry headwinds and ongoing geopolitical tensions continue to disrupt the global trading landscape. We will continue to leverage our global presence and work alongside industry partners to address challenges and enhance the lives of all those who are part of our ecosystem.

This year, we benchmarked our progress against our goals set in 2021 and continued to identify opportunities for improvement. We are encouraged by the recognition and support received, which only amplify our determination to make our industry truly sustainable. We thank our colleagues, customers, suppliers and partners for supporting us on this all-important journey.

Sincerely,

*Joseph Phi*

Group CEO  
Li & Fung Limited





# 3 2022 PERFORMANCE AT A GLANCE

## ENVIRONMENT KPI

Water consumption **reduced by 33%** compared to 2021

GHGs emission within our operations **reduced by 26%** compared to 2021

Higg score **increased by 56%** from the selected factories compared to 2021 (**20% higher** than industry median)

The global average Higg total score **improved by 5.2%**

## SOCIAL LF INTERNAL KPI

The average number of training hours per employee **increased from 0.7** in 2021 **to 4.2hrs** in 2022.

In 2022, the voluntary turnover rate **reduced by 6%** compared to 2021.

## SOCIAL SUPPLY CHAIN KPI

**100%** active suppliers accepted Li & Fung's Supplier Code of Conduct

### LISTENING TO WORKERS' VOICES

**14** sourcing countries  
**521** suppliers  
**14,894** worker voices

Bangladesh, Cambodia, China, India, Indonesia, Jordan, Malaysia, Myanmar, Philippines, Taiwan, Thailand, Turkey, and Vietnam

**409** training sessions of various compliance topics including the LF Supplier Code of Conduct, Modern Slavery/Forced Labor, Health and Safety, Harassment, Grievances led by internal and external partners and experts were held and was attended by 4,738 suppliers and 7,150 supplier representatives.

## GOVERNANCE KPI

**4,146** hours of ethics training

# 4 EXTERNAL RECOGNITION



**Rated B** on Supplier Engagement Rating (SER) of the Carbon Disclosure Project (CDP), better than Global Average of C, Sector Average of C, and Asia average of C

Founding member of SAC, representation on Higg FEM Strategic Council (2022 – 23)

Representation as one of the elected Board of Directors members (2022 – 24)

**Ranked 3<sup>rd</sup> among 15** other leading companies for Child Labour Remediation program and implementation

**Obtained a Gold medal** for ESG rating by Ecovadis for Miles-Promocean (ranking amongst top 2%)





 LI & FUNG

## ABOUT LI & FUNG

Li & Fung specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. Headquartered in Hong Kong, the company has a rich history and heritage in export trading and global supply chain management that dates back to 1906.

# 5 ABOUT LI & FUNG

## 5.1 OUR BUSINESS

### About Li & Fung

Li & Fung has a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the greater bay area emerged as one of the world’s foremost manufacturing and trading regions.

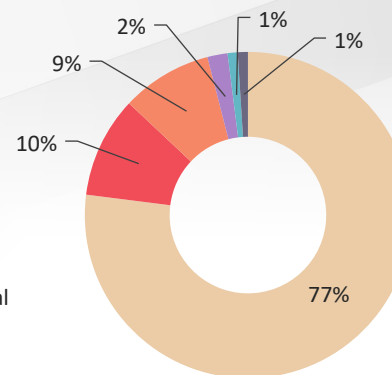
Formerly a publicly-traded company, Li & Fung was privatized at the end of May 2020. It is headquartered in Hong Kong and is a member of the [Fung Group of Companies](#).

Today, Li & Fung specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. We provide end-to-end supply chain solutions, from product design, raw material procurement, to production and quality control. We design, source and deliver a diverse range of products including apparel, footwear, accessories and household products for brands and retailers globally. A formerly publicly-traded company, Li & Fung was privatized at the end of May 2020.

Li & Fung’s aspirational statement is to deliver value in global supply chains by living our values around people, partners, and planet. Our core values around Humility, Entrepreneurship and Family form the basis for our culture, business strategies and brand, bringing us together and guiding what we do.

### Our supply chain

In 2022, we sourced goods from 4,864 Tier 1 factories in 35 production markets, with 849 factories contributing 80% of the value of goods shipped to our customers. These 849 factories represent almost 17% of our total active factories.



One China	3767	77%
Indian Subcontinent	501	10%
Greater ASEAN	431	9%
Europe & Turkey	118	2%
LATAM	18	1%
Rest of the world	29	1%

Production countries  
**35**

Factories  
**4,864**

Employees worldwide  
(as of Jan 2023)  
**4,248**



**58%**  
Female

**42%**  
Male



<sup>2</sup> Li & Fung defines Tier 1 factories as the facility that undertakes the final product assembly.



## 5.2 CORPORATE GOVERNANCE

Governance is the foundation of our sustainable business operations. At Li & Fung, we endeavour to uphold principles of good corporate governance with an emphasis on independence, transparency, and accountability. We strictly abide by all laws and regulations in our operations, and in accordance with those of the countries in which we operate.

### Governance structure

Our Board of Directors comprises of 3 executive directors and 2 non-executive directors. They have diverse professional experience, skills, ethnicity and culture to ensure a diversity of perspectives and backgrounds. The well-balanced board composition reinforces a strong independent review and monitoring function of overall management practices.

The Board is responsible for setting the overall values and strategies of Li & Fung and oversight of its operations, financial performance and corporate governance. To effectively discharge their duties, the Board has established four committees – Audit Committee, Risk Management and Sustainability Committee, Nomination Committee and Remuneration Committee. Each committee has its defined terms of reference, the key functions are as follows:

### THE BOARD

- Set overall values, standards and strategy of the group
- Review operational and financial performance
- Major acquisitions and disposals
- Oversight of risk management and internal control system
- Any significant operational, financial, corporate governance, ESG matters

### BOARD COMMITTEES

#### Audit Committee

- Oversight of financial performance, internal controls
- Review external and internal auditor report
- Review corporate governance

#### Risk Management and Sustainability Committee

- Risks and mitigation oversight
- ESG initiatives, activities, policies, KPIs oversight
- ESG funding proposal and ESG report approval

#### Nomination Committee

- Board composition evaluation
- Recommendation of suitable prospective directors

#### Remuneration Committee

- Independent review of directors and senior management remuneration

Our Audit Committee, together with the Risk Management and Sustainability Committee, provides oversight of corporate governance, financial reporting, risk management, and internal control system of the Company and its subsidiaries. The Audit Committee engages with the external auditor, PricewaterhouseCoopers (PwC), to perform independent financial audits to assure compliance with applicable reporting standards. PwC also reports to the Audit Committee on any significant weaknesses in our internal control procedures, fraud or illegal acts, or any non-compliance with laws and regulations. The Corporate Governance Division (CGD), which is independent from management operations, is supervised by the Group Chairman. CGD carries out internal audit, independent investigation of alleged fraud and misconducts, assistance to upholding ethics and anti-corruption, and corporate governance advisory. Any observations of control weaknesses in financial, operational and compliance operations and recommendations are escalated by CGD to Audit Committee and Risk Management & Sustainability Committee.

The Nomination Committee evaluates the board composition and recommends suitable candidates to the Board. The Remuneration Committee advises the Board on the board members and senior management remuneration. Below illustrates a balanced mix of executive and non-executive directors in each committee:

**Board and Board Committee members**

		Board of Directors	Audit Committee and Risk Management & Sustainability Committee	Nomination Committee	Remuneration Committee
<b>Mr. Spencer Fung</b>	Executive	Yes*	Yes*	Yes*	Yes
<b>Mr. Joseph Phi</b>	Executive	Yes	Yes	Yes	Yes
<b>Mr. Ed Lam</b>	Executive	Yes	Yes	No	No
<b>Mr. Ming Mei</b>	Non-executive	Yes	Yes	Yes	Yes*
<b>Mr. Michihiro Higashi</b>	Non-executive	Yes	Yes	No	No

\* Being Chairman of the Board or the corresponding committee

**Risk management and internal control**

Risk management is the culture, capabilities and practices that Li & Fung integrates into our strategy, while internal control is the process effected by Li & Fung’s board, management and employee to provide reasonable assurance of the Company achieving its financial, operational and compliance objectives. Both risk management and internal control are integral parts of our approach to good corporate governance. The Corporate Governance Division, as endorsed by an Internal Audit Charter, is empowered to regularly audit operations to ensure compliance with Li & Fung’s policies and Key Operating Guidelines (KOGs), and local laws and regulations.

Our policies and KOGs are tailored to the needs of the respective operating groups in the markets in which we operate. These policies and KOGs cover the key risk management and control standards for our operations worldwide, including key business processes, credit control, procurement and payment, trade compliance, capital expenditure, commitments, business travel, and employee expense claims. They also cover relevant administrative processes in key support functions of information technology and human resources.

Importantly, our [Code of Conduct and Business Ethics](#) conveys our values and guides all directors' and employees' practices of respectful and ethical conduct. It provides the general principles of how we serve our customers and what we expect from our suppliers.

Moving forward, we will continue to improve our governance structure in line with evolving requirements and expectations.



### 5.3 ESG GOVERNANCE

Li & Fung believes that a scientific and comprehensive management mechanism is the cornerstone of integrating sustainable development into the Company's operations and management. Our ESG governance structure allows our ESG activities and emerging issues to be escalated quickly for the Board and management attention and action.



The Risk Management & Sustainability Committee (RMSC) under the Board oversees corporate ESG practices, policies, procedures, strategies, and directions. Chaired by an executive director of the Company, the committee is comprised of members of the Board and representatives from key divisions.

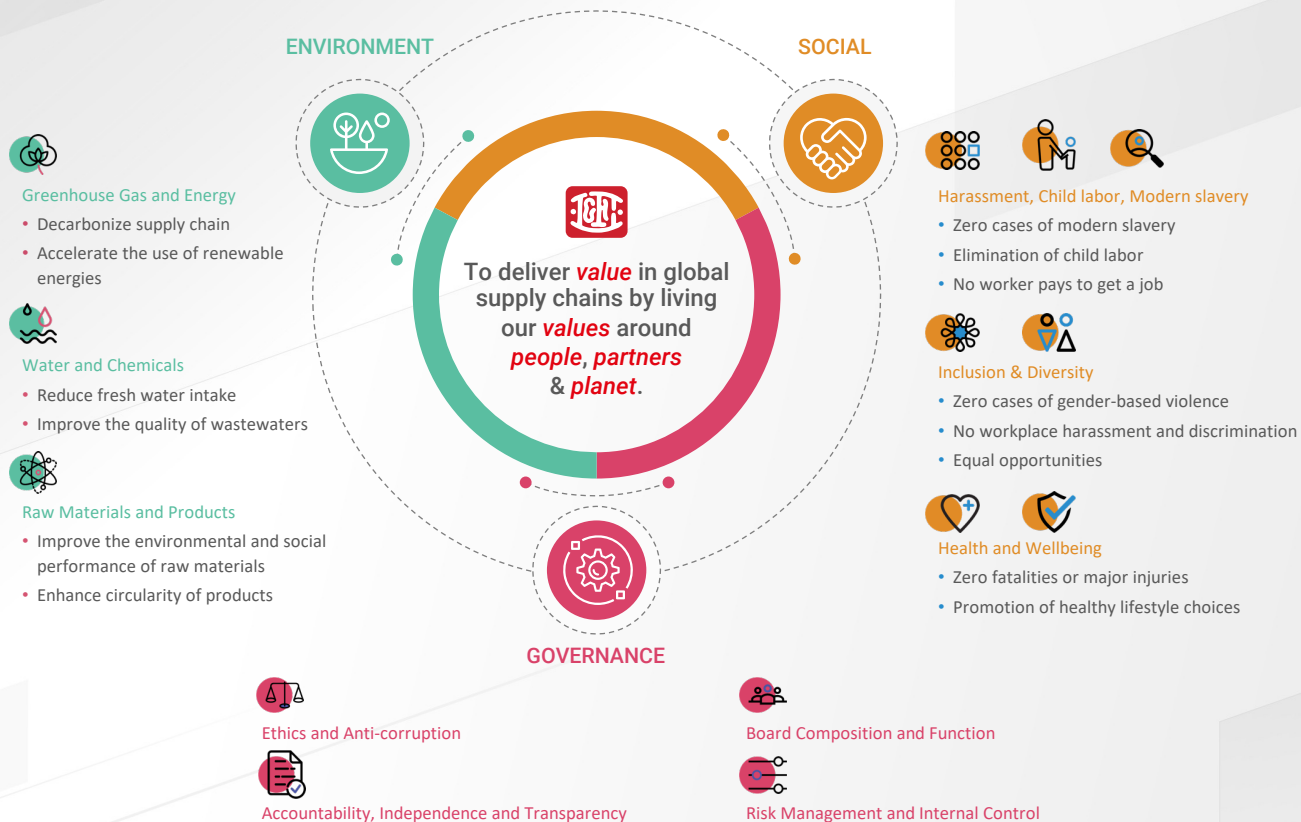
Under the RMSC, we have an ESG committee which consists of key function heads from HR, governance, vendor compliance, IT and corporate sustainability. The Committee members are well-equipped with both sustainability and industrial knowledge and forward-looking mindset to propose insights, directions about embedding sustainability into the business strategies. The ESG committee is also responsible for supervising the execution of the ESG strategy, developing ESG related actions, monitoring ESG performance and progress.

At a regional level, we established a regional ESG champion network in 2022, which acts as a facilitator in each region to help implement ESG actions locally. The ESG champion network includes local representatives from various functions and is led by the ESG committee. They coordinate with different functions for addressing environmental and social impacts towards our ESG strategy.

To further improve the management efficiency on ESG matters, we are in the process of developing relevant policies to formalize the ESG governance procedures and define the rights and responsibilities of the relevant parties. Moving forward, we will be looking at some measures and programs (for example, incorporate ESG measures into key performance indicators that are used to determine the individual performance factor for each Leadership Team member) to incentivize and assess performance with respect to specific ESG and sustainability initiative.

### 5.4 ESG STRATEGY

The challenges of the future – including climate change, biodiversity loss, human rights and poverty – are severe. We strive for the sustainable development that our stakeholders, customers, and community expect. Our ESG strategy is aligned with the United Nations' Sustainable Development Goals (SDGs) with three key pillars of environment, society and governance. Our key priorities and commitments are included in the diagram.



We believe in trust, openness, and transparency. These are the fundamental values to maintain a long-term relationship with our internal and external stakeholders.


In 2022, we conducted training sessions on ESG and sustainability to introduce fundamental knowledge about ESG, explain common ESG topics, and Li & Fung’s strategic direction. The training sessions were well received by employees across different regions, with a total of 565 employees having participated in these training sessions.

Moving forward, we will focus on topic-specific campaigns and activities to raise awareness and foster a more sustainable workplace and way of life.

## 5.5 STAKEHOLDER ENGAGEMENT

At Li & Fung, we recognize the importance of listening to the interests and expectations of our stakeholders. We regularly engage with internal and external stakeholders to provide updates on our latest developments to improve our strategy, management and performance.

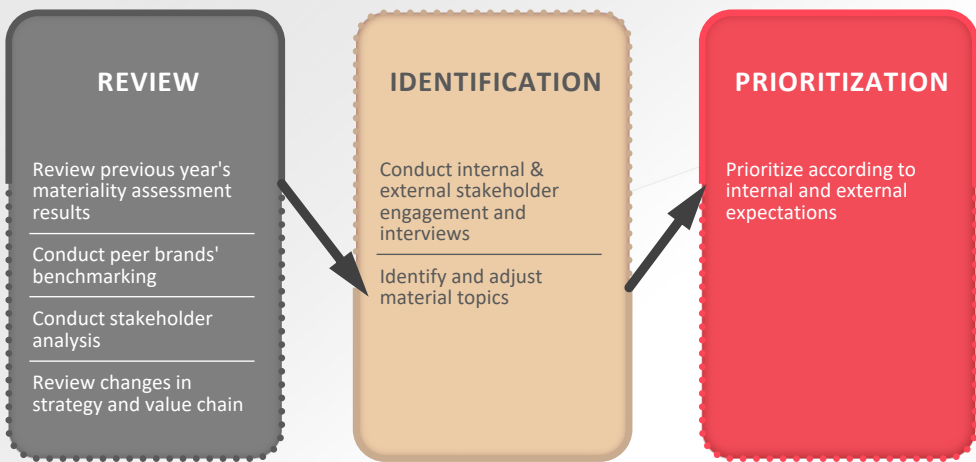
We are committed to maintaining continuous and transparent communication with stakeholders through various channels.

Stakeholder Groups	 Investors, shareholders, analysts, and creditors	 Customers	 Employees	 Suppliers and business partners	 Communities (Non-governmental organizations, trade organizations, government, academia, and media)
Communication Channels	<ul style="list-style-type: none"> <li>Investor relationship and company website</li> <li>Meetings, briefings, and investor conferences.</li> <li>Company announcements</li> <li>Annual general meeting</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>Customer direct communication and meetings</li> <li>Customer feedback and complaints</li> </ul>	<ul style="list-style-type: none"> <li>Annual conference, town halls, workshops</li> <li>Regular meetings and employee emails</li> <li>Employee engagement activities</li> <li>One Family intranet</li> <li>Annual engagement surveys</li> <li>Employee training and sharing sessions</li> <li>New joiner orientation and feedback survey</li> <li>Employee performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Communication, meetings, and training</li> <li>Capacity building programs</li> <li>Online vendor portal</li> <li>Supplier Code of Conduct</li> <li>Selection assessment</li> <li>Performance assessment</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue and meetings</li> <li>Collaboration or partnership initiatives</li> <li>Engagement with industry groups and academics</li> <li>Company website</li> <li>Community activities</li> </ul>

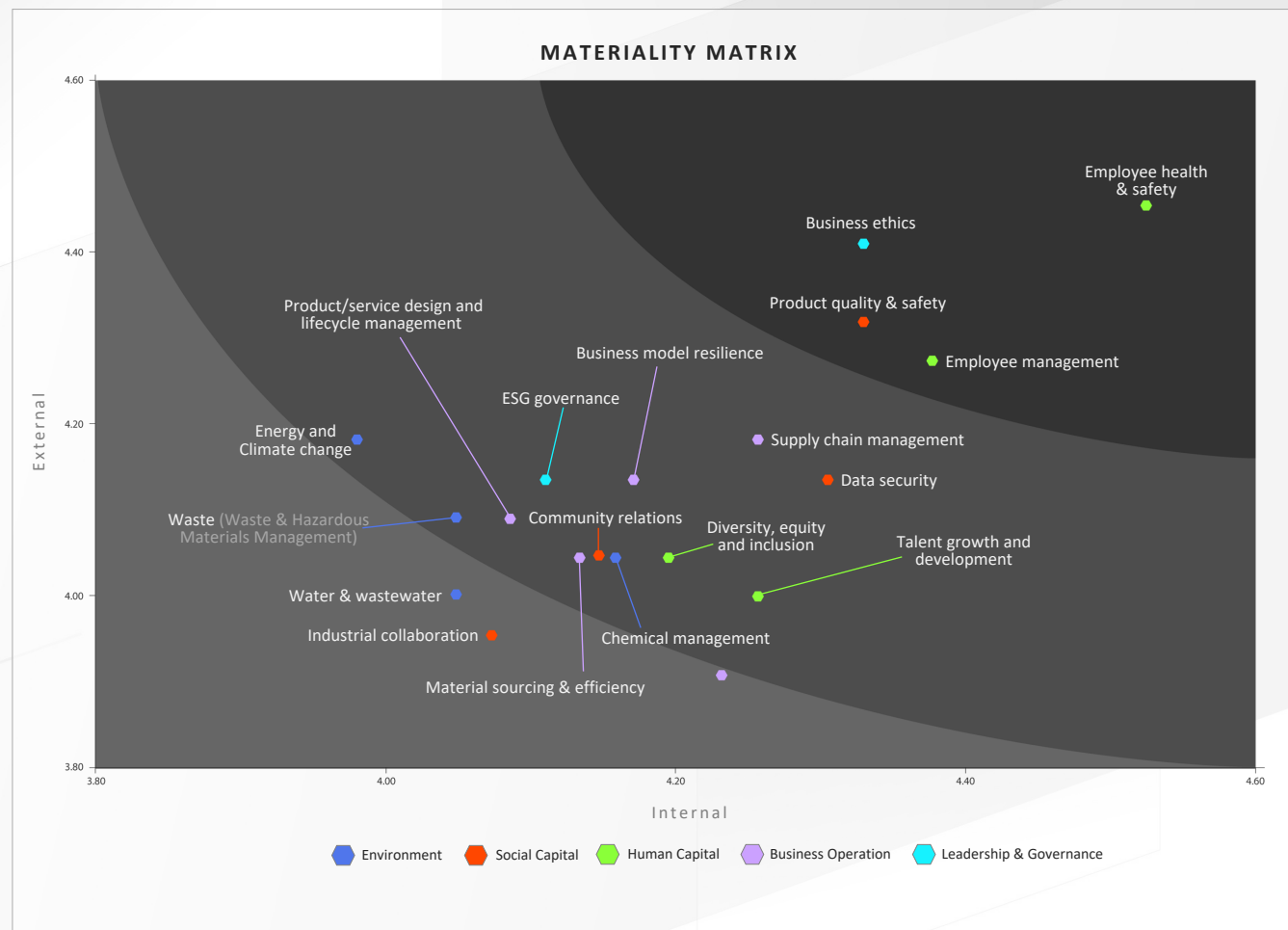


### 5.6 MATERIALITY ASSESSMENT

A materiality assessment is the foundation of our ESG reporting and sustainability disclosure. In 2021, we initiated the materiality assessment and prioritized 14 material issues after completing all the key stages of a materiality assessment from review to identification, prioritization and verification. Each year, we plan to revisit the material topics to make sure the topics align with our operations and stakeholders' concerns.



In 2022, we continued the materiality assessment approach and refined key topics. We sent online questionnaires to various stakeholders and collected responses to help us better understand their expectations and demands. Through analysis and validation of the results, we have identified 19 key material topics across the pillars of Environment, Social and Governance and have defined the content and boundary of each material topic.





## A Responsible Citizen

Li & Fung is committed to creating long-term values for corporate partners and society. Our business activities are carried out ethically and complies with all applicable regulations, overseen by an effective and transparent governance structure.



# 6 A RESPONSIBLE CITIZEN

## 6.1 BUSINESS ETHICS AND ANTI-CORRUPTION

Our company reputation is built on the daily actions of our people. Each of us has the responsibility to uphold our reputation and values, and our success is based on the consistent application of our standards of conduct.

We are committed to managing our business responsibly, in compliance with the statutory requirements and regulations of the countries in which we operate. Our Code of Conduct and Business Ethics prohibits any forms of corruption, bribery, extortion, fraud, money laundering, and unfair competition. We have zero-tolerance for bribery and corruption and promote the highest standards of ethical conduct amongst our employees. This includes:

### Code of Conduct and Business Ethics

- The [Code of Conduct and Business Ethics](#), available on our intranet (One Family) and company website, provides a guideline for our employees on how to conduct themselves and our business, how we serve our customers, and how we work with our suppliers. All new joiners must undergo training and must commit and sign the Code of Conduct.

### Anti-Bribery Policy

- A zero-tolerance approach affirms our commitment to upholding our values as they pertain to bribery and corruption.
- The policy provides a clear definition and concrete examples of bribery, in addition to setting rules that apply to all employees.

### Guidelines on Gifts, Entertainment and Hospitality

- The Guidelines outline our approach on giving or receiving gifts, entertainment and hospitality. This includes rules in respect to expenses incurred with public officials.

### Guidelines on Whistleblowing and Reporting of Concerns

- Whistleblowing guidelines provide dedicated and independent channels of reporting, as well as reporting to senior management or our Group Chief Compliance & Risk Management Officer.
- No retaliation of any kind is taken against employees who raise genuine concerns or who participate in any investigation.

### Independent investigations

- Independent investigations are undertaken by our Corporate Governance division or independent management.
- All reported concerns are handled in confidence.

### Anti-money laundering

- The Company has established a Guideline for third party payments to protect the interest of the Company and its vendors from paying to fraudulent bank accounts. The Company makes payments directly to vendors who have genuine business transactions with Li & Fung to avoid unknown cash flows.
- Payments to secondary parties, that we are not contracted with, are strictly prohibited.

### Due diligence on vendor ethics practices

- The company is committed to driving responsible practices across our supply chain.
- In 2022, on risk and rotational basis, vendors were selected from Vietnam, Bangladesh, India, Indonesia and Cambodia to complete the questionnaire on their anti-bribery and anti-corruption practices. These vendors supplied merchandise worth of US\$1.8 billion for the company's customers.
- We reviewed our vendors feedback and shared recommendations on how to improve their ethics practices.

### Regular ethics training

- Employees are required to revisit and complete an e-learning module to refresh their knowledge and stay up-to-date with any changes in our Code of Conduct and other policies.
- Case studies and quizzes are covered in the online training to help employees understand and put the principles into practice.
- In 2022, a total of 4,146 hours of ethics training was completed by management and general employees.


During the reporting period, there were no concluded legal cases regarding corrupt practices brought against the Company and its employees. We are committed to complying with relevant laws and regulations that have a significant impact on the Company relating to bribery, extortion, fraud and money laundering.

## 6.2 DATA PROTECTION

Data protection is a critical issue for companies to address. In today’s digital age, data is one of the most valuable assets for any organization. However, with the rise of cyber threats and data breaches, protecting this information has become a top priority for all businesses. In this section, we will discuss the measures we have taken to protect sensitive data and ensure the privacy of our customers, employees, and other stakeholders.

Our company has a comprehensive data protection policy that outlines our commitment to safeguarding information. This policy follows all relevant data protection laws, including the General Data Protection Regulation (GDPR). We are committed to complying with the applicable regulations and ensuring that our data protection policies and procedures are regularly reviewed and updated. We also have a dedicated data protection team to manage day-to-day work and activities.

We take a risk-based approach to data protection, which means that we assess the potential risks associated with collecting and processing data and implement appropriate measures to mitigate those risks. Our data protection measures include:

 <p><b>Risk Assessment</b></p>	<p>Conducting regular risk assessments to identify and address potential vulnerabilities in our systems and processes.</p>
 <p><b>Technical Measures</b></p>	<p>Implementing technical and organizational measures to protect personal data, such as encryption, access controls, and regular backups.</p>
 <p><b>Trainings</b></p>	<p>Providing training and awareness programs to employees to ensure they understand the importance of data protection and their role in safeguarding personal information.</p>
 <p><b>Control System</b></p>	<p>Limiting access to personal data to authorized personnel only.</p>
 <p><b>Regular Review</b></p>	<p>Regularly reviewing and updating our data protection policies and procedures to ensure they remain up-to-date and effective.</p>
 <p><b>Incident Response Mechanism</b></p>	<p>Ensure that we can respond quickly and effectively in the event of a data breach. This plan includes measures such as notifying affected individuals and authorities, conducting an investigation to identify the cause and extent of the breach, and implementing appropriate remedial actions to prevent similar incidents from occurring in the future.</p>

In conclusion, data protection is a critical component of our ESG strategy, and we are committed to upholding the highest standards of privacy and security. We will continue to monitor and assess the risks associated with data processing and take appropriate measures to mitigate those risks, to protect the personal data of our customers, employees and other stakeholders.



### 6.3 INTELLECTUAL PROPERTY RIGHTS PROTECTION

Li & Fung recognizes the importance of intellectual property as it considers the protection of intellectual property rights to be crucial for innovation, creativity, and economic growth. All our employees and vendors are required to comply with intellectual property laws and regulations, including copyright, trademark, patent, design, and trade secret laws. Li & Fung’s Intellectual Property (IP) team regularly reviews applicable laws and regulations that relate to intellectual property and attends seminars and conferences to ensure that it stays up to date with any changes.

Effective governance structure is essential to ensure the observance and protection of IP rights. Li & Fung’s governance structure includes a designated IP team, which is responsible for implementing and overseeing all IP issues within Li & Fung, including management of the Li & Fung IP portfolio. The team consists of qualified professionals with experience in all aspects of IP law and IP portfolio management.

Li & Fung’s IP team manages all issues relating to IP rights, including identification, protection, exploitation, and enforcement. The IP team works together with the business units in Li & Fung to protect the company’s IP. In addition, the team assists the business units by conducting IP clearance searches to ensure that rights are not infringed upon.

In 2022, our company implemented new policies to protect confidential information, including data encryption and access controls.

### 6.4 CUSTOMER SERVICE

As a company with over 116-years of history, our business success and reputation are built on excellent service delivery and the quality of our products. We value our customers, and we are committed to providing safe and high-quality products and services that are compliant with the local regulations to meet our customers’ requirements. We continuously strive to exceed expectations by adopting the following approaches.

- **Engaging with our customers:** To deliver excellent products and services, we maintain regular communication with our customers, which include but are not limited to formal discussions, scheduled meetings, and ad-hoc meetings. We continuously work to improve our operations and business processes to achieve operational excellence for our customers.

#### FLANNEL PROGRAM

In 2022, we worked on a Flannel Fabric Program for a retail customer. The customer had high requirements on fabric quality and functionality in terms of brushing, seam strength and hand feel. Our colleagues from merchandising, quality, product integrity, and other relevant teams in India worked closely with the mills, garment makers and customers to mitigate risks and improve product quality. We managed to secure this order and produced the products across seven different factories. The product received a 5-star rating from consumers which was a win-win situation for everyone.

- **Quality KPI dashboard:** To improve supply chain management efficiency and build trust between our end customers and factories, we developed visual dashboards on product design, product integrity, product quality, social compliance, and sustainability in our supplier system in 2022. Customers can access all the relevant information about a factory’s historical performance on different subjects, and access product material details through the system. This way, customers can have a better understanding of what’s happening in their supply chain and make better buying decisions.



**Risk-based approach:** To prevent manufacturing and raw material defects, we adopted a risk-based approach to examine key raw materials and use predictive analysis to identify potential risk areas during the manufacturing stages as part of preventative measures. This two-pronged approach helps us avoid defective inputs into production, reduce the number of defects, and enhance customer and supplier satisfaction.

#### HOME & ACCESSORIES AWARDED OPERATIONAL EXCELLENCE PARTNER OF THE YEAR

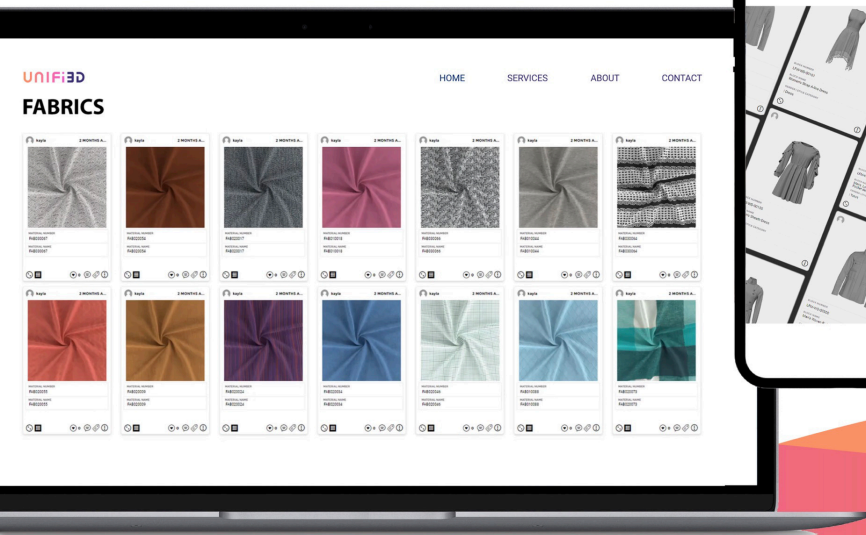
In 2022, our Home & Accessories (H&A) team was awarded Operational Excellence Partner of the Year by one of our key customers. This is awarded to the customer's supplier partners who have gone above and beyond to support their business.

Our team was recognized for their support on bringing forward orders to meet a sudden surge in consumer demands for high quality office products. Despite factory lockdowns and shipping delays, H&A utilized their diverse sourcing network and worked closely with the customer to manage their inventory to ensure orders were completed on time. During this critical time, the team also facilitated the rollout of new processes to increase container utilization to reduce shipping costs, and trained suppliers for the improved container packing standard to ensure a safe and efficient unpacking process.

In line with customers' sustainability goals, our team supported its people and planet-positive goals by helping them bring to market over 1,500 Greener Choices products, making a positive impact to 2,269 workers and achieving 100% recyclable packaging. The team's efforts greatly contributed to the customer's business success and sustainable development.

In 2022, we continuously delivered high quality products and services to our customers with no product recalls.





UNIFI3D

### 6.5 TECHNOLOGY & INNOVATION

We believe that technology and innovation are key to transforming the industry and our customers and enhancing overall ESG performance. At Li & Fung, innovation is an important part of our core values.

#### 3D printing

With the rapid evolution of the retail industry shaped by digital technologies and complex consumer demands, we partnered with UNIFI3D, an LFX digital venture (an affiliate company of Li & Fung) in 2022 to create a streamlined digital product creation and lifecycle management process for major brands, retailers and manufacturers.

As digital fashion and digital asset management continue to rapidly evolve, Li & Fung and UNIFI3D will combine its expertise in manufacturing know-how and 3D digital product creation with interoperable digital product management platform. The result will be an enhanced platform to manage all digital assets, workflows, processes, and facilitate collaboration and creation between designers, vendors, manufacturers and buyers in real-time.





## Ethical and responsible supply chains

We work with thousands of suppliers around the world to deliver a diverse range of consumer products for our customers. We are committed to proactively sourcing sustainable products and services to create positive social and environmental impact.



# 7 ETHICAL AND SUSTAINABLE SUPPLY CHAINS

We work with thousands of suppliers around the world to deliver a diverse range of consumer products for our customers. Achieving meaningful change and promoting sustainable development together with our suppliers is, therefore, a key focus area. We are committed to proactively sourcing sustainable products and services to create positive social and environmental impact.

relationships (six years or more) with approximately 48% of our suppliers, and we strongly believe that the key to a sustainable business is through building long-lasting relationships with our supply chain partners.

## 7.1 OUR APPROACH

We embed responsible business conduct into our company policy and management systems to foster continuous improvement and to identify actual and potential issues across the supply chain. Our management system consists of a series of policies and mechanisms including the Li & Fung Supplier Code of Conduct, audits and rating system, remediation, assurance, worker-led due diligence, and capacity-building programs.

### Supplier Code of Conduct

Supplier risk assessment starts with Li & Fung’s Supplier Code of Conduct (“Supplier Code”) which outlines the minimum standards, in accordance with the United Nations Universal Declaration of Human Rights and the ILO’s Declaration on Fundamental Principles and Rights at Work, and local laws for human rights and labor, safety, environmental and business transparency and ethics.

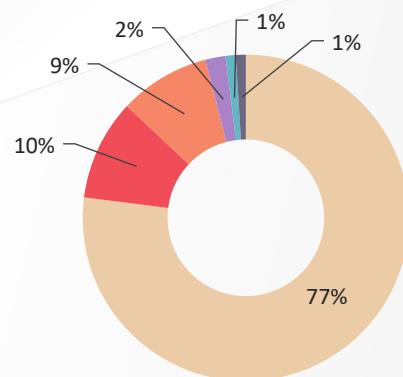
All suppliers must accept these minimum standards as a condition of doing business with us. Suppliers must also do their utmost to ensure standards are communicated to and respected by next-tier suppliers that produce parts or materials for Li & Fung and its customers. The Supplier Code is available to suppliers in 13 languages. In 2022, all active suppliers signed acceptance of the Supplier Code.

## SUSTAINABLE DEVELOPMENT GOALS



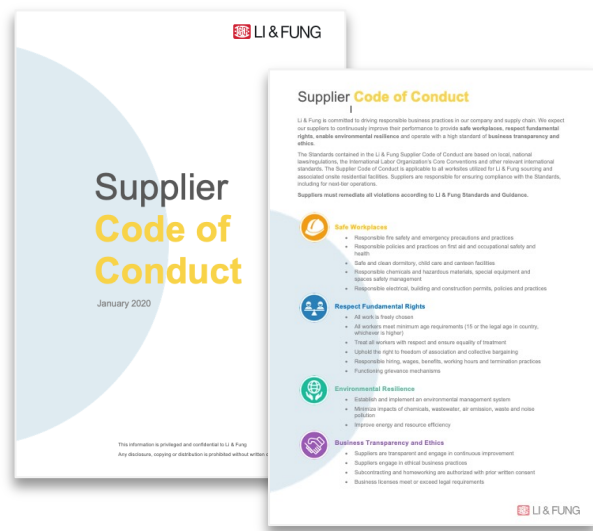
### Overview of Li & Fung’s supply chain

We design, source and deliver a diverse range of products including apparel, footwear, accessories and household products for global brands and retailers. In 2022, we sourced goods from 4,864 Tier 1<sup>3</sup> factories in 35 production markets, with 849 factories contributing 80% of the value of goods shipped to our customers. These 849 factories represent almost 17% of our total active factories in 2022. We have maintained long-term



One China	3767	77%
Indian Subcontinent	501	10%
Greater ASEAN	431	9%
Europe & Turkey	118	2%
LATAM	18	1%
Rest of the world	29	1%

<sup>3</sup> Li & Fung defines Tier 1 factories as the facility that undertakes the final product assembly.



The Supplier Code is complemented by our human rights and trade regulation compliance policies representing our commitment to source goods from suppliers who value and incorporate these provisions into their operations.

### Combatting Forced Labor Policy

With the heightened risk of forced labor and human trafficking seen across global supply chains, we developed our Combatting Forced Labor Policy to strengthen our efforts in targeted due diligence and mitigation by all actors along the supply chain. Since its introduction in 2020, all active suppliers have signed the policy.

### Responsible Recruitment Policy

In 2019, Li & Fung, along with 132 other brands, retailers, and suppliers, became a signatory to the [American Apparel & Footwear Association \(AAFA\) and Fair Labor Association \(FLA\) Commitment to Responsible Recruitment](#). We implemented the Responsible Recruitment policy to address forced labor risks for migrant workers in 2020. All of our active suppliers have agreed to implement the policy, the key highlights of which include:

- **Employer Pays Principle:** Suppliers shall take steps to ensure that workers do not pay recruitment fees or related costs to get a job. Suppliers shall ensure that where employees have paid recruitment fees or related costs, workers are fully reimbursed.
- **Contracts:** Employees shall be provided with a written copy of the labor contract in the language that the employees understand, signed by both the employee and the employer (not by the local recruitment agency). The contract must not prohibit the employee from terminating employment.
- **No Holding of Identity Documents:** Workers shall hold their own identity documents and have ready access to secure storage.

- **Safe Return:** Migrant workers shall be free to return to their home country.
- **Grievance Mechanisms:** In accordance with the UN Guiding Principles on Business and Human Rights, suppliers shall establish effective, operational-level, grievance mechanisms.
- **Due Diligence:** Suppliers shall undertake a formal screening of labor recruiters to assess commitment and capacity to meet the requirements outlined in the policy.

It is the suppliers' responsibility to maintain a written policy incorporating Li & Fung's requirements on responsible recruitment and communicate the policy internally to next-tier suppliers and recruitment agencies.



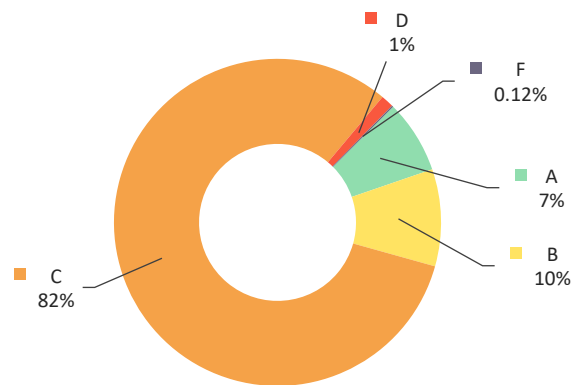
### Certification Letter for Global Trade Regulations Compliance

With increased focus on supply chain transparency and as more jurisdictions enact supply chain traceability legislation, Li & Fung requires suppliers to map, trace and monitor their own supply chain to identify all locations involved in producing raw materials, inputs, or finished products for Li & Fung and its customers; and ensures there is no forced, indentured or child labor. Suppliers must confirm and collect documentation to show that materials and goods were not mined, produced, or manufactured wholly or in part with forced labor.

We recognize that end-to-end traceability of raw material through to finished products is extremely complex and our goal is to educate suppliers and increase their knowledge through training and tracing exercises. In 2022, Li & Fung initiated three programs on traceability related to legislation on human rights due diligence and forced labor import bans. As part of the program, we educated a total of 553 suppliers and 566 Li & Fung employees on key traceability concepts and related regulations. We also undertook a product traceability and traceability mapping exercise involving 33 suppliers and 100 purchase orders. In addition to educating our suppliers and emphasizing their responsibilities, we also provided support to our customers, as they expand their supply chain disclosure policies beyond Tier 1.

### Supplier Rating System

Li & Fung measures factory performance based on environmental and social impact through our internal rating system. Factory approval is linked to ratings, with higher performing factories approved for longer periods. When non-compliances are identified, this negatively impacts factory approval periods and factories must commit to remediating the issue with a time-bound corrective action plan.



In 2022, our supply base reduced by 5% from 5,120 to 4,864 compared to 2021 as a result of supplier rationalization and changes in business orders. This affects the ratio of the rating distribution. The number of A and B-rated categories decreased mainly due to a higher number of suppliers becoming inactive compared to new suppliers joining our supply base. The reduction in D and F categories is a positive result of our remediation and robust onboarding requirements. This reduction, along with the increase in new suppliers, resulted in an increase in C-rated suppliers.

### Monitoring and Due Diligence

All our direct suppliers are audited based on their risk level determined by third-party audit firms designated by the company, our customers, or independent industry organizations. Li & Fung also accepts audits conducted under other industry standards that also meet our requirements under our audit “equivalency” program. In 2022, we accepted 6,287 industry audits which significantly reduced audit fatigue and enabled our suppliers to redeploy resources to actively improve the working conditions for workers.

As part of our ongoing commitment to improving the quality of our factory base, all new and existing suppliers require an audit C-rating or higher to be eligible for onboarding and continue doing business with Li & Fung. In 2022, we onboarded 691 new suppliers and disapproved four suppliers from joining our supplier base.

As critical issues are identified, suppliers must remediate them by taking corrective actions, training, and building management systems to achieve and maintain compliance and conduct due diligence exercise to identify where and how our sourcing practices may have directly or indirectly contributed to compliance issue at the factory level. In 2022, we identified 28 zero tolerances cases and deactivated 16 of these suppliers due to insufficient remediation progress. 8 cases have completed remediation, and 4 cases are under remediation.

### Improving the equivalency process

To further enhance the equivalency program, we worked with amfori and SEDEX to automate the transfer of audit data and non-compliances of 5,200 factories from their platforms to our internal compliance system. This automation allows us to assess the supply base compliance risk more effectively with real-time audit information and to ensure the authenticity of the audit report.

### Enhancing monitoring program assurance

As part of our factory assurance program, Li & Fung’s compliance team and designated third-party audit firms conduct unannounced spot checks focusing on factories prone to risks such as those involving vulnerable groups of workers, lack of transparency and incident history etc. The spot checks aim to ensure no critical or zero-tolerance issues such as child labor, exploitation and/or abuse of vulnerable workers, harassment, and imminent health and safety risks. In 2022, we expanded the spot checks from Tier 1 to upstream suppliers and a total of 725 spot checks were conducted across 13 countries.

We also continually monitor our supplier network for potential incidents and complaints made by workers or other parties that may occur outside of the regular audits. Should any incidents occur, we will immediately investigate the root cause, work with the business team to resolve the issue, and track remedial actions until project closure.



### AMFORI INTEGRITY PILOT

Li & Fung has worked in partnership with amfori since 2016. The BSCI audit is the most widely adopted industry audit standard in our supply chain. We strive to continuously improve the quality of audits and actively engage with the working group of the amfori’s integrity China pilot.

The two-year pilot project aims to work with members, auditing partners and stakeholders to understand how unethical business behavior and/or poor standards are affecting the quality of amfori BSC audits. The project team has adopted a data-led approach to identify and improve amfori’s ability to detect and tackle such issues through data-led interventions, industry collaboration, active listening from members and improved organizational processes.

Collaboration is key for amfori and its members to mitigate risks and enhance the quality of BSCI audits. Li & Fung is committed to working closely with the project team to support the project’s success.

### Capacity Building

We recognize our supply chain strategies must be geared to manage risks and compliance reflected in today’s standards as well as to drive continuous improvement in the supply chain. We continue to provide training and leverage our industry partners on topics related to new legislation requirements, labor practices, health and safety, and customer-specific requirements. In 2022, 409 training sessions led by internal and external partners and experts were held and was attended by 4,738 suppliers and 7,150 supplier representatives.



**54** sessions  
**1,148** suppliers

LF Supplier Code



**78** sessions  
**602** suppliers

Health & Safety



**147** sessions  
**1,476** suppliers

Labor Practice



**11** sessions  
**553** suppliers

Traceability



**3** sessions  
**406** suppliers

CTPAT



**116** sessions  
**553** suppliers

Other<sup>4</sup>

<sup>4</sup> “Others” cover a variety of topics ranging from Better Work supervisory skills, workplace communication skills to customer-specific compliance etc.

## Grievance Mechanisms

We understand grievance mechanisms are essential processes that provide access to remedies for workers and are a critical component of ensuring factories achieve sustainable improvement. In 2022, we worked towards building worker-led grievance mechanisms in our supply chain through our industry partnerships.

Better Work Jordan (BWJ) developed a reporting system between the Trade Union and the Ministry of Labour BWJ unit (BWJ Worker’s Voice Project) which started in early 2022. This reporting system is currently being used by all factories active with Li & Fung in Jordan.

We are also working with amfori’s Supply Chain Grievance Mechanism, ‘Speak for Change’. The mechanism allows workers to submit anonymous complaints through one of three different channels (telephone, webform or app). Five Li & Fung factories participated in the initial pilot in 2022.

In addition, at least four factories in Li & Fung’s supply chain in Cambodia and Vietnam engaged in the Mekong Sustainable Manufacturing Alliance (MSMA) with Elevate, the Asian Institute of Technology and the Institute for Sustainable Communities. The three-year program provides technical assistance and capacity building, including strengthening operational-level grievance mechanisms using new technology. To date, the four factories have completed training on effective communication and grievance and conducted an initial Worker Sentiment Survey.

We received information on workers’ grievances from customer and industry hotlines such as Amader Kotha Helpline, Nirapon and the RSC and from trade unions such as the Akota Garment Workers Federation and the National Garments Worker Federation. When a complicated case is found, we will reach out to our partner organizations such as The Mekong Club and The Centre for Child Rights and Business to support remediation and capacity building to ensure we provide the most effective solution.

In 2022, 16 incidents were received through our communication channels involving issues such as fire and building safety, harassment and abuse, freedom of association and payment of wages and benefits. No cases of forced labor were identified through these external channels in 2022.

## Collaborating with Industry

As we work to build a more responsible and sustainable supply chain and improve sustainability performance, Li & Fung is actively collaborating with industry partners and participating in key industry initiatives. These programs target specific supply chain health and safety, labor, and environmental challenges as well as worker education and empowerment.

### ILO/IFC Better Work

Li & Fung continues to be an active Buyer Partner of Better Work, a partnership between the ILO and the International Finance Corporation (IFC), to support improved social impact in our supply chain. In 2022, 188 suppliers enrolled in the Better Work program in Bangladesh, Cambodia, Haiti, Indonesia, Jordan, Nicaragua, and Vietnam. Better Work’s independent in-depth social compliance assessment, combined with regular advisory services assessments has helped in the prevention of abusive labor practices and the improvement of working conditions such as forced labor, gender-based violence and excessive working hours.

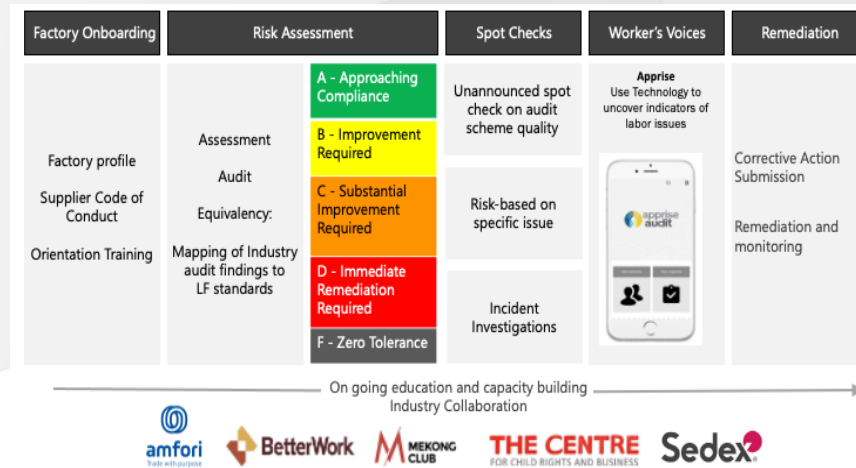
Furthermore, a total of 28 suppliers with 11 from Bangladesh, 4 from Jordan and 13 from Vietnam have taken part in the Better Work Ambassador program, which aims to accelerate improvements in factories by building the capacity and accountability of the factory management staff and worker representatives to bring changes to the workplace.

### The Centre for Child Rights & Business (The Centre)

To address the issue of underage workers, Li & Fung works closely with the Centre’s working group to prevent and increase awareness of child labor along our supply chains. This allows us to collaborate with other companies to address the risk of child labor in the supply chain and exchange best practices. In the event that any underage workers are discovered in the supply chain, we engage with The Centre to provide remediation services.

### The Mekong Club

The Mekong Club mobilizes the private sector to address modern slavery risks and end modern slavery. Since 2017, we have worked closely with The Mekong Club to leverage its modern slavery expertise such as its Risk Assessment Matrix to identify modern slavery hot spots by country, region and sector, and its remediation tool kit and legislative guide to improve due diligence and risk assessment and educate key stakeholders on how to address the root causes of modern slavery. We are also part of its Apparel & Footwear working group where we share recent trends in modern slavery legislation, detection and prevention. The diagram on the right illustrates our risk management program:





## 7.2 ENSURING WORK SAFETY

Li & Fung is committed to ensuring the safety, health, and wellbeing of workers along our supply chain. Our [Supplier Code of Conduct](#) reflects our commitment to act ethically in our business relationships and to enforce controls and systems that ensure the safety of workers. We will continue to work with industry partners to ensure fire and building safety and overall occupational health and safety. We are committed to ensuring no worker is injured or harmed in the making of our products or providing services to us.

In Bangladesh, 190 of our active factories were inspected by RCS and/or Nirapon through our customers, covering more than 540,000 workers. After an initial safety inspection was held at the beginning of the program, an average 96% remediation completion rate was achieved across all factories. In addition, a Li & Fung engineer frequently visits the suppliers to provide technical guidance and to monitor the remediation progress.

Li & Fung continues to partner with key stakeholders including Better Work to promote workplace safety. In Bangladesh, 84 of our 190 factory partners are affiliated with the Better Work program, covering over 329,865 workers.

Based on our risk analysis of a combination of third-party data, actual incidents and reported non-compliance data, we have identified three key focus areas, including education on critical Health & Safety (H&S), industry-led training, and remediation of health & safety risks.

### Education on critical Health & Safety

As part of our workplace safety capacity building programs, we developed and launched two safety-focused capacity building programs including Electrical Fire Safety and Lift, Boiler and Generator safety. Our safety programs consist of five elements to help suppliers identify and eliminate current and potential hazards and risks, and to implement controls to mitigate those risks systematically and continuously.



#### Electrical and Fire Safety Program

The electrical fire safety program was launched in 2019 to support suppliers to improve their electrical fire safety policies, procedures, and performance. In 2022, the program expanded from five to eight countries, namely Cambodia, China, Egypt, India, Indonesia, Jordan, Turkey and Vietnam. A total of 211 suppliers were assessed and trained and 17 suppliers with high risk were upgraded to low risk.

#### Boiler, Lift, and Generator Safety Program

We launched the second workplace safety program to cover boiler, lift and generator safety. The program trains suppliers on proper usage and safe operations and maintenance of equipment and machinery. In 2022, we trained over 175 suppliers in eight countries namely Bangladesh, Cambodia, India, Indonesia, Philippines, Taiwan, Thailand, and Vietnam. Through the program, 12 suppliers identified as high risk were upgraded to low risk.

### Industry-led Health & Safety training

We continue to work closely with industry partners including amfori and Better Work to promote workplace safety. Suppliers who received training on safety procedures and practices are better prepared to avoid workplace risks and hazards and in 2022, 221 suppliers participated in industry-led health and safety workshops.

Li & Fung safety programs and industry-led training help to foster a safety culture and raise awareness of the importance of providing a safe and healthy working environment for workers in our supply chain.

#### TESTIMONIALS

*“I would like to thank Li & Fung for empowering us to build up our capacity by giving advice and support on the health & safety program. They provided constant guidance and direction for several months to integrate the safety program with our culture. We have benefitted a lot from this and are happy that we have been upgraded from medium risk to low risk”.*

**AGM Compliance, Envoy Group**

*“Thanks once again for Li & Fung’s helpful advice and support to help us achieve this milestone of being upgraded to low risk level. We will follow your guidance to continue to strengthen our safety protocols for the workplace”.*

**Senior Manager, Compliance, Norp Knit (Pearl Global)**

### 7.3 ELIMINATING CHILD LABOR

Li & Fung is committed to eliminating child labor in the supply chain. Our [Supplier Code of Conduct](#) reflects our commitment to act ethically in our business relationships and to enforce controls and systems to eliminate any form of child labor in the supply chain.

Our strategy to eliminate child labor consists of three key focus areas including Strengthening Governance and Policy, implementing Child Labor Prevention and Remediation Mechanisms, and Monitoring Child Labor Risks.

#### Strengthening governance and policy

Li & Fung’s child labor remediation policy guides the remediation process and ensures children are removed from the workplace and their families are provided with the equivalent of the child’s wage. For non-compliances that involve underage workers, we work in partnership with the Centre for Child Rights and Business to develop a responsible solution that is in the best long-term interests of the child. Remediation follows available best practices which aim to meet the educational, social, and economic needs of any child concerned. Child labor remediation is usually accompanied by in-factory responsible recruitment training for factory management.

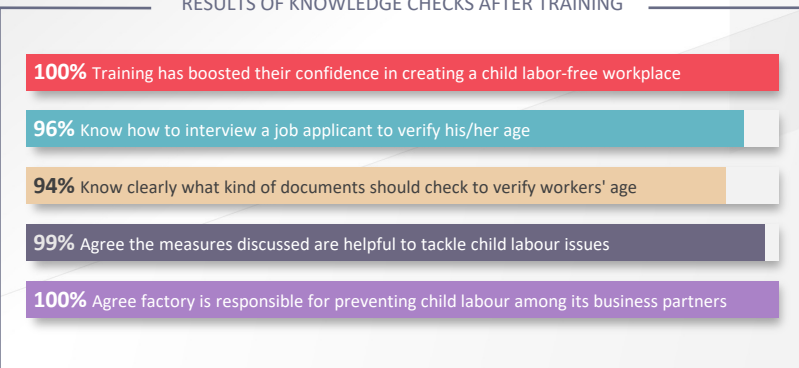
#### Child labor prevention and remediation mechanism

Our Compliance team provides suppliers with refresher training on managing and identifying child labor risks as well as Li & Fung’s policies relating to the elimination of child labor and remediation. In 2022, 250 factories from China, Indonesia, Turkey, and Vietnam attended the training.

We also partnered with The Centre to provide Child Labor Prevention and Remediation Training Mechanisms in Bangladesh, Cambodia, and China - three high-risk countries. The training equips our supplier management teams with the skills and knowledge necessary to implement effective child labor prevention and remediation methods. This includes hiring

practices to support effective age verification and appropriate management of labor agents and sub-contractors. In 2022, 55 core factories and 100 factory management employees took part in the training. All of the attendees expressed satisfaction with the training overall.

RESULTS OF KNOWLEDGE CHECKS AFTER TRAINING



Additionally, we organized two workshops with The Centre to share case studies of resolving child labor in our supply chains with our senior business leaders. Total 139 business leaders from various countries attended the workshops. The workshops successfully raised awareness and understanding of the severity of child labor, and how companies can combat child labor by using ethical business practices.

#### Monitoring and mitigating child labor risks

Regular audits rarely surface child labor cases because they are often unannounced. As part of our ongoing due diligence procedures, we conduct unannounced spot checks in factories and locations with a heightened risk of child labor (e.g., when children are out of school during the summer).

Along with spot checks, Li & Fung worked together with The Centre to perform risk assessments of management systems at 15 suppliers in Cambodia, Bangladesh, China, India, and Pakistan in 2022. The project

aims to assist suppliers to build a robust management system to reduce the risk of child labor. The assessment involved in-depth interaction with workers through interviews and focused group discussions to evaluate the actual impact of the company’s business practices (in accordance with international standards as well as Li & Fung requirements) and the risk of those violations occurring.

The assessment did not reveal any case of actual child labor in the selected sites. There are opportunities for suppliers to step up their efforts to improve recruiting policies and procedures, build up responsible person competency, and keep a safe workplace. Suppliers are also recommended to follow best practices to create a positive impact for young workers and working parents. We have begun working with the vendors to develop a comprehensive improvement plan and will closely track the supplier's progress in 2023.

Li & Fung will keep working with key industry stakeholders to promote child rights protection, decent working conditions and family-friendly policies in our supply chain.

#### Partnering for Change

The Centre assessed Li & Fung’s program and provided a Child Labor Remediation Feedback Report for 2022 with an average score of “strong” across the five measurement areas relating to policy, case detection and reporting, rapid assessment support, accountability, and linkages to sourcing decisions. The report commends “Li & Fung for proactively assessing child labor risks and expanding audit protocols to lower tiers... and taking responsibility and using its business leverage to ensure child labor cases are remediated.”

## 7.4 ENDING MODERN SLAVERY AND PROMOTING RESPONSIBLE RECRUITMENT

Li & Fung is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or any part of our business. Our Supplier Code, Combatting Forced Labor Policy and Responsible Recruitment Policy, and the Certification Letter for Global Trade Regulations Compliance reflect our commitment to act ethically in our business relationships and to enforce controls and systems to eradicate any form of modern slavery in our supply chain.

Li & Fung is taking a proactive approach to combatting all forms and enablers of modern slavery, recruitment fee and forced labor. Together with regular assessments and spot checks that include abusive labor practices, Li & Fung also makes use of technological solutions like diginexLumen and diginexAPPRISE.

### Worker-led Due Diligence – diginexAPPRISE

The APPRISE platform was initially developed through a partnership between United Nations University-Macau and the Mekong Club and later acquired by Diginex, a technology-services provider based in Hong Kong. It is an innovative worker voice app that enables more workers to be engaged during an audit in a safe, effective, and anonymous way.

Workers can scan a QR code posted in the factory or access a link sent to their mobile phones to answer the questions. In 2022, Li & Fung worked with Diginex to create a special questionnaire focused on recruitment practices. The tool allows us to collect itemized breakdowns on worker payment of recruitment fees and costs paid in both countries of origin and destination.

We use APPRISE in two ways, as part of the responsible recruitment assessment together with LUMEN, and as part of our regular spot checks and audit methods besides document checking, face-to-face interview and factory walkthroughs.



**14** sourcing countries  
**521** suppliers  
**14,894** worker voices

Bangladesh, Cambodia, China, India, Indonesia, Jordan, Malaysia, Myanmar, Philippines, Taiwan, Thailand, Turkey, and Vietnam

### Responsible Recruitment – diginexLUMEN

Li & Fung is using LUMEN, a third-party platform, to map its labor supply chain and ensure stronger due diligence over the recruitment process. LUMEN helps us map the labor supply chain and provides suppliers the means and capacity to undertake robust recruitment and due diligence on labor intermediaries. It allows for easy collection, analysis, and verification of data on recruitment practices, and combines several innovative features including self-assessments for suppliers and labor intermediaries.

In 2022, Li & Fung used the platform to assess recruitment practices in apparel and home goods suppliers in two key sourcing countries - Taiwan and Thailand. A total of 20 factories and 19 labor recruiters, including those from the home country of migrant workers were monitored and 2,765 workers were interviewed.

At the same time, suppliers in the LUMEN program will invite their workers to be surveyed through diginexAPPRISE on responsible recruitment questions to understand their experiences through the recruitment process. By using the technology, we can scale this initiative to reach more than 2,700 workers.

Data from both LUMEN and APPRISE will be triangulated to analyze any gaps in the recruitment practice compared to the ILO fair recruitment standard. The analysis enables us to understand the recruitment practices and any gaps identified against responsible recruitment requirements. Suppliers with indicators from the responsible recruitment Lumen program were also followed up by a third party. Indicators confirmed by the audit results were followed up with the factories on remediation.

Li & Fung publishes an annual statement of our efforts to address and eliminate modern slavery and human trafficking in compliance with the regulations of the California Transparency in Supply Chain Acts (SB 657) and the UK Modern Slavery Act of 2015 on our website. Refer to our website for more [detail on our activities in 2022](#) to work towards the eradication of modern slavery.





## 7.5 PROMOTING GENDER EQUALITY

We believe that all workplaces should promote equality, diversity and inclusion and eradicate all forms of discrimination. Our Supplier Code has a provision on Respecting Fundamental Rights, including ensuring all workers are treated with respect and equality. We take a zero-tolerance approach towards any form of workplace violence including sexual harassment, and physical and psychological abuse. Li & Fung is committed to eradicating gender-based violence and promoting gender equality in our supply chain.

### Leveraging technology to advance gender equality and women's empowerment

We have deployed APPRISE in our spot checks because we recognize that gender-based violence is difficult to detect due to the sensitive nature of the issues and the reluctance of workers to share information in typical social audits. To further advance gender equality, we plan to pilot the newly launched diginexLUMEN Gender module in two high-risk countries, India and Indonesia, in 2023 after which the tool will be scaled to other countries.

diginexLUMEN's Gender Module was designed to assess the extent of gender integration through factory policies, practices, initiatives, and operations across seven key themes, including economic empowerment, health and wellbeing, voice and leadership,

women's safety and grievance mechanisms and remediation. The tool helps suppliers carry out a self-diagnostic, gender gap analysis – using a survey developed by Unilever and diginex, with input from Li & Fung and the International Center for Research on Women (ICRW).

A new multi-lingual, audio-based gender survey was developed for APPRISE, to identify the distinct and differing experiences between women and men workers, including experiences of gender-based violence and harassment (GBVH) at work.

Data will be triangulated between supplier and worker responses to quickly identify where issues may exist, while also driving transparency of management practices and worker experiences.

### Education on gender equality and gender-based violence

We work closely with Better Work to align with the goals set out in its five-year gender strategy to empower women, prevent sexual harassment, and close the gender pay gap in the global garment industry. We have facilitated 106 suppliers in Bangladesh, Cambodia, Indonesia, Jordan, and Vietnam who participated in 55 Better Work training sessions on the prevention of sexual harassment for managers, supervisors, middle management, and workers as part of our effort in increasing awareness of this issue.

We also provided support to 100 suppliers in China, India and Bangladesh who took part in four amfori training sessions on three different topics, including inclusion and diversity, empowering women at work, fair remuneration and decent working hours. In addition, the Li & Fung compliance team organized two workshops for 107 suppliers in India and Turkey on anti-harassment prevention.

Li & Fung has been actively assisting our customers to promote female empowerment. Two Bangladesh and one Vietnam supplier have been selected to take part in one of the three initiatives, HERessentials, HERhealth, and Empower@Work in 2022.

- HERessentials is a new program that helps workers, particularly women, to build their capacity and resilience in the face of crisis.
- HERhealth focuses on helping low-income women take charge of their health.
- Empower@Work is a collaborative effort with BSR HERproject, ILO Better Work, CARE, ICRW.



## Sustainable operations and supply chains

Taking well-informed, decisive actions to help address environmental issues is a priority for Li & Fung. We aim to continually improve the environmental performance of our operations and supply chains by leveraging our convening power to collaborate with stakeholders along the value chain.



# 8 SUSTAINABLE OPERATIONS AND SUPPLY CHAINS

Our business, people and communities are reliant on natural resources. In turn, the health of the planet is dependent upon how we use, protect, and restore these precious resources. Li & Fung connects with global suppliers, vendors and customers across the end-to-end supply chain and is committed to leveraging its convening power to collaborate with stakeholders along the value chain to make our industry and community more environmentally and socially responsible, and sustainable. We aspire to grow our business sustainably while minimizing harm to the environment.



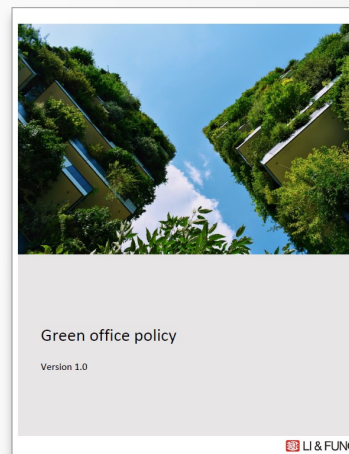
## 8.1 OUR APPROACH

We recognize the impact our actions and business operations have on the planet and are working on different approaches to measure and minimize our environmental footprint both in our operations and value chains.

### 8.1.1 SUSTAINABLE OPERATIONS

We are committed to reducing environmental impacts from our business operations and to protect the communities in which we operate. Our focus is on leveraging our size and scale to enable positive change so that future generations can thrive in a world fueled by a zero-carbon, responsibly sourced and circular economy.

**Policy:** In 2022, we developed a green office policy to strengthen the management of operation impacts on climate change, water, and waste. The policy outlines detailed requirements on green procurement, energy management, water reduction and waste management for our offices and warehouses. It also provides detailed guidance at a Group level for our local offices and entities on how to develop different management approaches and systems specific to their operations. In the policy, we also included guidance for employees on how they make small changes to their lifestyle habits to minimize our impact on natural resources.



**Management system:** Environmental considerations are incorporated into our business operations. To better track our sustainability performance from each region, we collect environmental data through a web-based data management system on a regular basis. This data is then aggregated, analyzed, regularly reviewed, and monitored by our sustainability team.

### 8.1.2 SUPPLY CHAIN MANAGEMENT: MONITORING AND IMPROVEMENTS

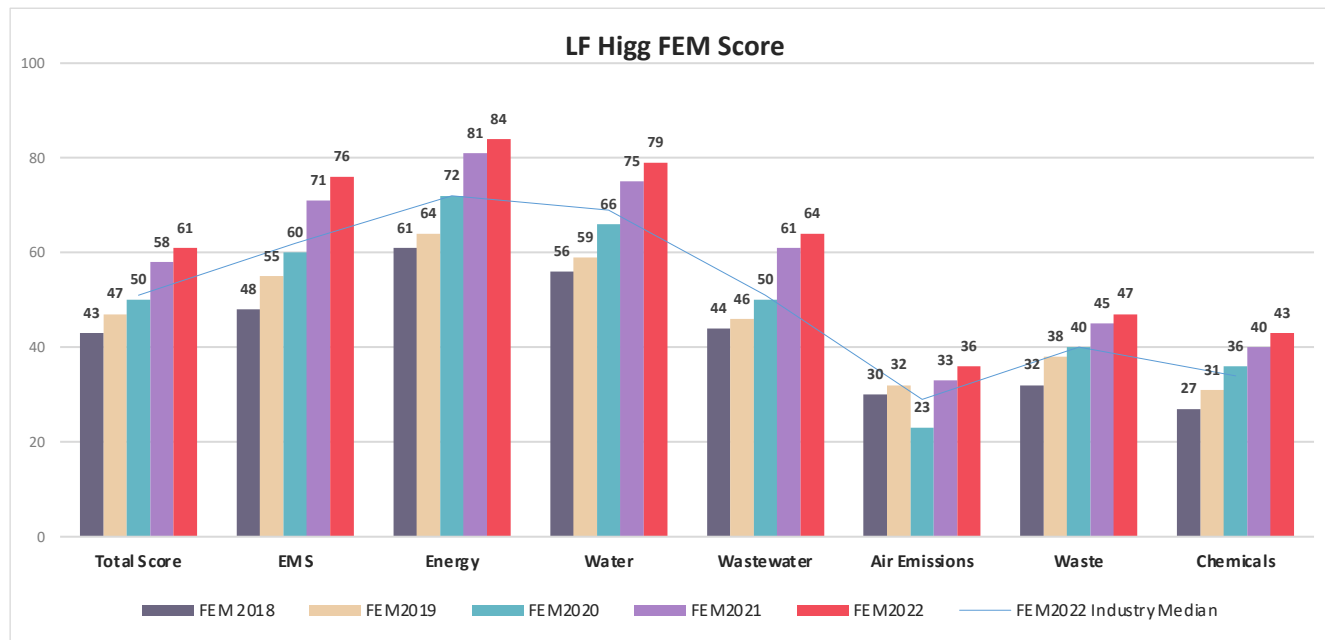
By innovating and fostering strong partnerships throughout our supply chain, we strive to address the most pressing environmental challenges in our industry. Our approach in managing our environmental footprint starts with monitoring practices and performances, to benchmark, prioritize and efficiently support our partners to develop and execute measurable improvement plans.

As one of the founding members of Sustainable Apparel Coalition (SAC), we encourage our strategic factories to join the [Higg Facility Environmental Module](#) (FEM)<sup>5</sup> to report on their annual environmental data and to share their results with us. We request our suppliers to take meaningful action regarding GHG emissions, energy consumption, water consumption, wastewater, air emissions, waste generation and chemical safety.

In 2022, more than 1,000 facilities shared their Higg FEM results with Li & Fung, while two thirds of them have already committed to have an external partner to verify their data to ensure accuracy.

<sup>5</sup> Li Higg index is a suite of tools, managed by the Sustainable Apparel Coalition (SAC), for the standardized measurement of value chain impacts.





Since 2018, the average Higg FEM total score increased by 42%, jumping from 43/100 to 61/100, and by 5.5% from 2021 to 2022 reporting cadence alone (from 58/100 to 61/100). Each of the categories assessed shows results following a similar positive trend. This demonstrates the seriousness of the suppliers in environmental responsibility, and the results of the efforts delivered by our teams to encourage and support factories to report and improve their practices and performance.

The sustainability team has designed the “LF Performance Improvement Program” to help factories enhance their practices and performance. This includes three main components of Adoption, Improvement and Direct Support.

### Adoption

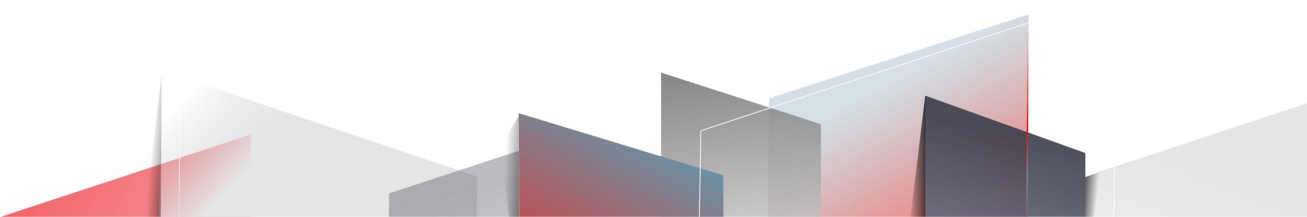
- Core training sessions delivered in multiple languages designed to provide information on Higg system registrations and onboarding process to factories and vendors.

### Improvement

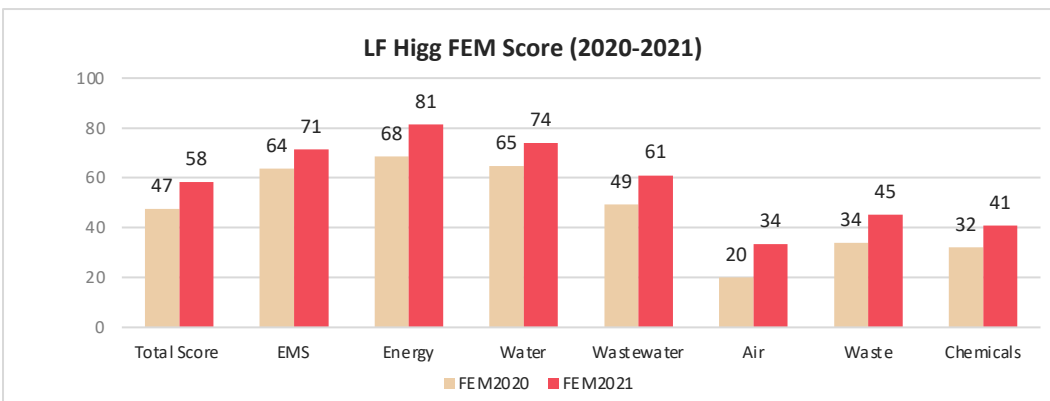
- In depth training sessions focused on specific technical areas: Environmental Management Systems, Energy, Water, Chemicals, Waste and Air Emissions; to provide guidance to factories on how to better manage factories from an environmental standpoint.

### Direct Support

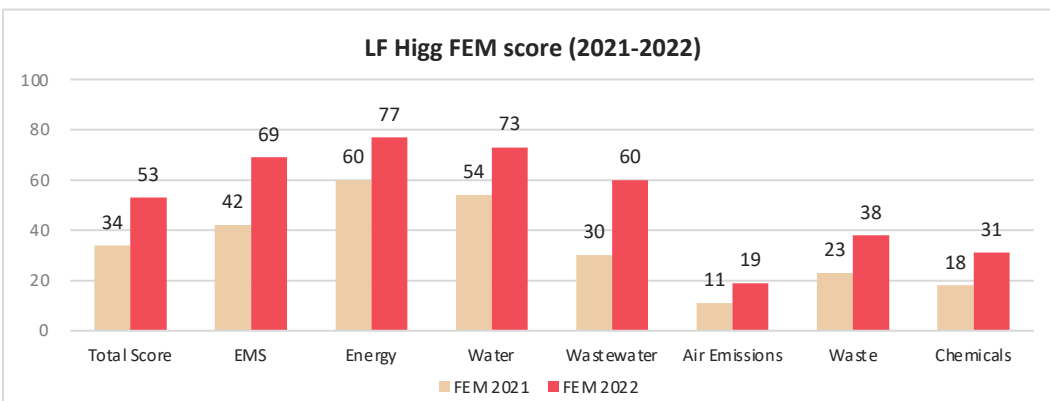
- Based on analysis and benchmark, cross checked with the sourcing strategies across the company, LF identifies factories with potential for improvement and with whom we have strong business relations to be enrolled in the direct support program. This consists of having our country teams deliver face-to-face technical guidance with the factory teams to identify areas of improvement and implement pragmatic measures.



During our Higg cycles from 2020 to 2021, our teams directly supported 145 factories through this program and successfully improved their Higg scores by an average of 26%.



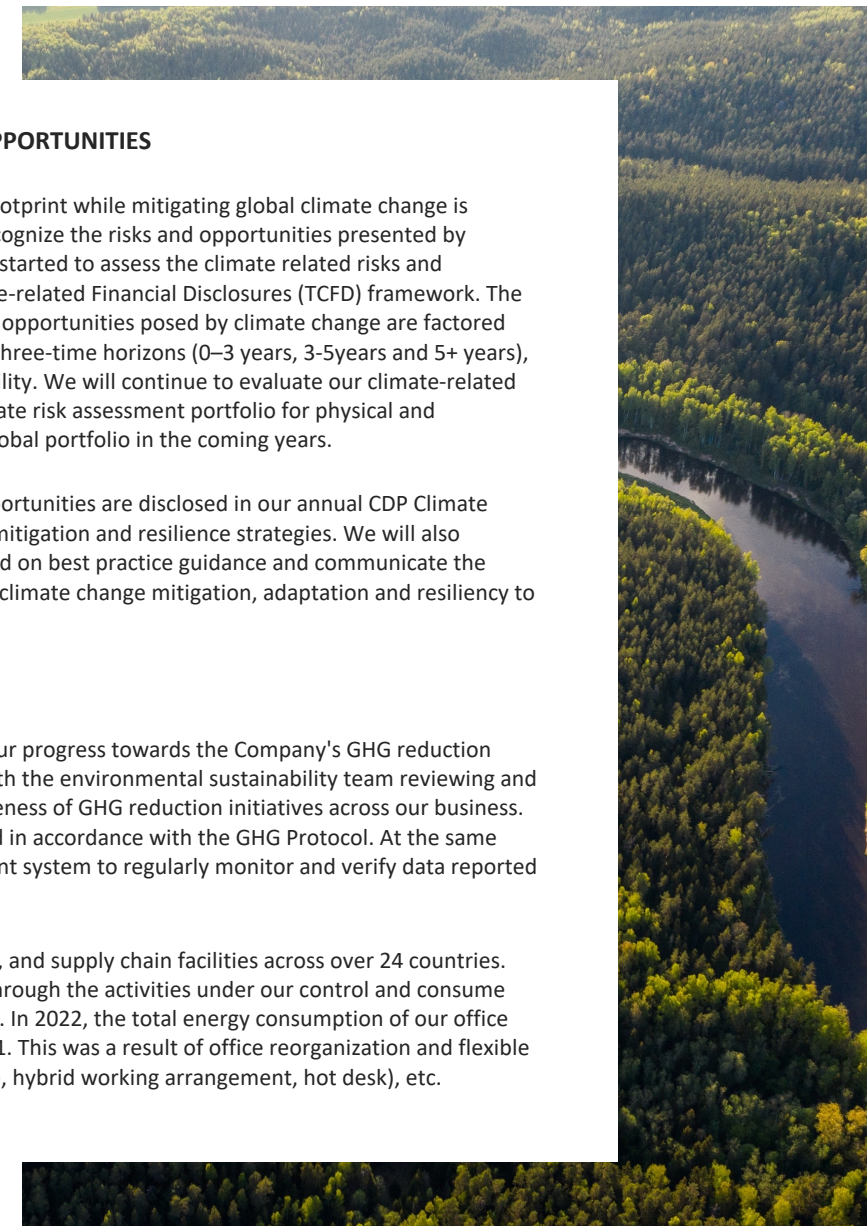
In 2022, 120 factories across the world were selected to participate in the program, which resulted in an average total score improvement of 56%.



In parallel with our efforts around the Higg FEM, our teams have also supported Amfori and one of our key customers to pilot the new version of the [Business Environmental Performance Initiative \(BEPI\) v2.0](#). BEPI is a platform for factories to report on their environmental practices and performance, allowing partners to show their efforts, identify hotspots and make improvement when deemed necessary. In 2023, we will scale this pilot to several hundred factories across the world.

Additionally, Li & Fung teams have collaborated with external experts to develop and implement a tool to capture key data regularly from facilities. To better understand factory environmental impacts dynamically, and to provide appropriate resources to drive measurable improvements on key areas such as carbon emissions or water, we will pilot this tool and eventually scale it out in 2023.

In addition to the usual factory audits, we constantly monitor the database managed by [The Institute of Public & Environmental Affairs \(IPE\)](#) in China to keep track of potential red flags on environmental performance and violation. The IPE system collects and displays factory non-compliance incidents on a regular basis, which can result in penalties ranging from a warning to factory closure and considerable fines. An automatic notification is sent out if any factory is reported for non-compliance. Our internal sustainability team will then conduct an assessment to evaluate the severity of the reported issues and implement relevant follow-up measures until the issues are fixed. In 2022, we expanded our IPE verification programs and successfully supported 50 factories in China to remediate environmental violations.



## 8.2 CLIMATE CHANGE AND ENERGY

The climate crisis is affecting communities, natural systems, and organizations globally. As a global business, we aim to play an active role in reducing carbon footprint and limiting climate change.

We have taken steps to continuously reduce the carbon footprint of our direct operations and supply chains. We have submitted our commitment to Science-based Target Initiative (SBTi) and expect to have our science-based targets set in 2023.

### Our Commitment



- **Scope 1 & 2:** to reduce the absolute carbon emissions generated in our scopes 1 and 2 by 42% by 2030 from a 2021 base year.
- **Scope 3:** Li & Fung (Trading) Limited commits that 80% of its suppliers by emissions covering purchased goods and services, will have science-based targets by 2026. Li & Fung (Trading) Limited also commits that 67% of its suppliers by emissions covering upstream transportation and distribution, will have science-based targets by 2026. Li & Fung (Trading) Limited further commits that 90% of its customers by emissions covering downstream transportation and distribution, will have science-based targets by 2026.

### 8.2.1 CLIMATE-RELATED RISKS AND OPPORTUNITIES

Responsibly managing our environmental footprint while mitigating global climate change is central to our sustainability strategy. We recognize the risks and opportunities presented by climate change to our business. In 2021, we started to assess the climate related risks and opportunities in accordance with the Climate-related Financial Disclosures (TCFD) framework. The physical, financial, and transitional risks and opportunities posed by climate change are factored into our management system, assessed for three-time horizons (0–3 years, 3–5 years and 5+ years), and prioritized based on impact and probability. We will continue to evaluate our climate-related risks and opportunities and expand the climate risk assessment portfolio for physical and transitional risks and opportunities to our global portfolio in the coming years.

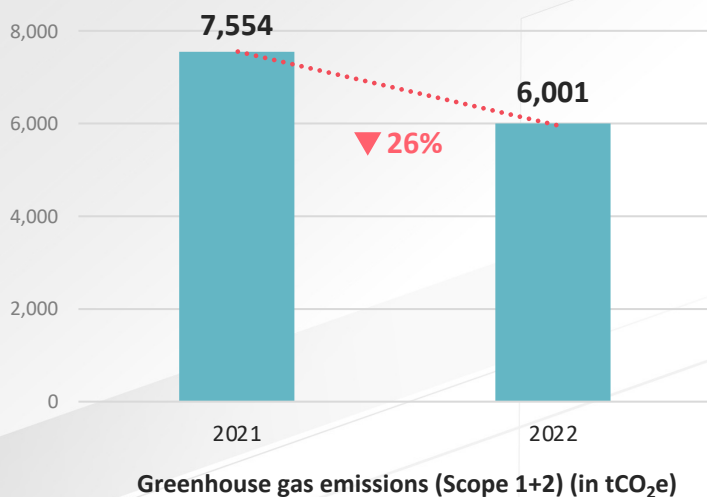
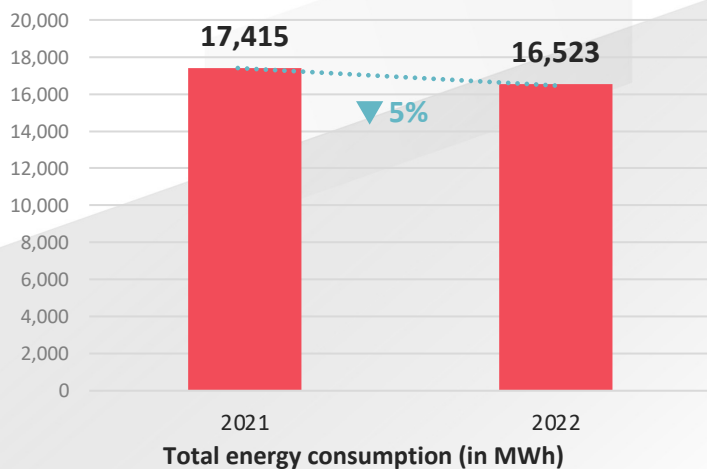
The impacts of climate-related risks and opportunities are disclosed in our annual CDP Climate Response and used to advance our climate mitigation and resilience strategies. We will also continue to develop our own reporting based on best practice guidance and communicate the management approaches and strategies for climate change mitigation, adaptation and resiliency to our stakeholders.

### 8.2.2 MANAGING OUR FOOTPRINT

At Li & Fung, the ESG committee oversees our progress towards the Company's GHG reduction target and reports it on a quarterly basis, with the environmental sustainability team reviewing and evaluating the implementation and effectiveness of GHG reduction initiatives across our business. GHG emissions are calculated and presented in accordance with the GHG Protocol. At the same time, we have employed an ESG management system to regularly monitor and verify data reported by our sites.

We operate a variety of offices, warehouses, and supply chain facilities across over 24 countries. These sites create emissions (scope 1 & 2) through the activities under our control and consume electricity and natural gas during operations. In 2022, the total energy consumption of our office operations reduced by 5% compared to 2021. This was a result of office reorganization and flexible working arrangements (i.e. work from home, hybrid working arrangement, hot desk), etc.





**2030 Goal : reduce 42%**

In 2022, the scope 1 and 2 emissions (market-based) reduced by 26% compared to 2021. The global office reorganization has allowed substantial GHG emissions reductions across our scope 1 and 2. We also switched to more efficient energy generation systems in specific offices such as South China, allowing us to have a better control of the energy source, leading to GHG savings. Two offices in Europe switched their energy sources by placing “Renewable Energy Contracts” with service providers, generating great GHG savings.

Growing environmental awareness amongst LF employees, combined with a mindset to eliminate wastage has led to an increased awareness about the usage of energy in our offices and company cars to name just a few examples, which has greatly contributed to the improved results.

We aim to manage every emission point and capture the full scopes of our emissions. In 2022, we optimized our data collection system to improve the data collection efficiency and monitor our performance on a quarterly basis. Our upstream and downstream value chain activities cover manufacturing, product distribution, business travel. The scope 3 emissions account for 97% of our total GHG emissions.

**8.2.3 GHG REDUCTION IN OUR OPERATIONS**

Based on our GHG inventory, we identified several key areas which contribute to our emissions and implemented specific approaches to reduce our GHG emissions within our operations accordingly.

- **Reduce energy use:** In our Hong Kong headquarters, our teams initiated a program to gradually remove physical data centers from our offices and to move to cloud technology, allowing us to take advantage of technical consolidation and reduction of energy use. The projects ran through 2022 and will be completed in 2023.
- **Improve energy efficiency:** Office electricity is our primary use of energy. To improve energy efficiency in our offices, we plan to conduct energy audits in selected offices and use the insights to make scalable improvements and/or relevant investments. The energy audit program will be completed in 2023.



- **Using renewable energy:** In our sole Li & Fung owned factory located in Turkey, the rooftop has been equipped with solar panels, generating 318KWh of energy per year, allowing us to save nearly 300 tCO<sub>2</sub>e, and consequently reducing the environmental footprint of the goods produced there.
- **Employee engagement:** To raise our employees’ awareness of energy saving, we organized green office campaigns to provide guidelines and tips on how to use electrical devices wisely. We encourage our employees to schedule virtual meetings in place of business trips when possible and provide green transportation options when travel is necessary.

## 8.2.4 DECARBONISING THE SUPPLY CHAIN

We believe we can play an active role in supply chain decarbonization together with our partners. Supply chains are highly fragmented and complex, so we must prioritize our efforts on the most carbon intense segments where we can create the most impact.

- **Data transparency:** As previously outlined, we use the Higg FEM as our key tool to collect environmental information from our suppliers, including GHGs emissions. In 2022, about 1,000 factories reported their GHGs emissions to us and disclosed their reduction targets and practices in improving energy efficiency and reducing their carbon emissions.
- **Climate program:** To support our customers and suppliers on their decarbonization journeys, we carried out a supplier climate program. Suppliers were selected based on their potential for making improvements and the strength of our business relationship. Using the data collected and validation by third parties, factories are onboarded to the program designed to help them reduce their climate footprint (refer also to the water program in section 8.3). Throughout the program, teams working on production, merchandising, quality and sustainability, brought their expertise to ensure quality products were made while minimizing GHG emissions. Factories are requested to meet specific goals and thresholds regularly to see their greenhouse gas emissions reduce, their scorecard results increase, and overall business growth.



Technical advice on improving energy efficiency and carbon reduction (i.e. establish solar power system, adopt sky light, install LED bulbs, etc.) are provided to suppliers through this program. In 2022, 54 strategic factories participated in this program and 89% of them successfully achieved their annual targets by the end of the year and were able to move forward to the next phase of the program for continuous improvement.

- **Denim Environmental Impact Measurement tool:** Since 2019, our teams managing Denim have been using the [Environmental Impact Measurement \(EIM\) tool](#), created by the denim technology specialist Jeanologia, to capture key production KPIs of Washing and Finishing process such as energy use (in kWh), water used (in Liter), as well as qualitative metrics to assess Workers' safety and Chemical Impacts, at the style level. The use of renewable energy and recycled water is also captured and reflected by the tool. All styles have attributed a score at the development stage, which enables the production team and designers to identify and benchmark styles not only from the traditional selection matrix but also in terms of environmental impact, particularly GHG emissions. The tool also allowed us to redesign the washing and finishing process to actively reduce greenhouse gasses. With the implementation of the EIM v2.0, our teams and suppliers have received technical training by Jeanologia and Scivera to ensure we were kept abreast of the changes in requirements.



- **Supplier scorecards:** Our primary scope focuses on the laundries and fabric mills, as these have the largest environmental impact across our supply chain. From an initial impact assessment, a baseline is created, short and long-term roadmaps are set together with the factories and the production teams, and the results are then used in vendor scorecards. These scorecards guide the business strategy and allow us to recommend the allocation of orders to the facilities that perform best.



## 8.3 WATER AND CHEMICALS

### Our Commitment

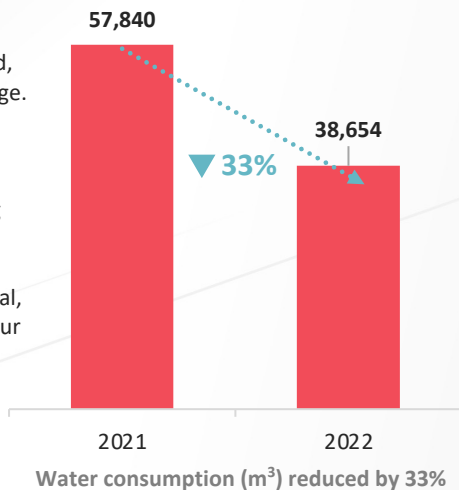
We are committed to reducing 33% of water usage by 2030, compared to a 2021 baseline, while maintaining our near-term ambition to achieve a water reduction of 10% by 2025.

#### 8.3.1 WATER

Water conservation is a high priority at Li & Fung. The combined effects of population growth, economic development, and climate change have contributed to increasing water stress on a global scale. We are committed to reducing the volume of freshwater taken from the environment and improving the quality of the wastewater released across the supply chain. We believe there are two key areas where we can make a positive difference: domestic water usage, and the water footprint linked to the products manufactured.

#### • Managing water footprint within our operations

Li & Fung’s domestic water footprint reflects our employees’ water use in our offices across the world, including drinking water, bathroom and shower usage. In 2022, the total consumption represented 38,654.04m<sup>3</sup> of water, which reflect 33% reduction against total water consumption in 2021. This was mainly due to our hybrid work arrangements during global pandemic. Meanwhile, some of our offices moved to more environmentally friendly spaces. Although we already met the water 2030 savings goal, our teams are committed to continue to minimize our water footprint across the coming years.



#### • Reducing water use in supply chain

Along our supply chain operations, we identified great opportunities to generate substantial improvements in water management: by reducing the amount of freshwater taken from the environment, using less water, improving machinery efficiency, or increasing the rate of recycled water, as well as improving the quality of the wastewater emitted through the use of better chemicals, better fibers and better effluent treatment systems.

#### Water reduction program

This program aims to reduce water in factories with sizable consumption, such as laundries and fabric mills. Using third-party validated data, selected factories are enrolled in a multi-year program focusing on reducing freshwater intake, increasing



water recycling rates, and improving the quality of wastewater. The program has been rolled out to a selection of factories since 2018. Based on a set of data analysis, training, process adjustments and machinery upgrades, we have seen an average freshwater savings of 36% and an increase in the average water recycling rate of 45%. In 2022, 32 factories were enrolled in the program and all of them met their annual targets.

#### Denim EIM

The EIM described in the section above is particularly efficient in reducing water. For example, from 2019 to 2023, our teams supported a particular customer to save an average of 60% of the water per style (washing & finishing). The teams leveraged their technical expertise and relationship with the factories to adjust and improve the process by using more laser technology, safer chemicals, and more sustainable machinery to name a few that have led to sizable impact reduction without significant capital investment.



### 8.3.2 CHEMICAL MANAGEMENT

Li & Fung's unique position allows us to initiate specific programs along the supply chain designed to meet regulations as well as the brand's best practices and sustainability goals. Our practices and management of chemicals are compliant with chemical regulations applicable in different regions, and we also encourage our suppliers to meet higher requirements on chemical management.

The requirements from brand owners to have their factories join chemical management tools or platforms greatly increased in 2022. Our customers are becoming increasingly concerned about worker safety and purchasing products certified by systems such as [Oeko-Tex](#) or [Bluesign](#), encouraging suppliers to use chemical inventory and analysis tools such as [the Hive](#) by Goblu, and registering and applying the principles of [Zero Discharge of Hazardous Chemicals \(ZDHC\)](#).

#### Focus on Per- and Polyfluoroalkyl Substances (PFAS):

Following international regulations to phase out the PFAS family of chemicals, our teams developed programs to screen factories and products containing PFAS, train suppliers and buyers on the existing and upcoming regulations, identify and propose alternative solutions and technologies, and test products to ensure compliance.



### 8.4 RAW MATERIALS, PRODUCTS AND PACKAGING

#### 8.4.1 RAW MATERIALS

##### Increasing the use of sustainable raw materials and products:

Li & Fung actively promotes the use of more sustainable raw materials to our customers as an efficient way to reduce their environmental footprints and enhance the brand's value of their products. Education and data transparency are key to preventing legal issues and false product claims, ensuring the efforts taken can drive practical and measurable environmental improvements.

**Turning sustainability ambitions into reality:** In 2022, our sustainability team continued to scale its support to customers and suppliers by quantifying raw material and product impacts, identifying potential alternatives, managing the conversion to more responsible options by developing SOP (standard of process), delivering training, and following up on compliance to the programs and certifications through various reports and benchmarks.

The current sustainability landscape is rapidly evolving, and regulators from across the world are setting up legislation and rules to prevent greenwashing claims. To ensure the raw materials are truly more sustainable than conventional options, Li & Fung relies on industry and government-accepted programs and certifications. We work closely with [Textile Exchange \(member\)](#), [GOTS](#), [Canopy \(partner\)](#), [FSC \(signatory\)](#), and a wide variety of branded raw materials and programs to ensure the validity and integrity of the materials used for the products and the packaging.

### 8.4.2 PRODUCTS

**Li & Fung Sustainability dashboard:** In 2022, our Sustainability team and Business Intelligence division developed the LF Sustainability Dashboard. We also strengthened our partnership with Textile Exchange and GOTS by implementing their full database of certified factories across the world into our dashboard, making Li & Fung the first and only company to have this access. This allows us to have full visibility of factory certifications, scope of products and operations certifications, as well as validity dates. The dashboard also includes data from the Higg FEM on factories' environmental and ESG performance to help us make benchmarks and suggest improvements. The dashboard allows our team to crosscheck the data from the three sources to add a layer for verification on factories that perform well on environmental standards and have the right accreditation to manufacture more sustainable products.

- **Raw materials:** Adopting certified raw materials presents lower environmental footprints than conventional options (e.g. FSC certified paper, recycled material, plastic reduction/phase out)
- **Volume:** Using the right volume of material is key to making packaging more sustainable. The products must be properly protected to avoid quality issues, but finding the right balance is essential, as overuse of materials leads to unnecessary waste and greenhouse gas emissions.
- **End of Life:** A proper understanding of the logistics stream, geography and good knowledge of the local capabilities are essential to proper management, as all regions and cities treat waste materials in different ways (composting, recycling, etc.). Whether the packages will go to warehouses, shops, or directly to consumer homes through eCommerce are essential information to know when selecting the right packaging to ensure its proper handling.



### 8.4.3 PACKAGING

Packaging is a necessity to transport goods and to ensure their integrity and quality. It is also used to market products to consumers. However, packaging creates significant environmental impacts in all stages of its life cycle. Our teams have been working closely together with supply chain partners to identify more sustainable alternatives. We are focusing our efforts on raw materials, volume and end-of-life treatment.

#### Reducing plastic packaging

In 2022, we worked with a customer and several packaging suppliers to find practical and viable ways to phase out plastic packaging and replace them with natural options like FSC certified paper and cartons. By leveraging our team's expertise and experience, we were able to reduce the average packaging weight by 15% for this customer over one year, and consequently reduced related carbon emissions and environmental impacts on production, shipping and end-of-life. The wood-based packaging (e.g. paper, cartons) have also been switched to nearly 90% of FSC certified material without any negative impacts. Using natural materials also allows better end-of-life management, 100% of the packaging used for this customer is now 100% recyclable, meeting the 2025 goal three in advance.

## 8.5 WASTE MANAGEMENT

Waste is accumulating at a speed beyond what our environment can handle.

### Our offices

Our global offices have waste and recycling programs to allow our colleagues to recycle materials that can divert them from landfills. The programs are set up and managed locally by each office and region with considerations of local infrastructure, technical constraints, and compliance with relevant regulations.

Our offices in China have systems in place to separate waste by food waste, residual waste, recyclable waste, and hazardous waste according to local legislation. Specific recycling boxes are placed in the office for recycling used office papers. Posters and instructions guide employees on waste separations and their responsibility to contribute to our waste reduction efforts.

In 2022, our teams explored several solutions to better measure and engage with our teammates and building management where our offices are located. A global awareness campaign aiming to reorganize and consolidate how we recycle and participate to the global efforts in reducing overall waste will be implemented in 2023.



### Our supply chains

The Li & Fung Sustainability Dashboard, developed in 2022, allows our teams to quickly identify factories certified to produce certified recycled products according to the [Global Recycled Standard and Recycled Claim Standards](#) (among other certifications). Together with the ongoing discussions and awareness sessions to understand technical possibilities and regulations, this initiative is designed to ease the process of placing purchase orders with those factories that use more sustainable and specially recycled materials, to encourage the use of recycled material and divert material from landfills.

To provide a concrete example, one of our key customers was able to incorporate the use of recycled polyester in its denim collections and accelerate the proportion of denim containing recycled polyester over a four-year period from zero in 2018 to 59% in 2022.







## Growth and empowerment

The success of our business is driven by the strength and resilience of our people. We are committed to create a people-centered working environment by embracing diversity, prioritizing wellness and safety, and being recognized for their contributions.

# 9 GROWTH AND EMPOWERMENT

## SUSTAINABLE DEVELOPMENT GOALS



The success of our business is driven by the strength and resilience of our people. We are committed to fostering a culture where our people feel equal, have a sense of belonging and are recognized and rewarded for their contributions. By creating a people-centric business, our people feel supported and are motivated to deliver exceptional client services and drive company growth.

### Our People Strategy

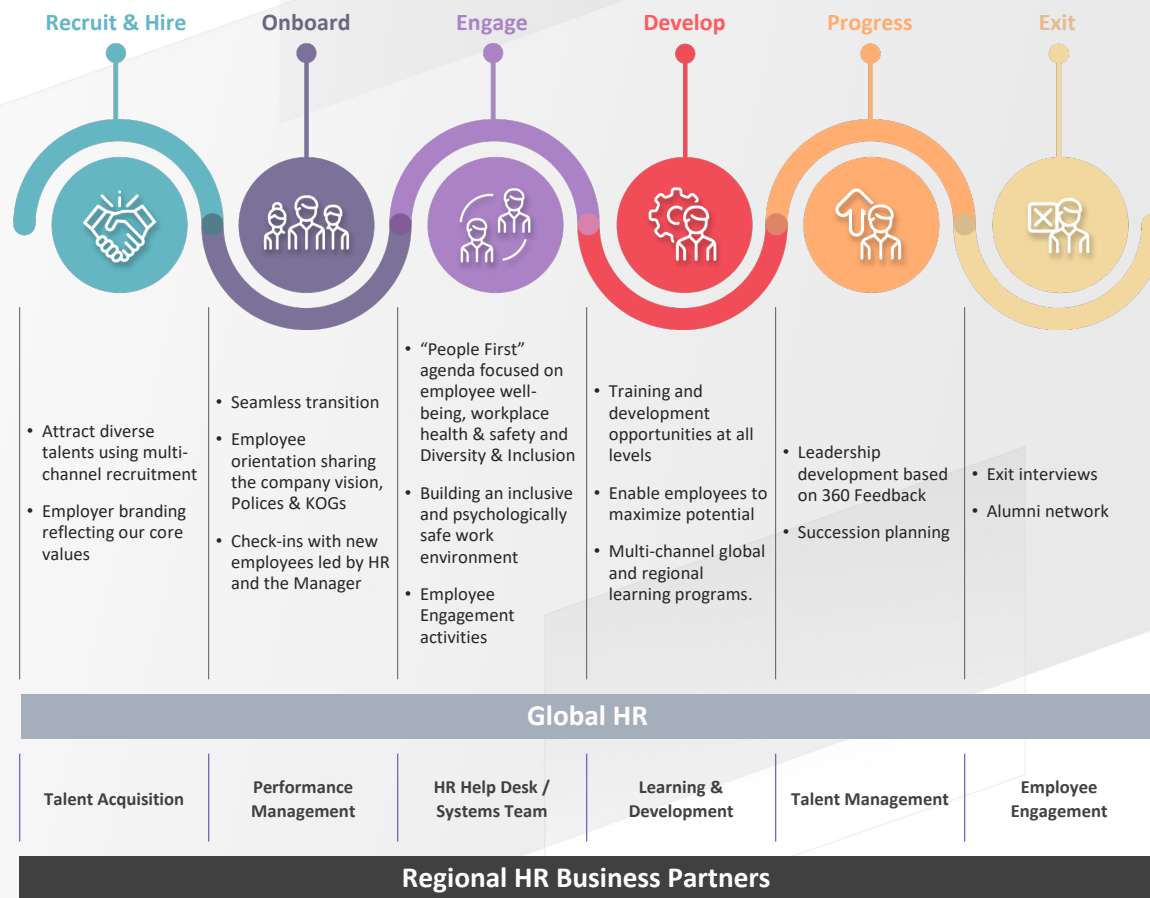
At Li & Fung, we aspire to create a people-centric work environment by embracing diversity, inclusion, and equity and prioritizing wellness. We are dedicated to investing in our people, providing fair opportunities and ample support for them to thrive as a high-performing team. Encouraging educational opportunities for personal and professional growth, with top-down emphasis on “people first”, contributes to the inclusive culture of our Company.



Fostering diversity, living our values, caring for and engaging our people, developing talent and providing a respectful, safe, and healthy working environment are essential elements of our People Strategy. Our initiatives focus on three areas: engaging our inclusive and diverse global workforce, enhancing the wellbeing of our people, and attracting and developing talent.

Our people initiatives are executed using a two-level approach; Regional HR teams based in our offices across the globe are empowered to support the unique needs of their people, and the Global HR team provides overarching frameworks and resources to ensure we work together “as one”. We strive to build a workplace where everyone can bring their whole selves to work, unleash their highest potential and thrive through every stage with the company.

## LF TALENT MANAGEMENT APPROACH

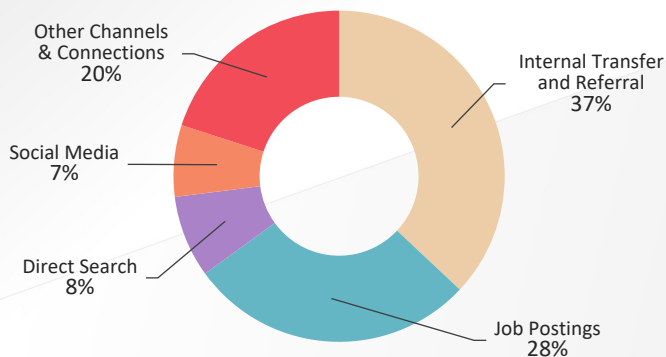


### 9.1 ATTRACTING TALENT

People are the core and most valuable asset for Li & Fung, and we rely on the value and insights they bring to our customers, vendors and other stakeholders. As an equal-opportunity employer, we treat all colleagues and job candidates fairly, as outlined in the [LF Code of Conduct and Business Ethics](#). We consider all applicants regardless of gender, age, religion, marital status, race, ethnicity, sexual orientation, disability, disease, pregnancy, or trade union and/or political affiliation. We disregard all factors deemed inappropriate by local law and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, including its core labor conventions for the elimination of forced, compulsory or child labor, elimination of discrimination in respect of employment and occupation, and respect for freedom of association and collective bargaining. Candidate assessment and selection are based on relevant jobs and competency profiles. Reference checks are carried out only after receiving consent from the potential applicants.

“Localization” is a key business principle and drives our recruitment decisions. Compliance with all related local legal requirements and standards is of utmost importance. All candidates, whether recruited internally or externally undergo the same application and assessment procedures. A variety of different channels and talent pools are used to ensure the best talent in each of our markets is brought into the Company. It is our commitment to attract and retain a diversity of talent to drive business results and success. To expand our reach, we constantly explore new recruitment channels and platforms while continuing to enhance the on-going recruitment strategies. Our recruitment efforts reflect our ambition for our workforce to mirror the communities in which we live and work.

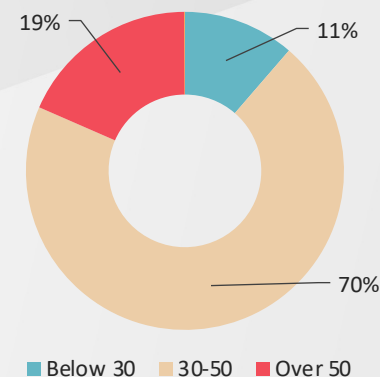
2022 Global Recruitment Channels



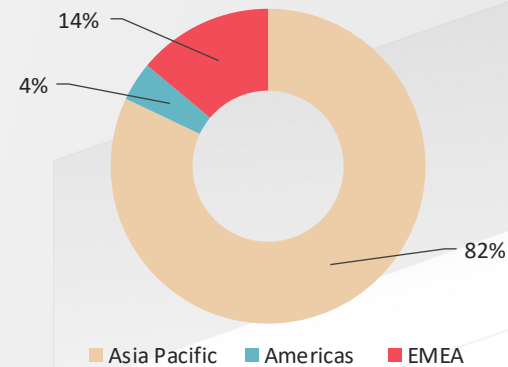
We encourage employees to refer their friends to join us through the global Talent Referral Program and promote internal transfer/mobility opportunities for employees’ growth and development. LinkedIn has been a part of our recruitment strategy and we received over 30,000 job applications from LinkedIn between 2015 to 2022. We connect and engage with global talents via the Li & Fung Talent Network and the number of potential candidates connected has increased by 8.5% from 2021. Our key channels for recruitment are via internal transfer and referral, job postings, direct search, social media and other channels.

In addition to attracting external talent, retaining existing talent is a priority, particularly within an industry that continues to experience systemic change. In 2022, our voluntary turnover rate among professional staff was 13%, which is 6% less than in 2021. To enhance internal talent and succession pipelines, we continue to encourage transfer opportunities across the Company, 38% of job openings were filled through internal transfers and referrals in 2022.

Employee Demographics by age-group



Employee Demographics by region





### Social Media

LinkedIn, Instagram, WeChat, and YouTube are the key platforms where we talk about our brands, share our stories and connect with our community. We expanded our social presence by increasing our LinkedIn followers by over 10% and Instagram by 4% in 2022.

### Talent Acquisition

As an equal-opportunity employer, we are proud of our rich heritage and strive to treat our employees and candidates fairly and with the utmost respect. Our procedures and workflows are guided by our [Code of Conduct & Business Ethics](#), [Anti-Harassment and Anti-Discrimination Policy](#) and [Diversity & Inclusion Statement](#).

Setting corporate social responsibility and ESG-focused goals, reinforces a culture of sustainability across the organization as we champion greater diversity across all levels of its organization.

In 2023, we are refreshing and re-introducing the Responsible Recruitment Policy across the global organization to ensure ongoing relevance, and the HR community and hiring managers will receive training to ensure proper processes are in place.

The rigors and strategy for Talent Acquisition start with partnerships and collaboration to understand the needs of the business, identifying key talent aligned with our Diversity and Inclusion initiatives and objectives.



## 9.2 ENGAGING OUR PEOPLE

Engaging our people to celebrate and support our inclusive and diverse global workforce, to connect, and to encourage each other to thrive, is a core initiative at Li & Fung. Doing so provides an environment that is entrepreneurial, rewarding and respectful, fostering a long-term commitment to the Company.

Each year we hold multiple events to share our strategy and encourage dialogue and innovative thinking across our offices. Through CEO town halls, team meetings and other events, our people connect to learn from seasoned professionals and collaborate with peers to incubate business ideas and enable direct engagement with our CEO and senior leaders on our business priorities and performance.

Valuing our people extends to appreciation events and special days for families, which we regularly organize. Each year, we also recognize our people’s work anniversaries with Li & Fung from 5 to 45 years through our Long Service Awards. In 2022, we held various activities across different operating groups to bring people together.

### LF Cambodia gives back in a year-end teambuilding event

In 2022, LF Cambodia organized an Annual Team Building event under the theme “Teamwork Spirit” at Vkirom Pine Resort where 32 employees attended. Our colleagues visited the Sala Doung Center to offer care and support for over 100 disadvantaged children. The team arranged a series of fun games and activities, to bring laughter and joy to the children. The evening ended with live performances and a lucky draw.



### LF Vietnam team building event

In 2022, LF Vietnam organized team-building events in Ho Chi Minh (HCMC) and Hanoi under the theme ‘Change to grow,’ referencing the formula for transformation: **Change + Growth = Transformation**. This was the first time for both offices to host large in-person events since the pandemic.



At Li & Fung, we care about our people and what they have to say. The 2022 Li & Fung Engagement Survey was a key tool to help us hear directly from them on what it’s like working in the company. Their voice, feedback and ideas go a long way in helping us understand what we are doing well and what we can improve upon. The survey is strictly confidential and is managed by a GDPR-compliant third-party organization that specializes in Engagement Surveys.



The engagement survey resulted in an encouraging 83% response rate, with an overall engagement score<sup>6</sup> of 74 and 5,774 feedback comments from employees across the whole business. With regards to benchmark data, the engagement response rate is 8% higher than the global benchmark of 75%, and the engagement score of 74 is at par with global benchmark of 75 for other companies. The number of captured comments is also considered very high based on industry benchmarks with the majority being positive comments. Through listening and learning, we are committed to fostering a stronger internal culture of advocacy and inclusion to help employees share their voices, be heard, and collectively affect change.

An in-depth analysis of the survey responses resulted in the creation of action plans and the implementation of change based on the feedback. We communicated the findings with our HR Business Partners and senior leaders to develop actionable steps. Focus Groups were formed to gather deeper insight, listen to our colleagues and act on the important issues relevant to our people. Through the focus group discussions, each region, and additionally at the company level, key focus areas were identified for action taking. This approach ensures that we are addressing real challenges to create positive impact for our people whether in Learning & Development, Engagement Activities, Building a Feedback Culture or Leadership Development.

<sup>6</sup> the Engagement Score (74) is an overall aggregate score combining the scores of two key questions 1) How happy are you working at Li & Fung? and 2) I would recommend Li & Fung to my friends & colleagues.

benchmark refers to global average response rate from all customer data base of Glint ([www.glintinc.com](http://www.glintinc.com))

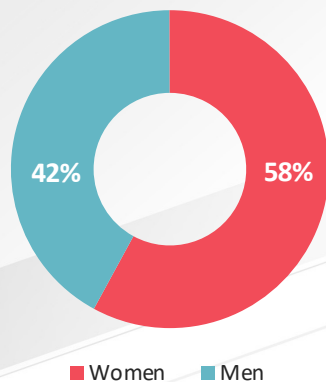
benchmark refers to global average engagement score from all customer data base of Glint ([www.glintinc.com](http://www.glintinc.com))

### 9.3 CREATING A DIVERSE, EQUITABLE, AND INCLUSIVE WORKFORCE

At Li & Fung, we are committed to building an inclusive culture that respects every employee for who they are – regardless of gender, age, race, disability, or sexual orientation. The mission of Li & Fung’s Global Diversity and Inclusion program is “Creating a workplace where all individuals are respected and where both, differences and similarities are valued, by promoting awareness and education about Diversity and Inclusion”. We believe that our employees’ contributions are richer because of their diversity, and we provide fair and equal opportunities and foster an inclusive culture that builds psychological safety for our people.



Employees by gender 2022



In 2022, we refreshed our ESG strategy and D&I is one of our key focus areas. Our objectives include training and education on Responsible Recruitment, Unconscious Bias Workshops, Gender Identity with metrics and analyses of data to influence and make changes across Talent Acquisition and Talent Management. We also formed a Regional D&I Ambassador program to drive and champion D&I events in different office locations.

### Global Anti-Harassment & Anti-Discrimination Policy

Maintaining a respectful workplace free from discrimination and harassment of any form and providing equal opportunities for all our people, in support of international declarations on human and labor rights, is of utmost importance. We affirm these commitments in our Code of Conduct and Business Ethics (Code) and our D&I initiative reinforces and supports our people to live these commitments. All new employees learn about the Code during orientation and ongoing training. To strengthen our zero-tolerance approach to violations of our Code related to discrimination and harassment, we introduced a detailed global anti-harassment and anti-discrimination policy in 2019, accompanied by specific training for our HR business partners to equip them with the knowledge and skills to handle and report any such cases that may arise and take the right recourse. The policy takes into consideration local laws and regulations specific to the country of operation. It applies to all employees across all our offices and covers the end-to-end employee lifecycle process. The policy:

- 1) defines discrimination and harassment,
- 2) provides guidance on reporting prohibited conduct
- 3) explains how the Company handles reported discrimination and harassment
- 4) states that Li & Fung has no tolerance for retaliation

Compliance with relevant local laws and regulations is prioritized with a zero-tolerance policy for non-compliance with any discrimination or harassment behaviour. In 2022, there have been no findings of any violations of our internal policies.

In 2023, Li & Fung continues to:

- Provide ongoing re-training for all managers and employees on global policies & legal requirements.
- Implement a new global web-based helpline for all employees to safely report any concerns to the correct parties, anonymously or otherwise
- Revise the Anti-Harassment & Anti-Discrimination Policy
- Raise awareness across the company by educating people managers on compliance around local laws and requirements.
- Drive gender equality and equity with the objective of achieving gender and pay parity through talent acquisition, internal growth and development, education and meritocracy.

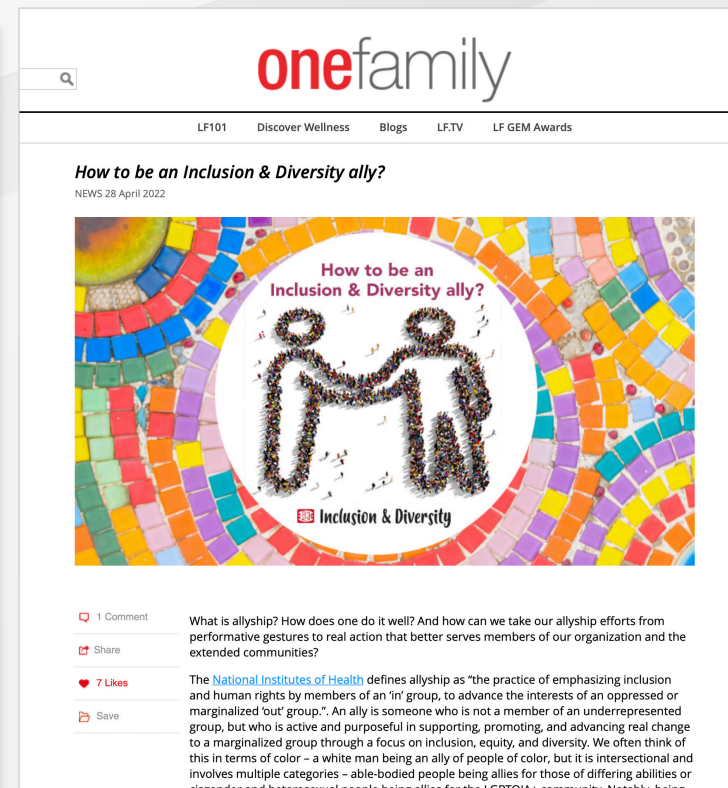
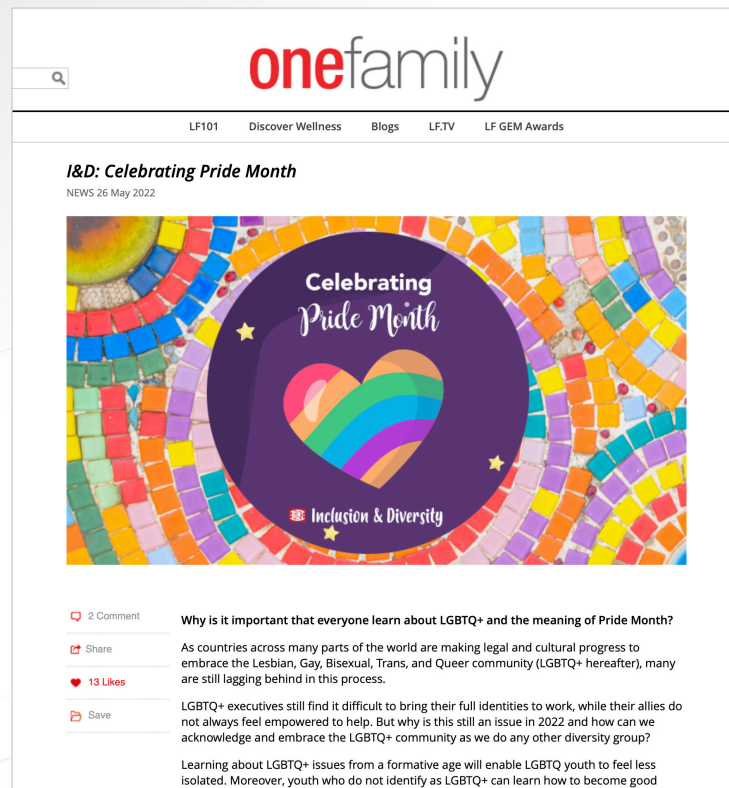




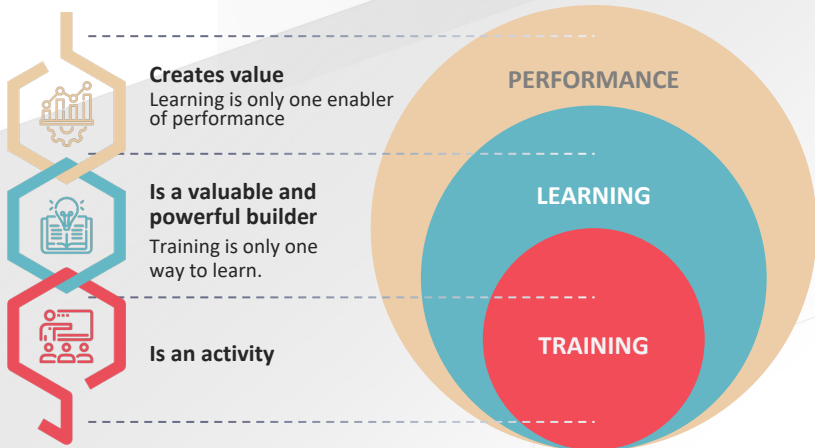
## Education & Awareness

Our education programs aim to raise awareness for issues such as prejudice, discrimination, unconscious bias and more. Our monthly D&I article series on our intranet ‘One Family’ deep dives into specific D&I topics. In 2022, 11 articles were published including ‘Inclusion & Diversity in the Hybrid Workplace’, ‘Inclusive Leadership’, ‘#BreakTheBias on International Women’s Day’, ‘Celebrating Pride Month’, ‘How to be an Inclusion & Diversity ally’, ‘Harnessing the power of generational diversity’, ‘What is a privilege at the workplace.’ A total of 4,477 article views and over 65 articles have been published since our initiative began.

Various offices held workshops, training, and talks covering topics such as Unconscious Bias, Gender Diversity, Healthy Lifestyles, Nutrition, Mental Health. Our D&I Speaker Series led by internal and external speakers are a cornerstone of the continued education around D&I, celebrating International Women’s Day, Pride Month, Black History Month, Hispanic Heritage and more.



## 9.4 EMPOWERING OUR PEOPLE



**Creates value**  
Learning is only one enabler of performance

**Is a valuable and powerful builder**  
Training is only one way to learn.

**Is an activity**

We continually broaden our knowledge, enhance our skills and equip colleagues with the tools needed to remain one step ahead in today’s disruptive business environment. The Learning & Development (L&D) team constantly re-evaluates the organization’s needs by partnering directly with our business leaders to identify areas of improvement. In 2022, we formed a Regional Learning Committee (RLC), focused on fostering a learning culture in our respective regional locations including China, Hong Kong, Greater ASEAN, Indian Subcontinent, United Kingdom, Europe, and the Americas (US & Latin America).

To keep our people up to date with core business and product knowledge, new industry developments and market trends, we offered training workshops on:

- Leadership & Management Skills
- Financial Acumen & Business Analytics
- Product Knowledge
- Product Costing & Sampling
- Quality Assurance
- Change Management
- Technical Applications Training
- And more

Our methodology for learning encompasses training workshops, mentorships, experiential learning and self-advocacy. In 2022, China and Hong Kong colleagues from different areas of the business volunteered to be internal Subject Matter Experts in their respective areas of expertise. They hosted seminars on Product Costing, Product Knowledge, Sustainability in Apparel, Business Analytics, Finance for Non-Financial Roles, Behavioural Interaction, Change Management, How to Give Effective Feedback, Leading Teams Remotely and more. This program will be expanded in 2023 to leverage regional expertise across the globe.

In 2022, we conducted a global Learning & Development Survey which received a 42% response rate with an employee satisfaction score of 68. The Learning Needs Analysis and findings from the survey have provided useful insight for our 2023 L&D Strategy planning. Inclusivity is paramount to everything we do so therefore, all workshops can be attended virtually with the option to attend in person for some locations. Our e-learning platform is accessible 24/7 and updated regularly by our core learning community.

### 1) Promoting our people

Our 360-degree feedback process identifies high performers by reviewing current performance and future potential. 360-degree feedback enables our colleagues to understand their behavior and performance from diverse perspectives and be able to hone their strengths and realize areas for improvement. We encourage ongoing feedback, two-way communication, and development for continued growth by utilizing tools such as the 360-degree assessment. To date, we have completed over 240 360-degree assessments with feedback provided from over 2,000 colleagues. This feedback provides further insight into the Individual Development Plan for each employee.

We believe that building a strong culture of learning plays a vital role in the sustainable evolution of our Company. To leverage our people’s talents and develop their skills, we provide programs that focus on leadership, building business skills and professional knowledge. Our approach to building our multi-channel range of learning resources is based on a need for flexible, efficient, targeted and effective learning options. We, therefore, use a combination of e-learning, virtual workshops/webinars, micro-learning, in-person workshops, and social learning platforms.





In 2022, we also introduced a new differentiated performance rating scale, with detailed definitions and examples of varied levels of performance to enable more accurate and objective assessments. All employees are assessed on six behavioral and leadership competencies in addition to their KPI-driven goals. We encourage frequent check-in meetings and ongoing communication between managers and employees with the timely exchange of feedback and coaching to drive performance and improve employee morale. In 2022, we rolled out a three-month mentorship program with over 30 participants. By engaging employees from different all levels in the mentorship program, we can bring together a diversity of experiences and backgrounds, to accelerate the personal and professional development of our colleagues.

## 2) Motivating & Rewarding Our People

Our annual global Performance Management process comprehensively reviews past performance and allows employees to focus on continuous improvement through ongoing communication with their managers. An annual review is conducted to determine merit increases and bonuses to reward performance.

Company benefits are inclusive of health-related plans administered locally according to country laws and offerings, including Employee Assistance Programs (EAP), Discount Programs and more.

**LF GEM**  
Go the Extra Mile  
**AWARD**

**WHAT IS IMPACT?**

*LF GEM is about celebrating all the amazing things that you do. Impact is not only about numbers, sales and business results. Impact is also about enhancing employee engagement, wellbeing, and giving back to our communities. Have you recently noticed someone making an impact on our company, our customers, our colleagues or our communities? It's time to shine a spotlight on those who deserve it!*

<p><b>QUARTERLY AWARDS</b></p> <p>For nominees</p> <p><b>US\$2,500</b> Up to 10 winners to be awarded per quarter</p> <p>For nominators</p> <p><b>US\$200</b> Noticed someone achieving terrific results? Win a cash prize if your nominee receives a Quarterly Award</p>	<p><b>ANNUAL GROUP CEO AWARDS</b></p> <p>Selected from the Quarterly Award winners</p> <p><b>US\$10,000</b> Gold Award WINNER</p> <p><b>US\$7,500</b> Silver Award WINNER</p> <p><b>US\$5,000</b> Bronze Award WINNER</p>
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The LF GEM Awards is a global initiative that recognizes, rewards and celebrates individuals and teams that have “Gone the Extra Mile” to deliver extraordinary results for the company, our customers, vendors, and communities.

Launched in January 2021, this award is open to all employees across all functions and geographies. At Li & Fung, impact is not only about numbers, sales and business results, but it is also about enhancing employee engagement, wellbeing, and giving back to our communities and our environment.

Each entry is judged against the 4Cs: Contribution, Creativity, Collaboration and a Can-do Attitude and winners are selected every quarter to each win a cash prize. Quarterly winners are also then eligible to win an annual Group CEO Award, with the Gold, Silver and Bronze winners receiving US\$10,000, US\$7,500 and US\$5,000, respectively.

For this program to be successful, colleagues are encouraged to submit a nomination if they have noticed someone that has gone above and beyond to make a positive impact on the company. Nominators are also eligible to receive a cash prize if their nominee goes on to win a Quarterly Award.

Throughout the year, our One Family page continues to shine a spotlight on our GEM Winners and their stories with a series of insightful and informative editorials and interviews.



## 9.5 ENHANCING HEALTH AND WELLNESS

When our people are happy, healthy and provided with a safe, inclusive workplace, we're enabling everyone to thrive, both personally and professionally. Our strategy and programs are tailored to support our peoples' wellbeing and to meet occupational health and safety requirements for our offices. To support local needs and meet local legal requirements, our working hours and benefits, and other terms of employment, are tailored to each office location.

At Li & Fung, we take care of our employees by providing a safe workplace and creating an environment where we educate, support, and empower our employees to improve and maintain their overall health and wellbeing through healthy lifestyle choices.

We believe that happy and healthy employees lead to stronger performance and business success. We take our people's health and wellbeing seriously and are mindful of the challenges posed by the global pandemic and its impact on their mental and physical wellbeing. In 2023, the three focus areas for Li & Fung's Global Health & Wellness program are:

- **Work-Life Balance:** to encourage healthier work-life balance, we have started to communicate the importance of utilizing one's holidays, vacations, and leaves.
- **Hybrid Working Arrangement:** a win-win hybrid working arrangement with more flexibility and efficiency to support our people and business needs.
- **Health Education:** to support our people to gain more knowledge about healthy habits for good physical, emotional and mental health through education and awareness.

The following are the highlights of what we have accomplished in 2022 for the above focus areas.

### Improved work-life balance through optimized annual leave administration:

- Introduced a quarterly reminder for our line managers and our people to improve the status of annual leave usage and remind them to plan and maximize their leave.
- Developed a global data tracking mechanism for all locations so that the local management can have a better real-time view for maximizing our people's annual leave usage, ensuring they come back to work refreshed and recharged. As a result, we reduced 2% of the total unused annual leave balance at the end of 2022 when compared with 2021.

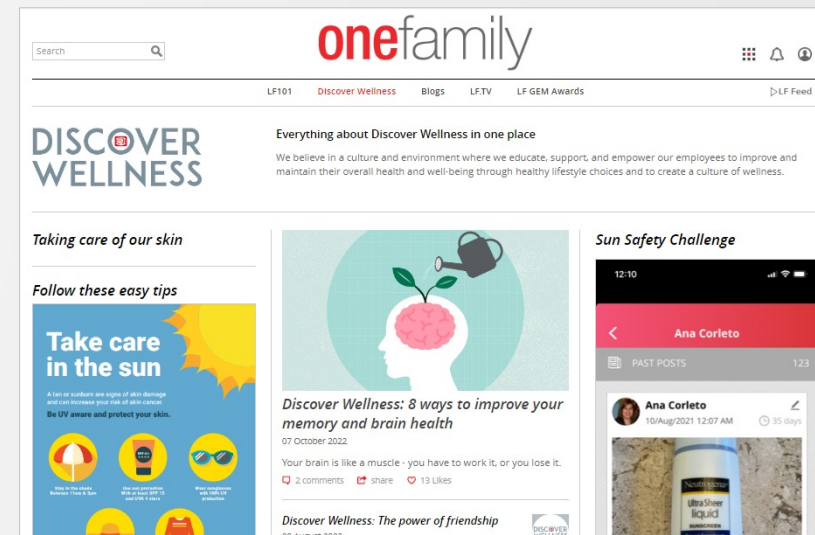
### Hybrid working arrangement:

- Successfully introduced various HWA (Hybrid Working Arrangement) policies or practices to all Li & Fung offices globally, which were developed to fit the legal and market requirements of local offices.
- Introduced an online application platform for our people to track their hybrid work schedules. This is currently in its pilot phase in Europe and Mainland China. In 2022, 437 employees applied through the online portal and we plan to roll this out to more locations in 2023.

### Health Education:

- We continued to organize various online and offline activities for both physical and mental health which were led by internal and external experts.
- Organized monthly virtual webinars on wellness topics
- Published 12 educational articles on the One Family intranet.
- Organized 13 offline sports and education events in various locations globally.
- Organized over 50 online education sessions on physical and mental health topics across various locations globally.

Over 3,000 employees participated in these Health Education activities.







**Community engagement**

As a corporate citizen of the society, we strive to give it back to the local communities and help create a long-term positive impact by continuously supporting their development and contributing our values.



# 10 COMMUNITY ENGAGEMENT



## SUSTAINABLE DEVELOPMENT GOALS



Caring for and investing in our communities is a vital part of Li & Fung’s sustainability strategy. We focus on building sustainable communities in the places we operate by leveraging our global networks, local knowledge, and relationships. We are committed to bringing a positive impact on society and maximizing our contributions to fulfil our social responsibility. A snapshot of some of our initiatives are shared below.



## DISASTER RELIEF

### ▶ LF Indonesia volunteers provides urgent aid to Cianjur earthquake victims

In November 2022, an earthquake of 6.1 magnitude hit Indonesia’s West Java, leaving over 260 people dead and hundreds more injured. Many homes, schools and public facilities were also destroyed by the earthquake.

Our teams in Indonesia were quick to respond and provide support to those affected. Our Indonesia office organized an internal fundraiser and raised IDR 20 million (US\$1,300) for the earthquake victims. Our colleagues also partnered with a local motorbike club to deliver food and essential supplies to victims who were trapped in their villages and unable to receive outside support.







**ENVIRONMENT STEWARDSHIP**

▼ **Leftover fabric donation in Hong Kong**

In 2022, we donated 161 cartons of denim, washing panels, cutting and hangers to local schools and charities in Hong Kong. To give the fabric a second life, school teachers reused these materials for school workshops. These fabrics were turned into aprons, purses, slant bags, hats, chair covers, pet toys - scratching posts, part of the pants, skirts etc. And charities used this fabric for their social services and office use.



▲ **LF Korea colleagues take part in river cleanup project**

In June 2022, our colleagues in Korea took part in a river cleanup project along Tan River and Yangjae-river in Gangnam, in partnership with the Government Community Center Green Environment. They spent the day removing harmful plants to restore and create a healthy river ecosystem. Although it was a physically challenging task, everyone was proud to do their part in restoring the environment.

▼ **Garbage collection activity in Cambodia**

In May 2022, our colleagues in Cambodia organized a beachside garbage collection activity to raise awareness of environmental protection. Over 30 colleagues took part and together they collected over 50kg of garbage.







## CARING FOR CHILDREN AND THE ELDERLY

### LF Cambodia visits disadvantaged children at Cambodian Children's Fund

Our colleagues in Cambodia, together with one of our main vendors, visited the Cambodian Children's Fund in April 2022. The team organized fun games and activities to play with the children and brought donations of stationery, coloring books, notebooks, and folders. Our partner vendor also brought clothing donations for the children. Over 50 children came to join in the activities, and our volunteers were happy to spend a day creating meaningful memories together.



### LF Korea colleagues give care and support to elderly and disabled communities

In September 2022, our colleagues in Korea prepared and delivered lunch boxes to assist people who have difficulty buying food for themselves, such as the disabled, elderly and disadvantaged. This was a great learning experience and a reminder that small actions can positively impact those around us.



## APPENDIX I – ESG PERFORMANCE INDICATORS

Environment performance table			
	Unit	FY2021	FY2022
<b>GHG Emissions</b>			
Direct Emission (Scope 1)	Tonnes of carbon dioxide equivalent (“tCO <sub>2</sub> e”)	924.73 <sup>7</sup>	848.40
Indirect Emission (Scope 2-location based)	tCO <sub>2</sub> e	6,629.02 <sup>8</sup>	5,416.68
Indirect Emission (Scope 2 -market-based)	tCO <sub>2</sub> e	6,629.02	5,152.58
<b>Total GHG Emissions (location-based)</b>	<b>tCO<sub>2</sub>e</b>	<b>7,553.76</b>	<b>6,265.08</b>
<b>Total GHG emissions (market-based)</b>	<b>tCO<sub>2</sub>e</b>	<b>7,553.76</b>	<b>6,000.98</b>
<b>Energy Consumption</b>			
Electricity	Megawatt hours (“MWh”)	13,519.74	12,465.02
Natural gas	Megawatt hours (“MWh”)	2,805.14 <sup>9</sup>	2,998.13
Petrol	Litre (“L”)	9,896.60 <sup>10</sup>	1,908.50
Petrol	Megawatt hours (“MWh”)	140.36 <sup>11</sup>	27.07
Diesel	Litre (“L”)	99,185.56 <sup>12</sup>	108,950.36
Diesel	Megawatt hours (“MWh”)	939.80 <sup>13</sup>	1,032.32
<b>Purchased green electricity</b>	<b>Megawatt hours (“MWh”)</b>	<b>-</b>	<b>766.26</b>
<b>Solar power</b>	<b>Megawatt hours (“MWh”)</b>	<b>-</b>	<b>237.36</b>
<b>Total Energy Consumption</b>	<b>Megawatt hours (“MWh”)</b>	<b>17,415.39</b>	<b>16,522.54</b>
<b>Resource Consumption</b>			
<b>Water</b>	<b>Cubic meters (“m<sup>3</sup>”)</b>	<b>57,840.40</b>	<b>38,654.04</b>

<sup>7</sup> We modified our 2021 scope 1 figure due to change of reporting boundary

<sup>8</sup> We modified our 2021 scope 2 figure due to change of reporting boundary

<sup>9</sup> We modified our 2021 natural gas consumption figure due to change of reporting boundary

<sup>10</sup> We modified our 2021 petrol consumption figure due to change of reporting boundary

<sup>11</sup> We modified our 2021 petrol consumption figure due to change of reporting boundary

<sup>12</sup> We modified our 2021 diesel consumption figure due to change of reporting boundary

<sup>13</sup> We modified our 2021 diesel consumption figure due to change of reporting boundary

## APPENDIX I – ESG PERFORMANCE INDICATORS

<b>Social performance</b>		
<b>Total workforce</b>	<b>FY2021</b>	<b>FY2022</b>
Total number of existing employees	4,578	4,248
<b>By Gender</b>		
Female	2,716 (59%)	2,461 (58%)
Male	1,861 (41%)	1,785 (42%)
Unknown	1	2
<b>By Age</b>		
Under 30 years old	564 (12%)	482 (11%)
30-50 years old	3,253 (71%)	2,982 (70%)
Over 50 years old	760 (17%)	782 (18%)
<b>By Geographical Region</b>		
Asia Pacific	3,768 (82%)	3,485 (82%)
Americas	187 (4%)	171 (4%)
Europe, Middle East, and Africa (EMEA)	623 (14%)	592 (14%)
<b>By Employment Type</b>		
<b>Full-Time</b>	4,500 (98%)	4,168 (98%)
<i>Permanent</i>	3,527	3,297
<i>Contract</i>	931	835
<i>Temporary</i>	21	17
<i>Others</i>	21	19
<b>Part time</b>	78 (2%)	80 (2%)
<i>Permanent</i>	68	73
<i>Contract</i>	4	4
<i>Temporary</i>	4	2
<i>Others</i>	2	1



## APPENDIX I – ESG PERFORMANCE INDICATORS

EMPLOYEE TURNOVER RATE	FY2021	FY2022
<b>By Gender</b>		
Female	36%	25%
Male	29%	25%
Unknown	–	50%
<b>By Age</b>		
Under 30 years old	65%	41%
30-50 years old	29%	24%
Over 50 years old	29%	16%
Unknown	–	50%
<b>By Geographical Region</b>		
Asia Pacific	33%	25%
Americas	40%	28%
Europe, Middle East, and Africa (EMEA)	31%	23%
<b>Employee Voluntary Turnover Rate</b>	<b>19%</b>	<b>13%</b>
<b>By Gender</b>		
Female	22%	14%
Male	16%	13%
<b>Overall</b>	<b>19%</b>	<b>0%</b>

Training Employee	FY2021	FY2022
Total number of training hours received by employees	3,258.4	17,713.3
Total number of employees who participated in training programs	2,847	3,886
<b>By Gender</b>		
Female	63%	91%
Male	37%	92%
Unknown	–	50%
<b>By Employee Category</b>		
Management	2%	75%
Supervisor	17%	89%
General staff	81%	92%

## APPENDIX II – HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS	Explanation / Reference Section
Environmental	
	<p>Information on:</p> <ul style="list-style-type: none"> <li>the policies; and</li> <li>compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.</p>
<b>A1 Emission</b>	The types of emissions and respective emissions data.
	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).
	Description of measures to mitigate emissions and results achieved.



## APPENDIX II – HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	8. Sustainable operations and supply chains – 8.5 Waste management
<b>A1 Emission</b>	Policies on efficient use of resources including energy, water and other raw materials.	8. Sustainable operations and supply chains
	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	8. Sustainable operations and supply chains – 8.2 climate change and energy
	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	8. Sustainable operations and supply chains – 8.2 climate change and energy
	Description of energy use efficiency initiatives and results achieved.	8. Sustainable operations and supply chains – 8.2 climate change and energy
	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8. Sustainable operations and supply chains – 8.3 water and chemicals
	The total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	8. Sustainable operations and supply chains – 8.3 water and chemicals
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	8. Sustainable operations and supply chain
	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
<b>A4 Climate Change</b>	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	8. Sustainable operations and supply chains – 8.2 climate change and energy

## APPENDIX II – HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS	Explanation / Reference Section
<p>Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.</p>	<p>8. Sustainable operations and supply chains – 8.2 climate change and energy</p>
<p><b>B1 Employment</b></p> <p>Information on:</p> <ul style="list-style-type: none"> <li>• the policies; and</li> <li>• compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<p>9. Growth and empowerment – 9.1 Attracting talent</p>
<p>Total workforce by gender, employment type, age group and geographical region.</p>	<p>9. Growth and empowerment - appendix I – ESG performance indicators</p>
<p>Employee turnover rate by gender, age group and geographical region.</p>	
<p><b>B2 Health and Safety</b></p> <p>Information on:</p> <ul style="list-style-type: none"> <li>• the policies; and</li> <li>• compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<p>9. Growth and empowerment – 9.5 Enhancing health and wellness</p>
<p>Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	



## APPENDIX II – HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS	Explanation / Reference Section
	Lost days due to work injury.
	Description of occupational health and safety measures adopted, and how they are implemented and monitored.
<b>B3 Development and Training</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.
	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).
	The average training hours completed per employee by gender and employee category
<b>B4 Labor Standards</b>	Information on: <ul style="list-style-type: none"> <li>the policies; and</li> <li>compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to preventing child and forced labor.
	Description of measures to review employment practices to avoid child and forced labor.
	Description of steps taken to eliminate such practices when discovered.
<b>B5 Supply Chain Management</b>	Policies on managing environmental and social risks of the supply chain.
	The number of suppliers by geographical region.
	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.

## APPENDIX II – HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS	Explanation / Reference Section	
	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
<b>B6 Product Responsibility</b>	Information on: <ul style="list-style-type: none"> <li>the policies; and</li> <li>compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.4 Customer service
	Number of products and service-related complaints received and how they are dealt with.	
	Description of practices relating to observing and protecting intellectual property rights.	
	Description of quality assurance process and recall procedures.	
	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	
<b>B7 Anti-corruption</b>	Information on: <ul style="list-style-type: none"> <li>the policies; and</li> <li>compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to bribery, extortion, fraud and money laundering.	6.1 Business ethics and anti-corruption

## APPENDIX II – HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
<b>B7 Anti-corruption</b>	The number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.1 Business ethics and anti-corruption
	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
	Description of anti-corruption training provided to directors and staff.	
<b>B8 Community Investment</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	10. Community engagement
	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	
	Resources contributed (e.g., money or time) to the focus area.	



## APPENDIX III - GRI STANDARDS 2021

Disclosure Item	Disclosure Title	Sections
<i>Universal Standards</i>		
<b>GRI 1: Foundation 2021</b>		Chapter 4 – About Li & Fung
<b>GRI 2: General Disclosures 2021</b>		
<b>The organization and its reporting practices</b>		
2-1	Organizational details	
2-2	Entities included in the organization's sustainability reporting	Chapter 1 – About this report
2-3	Reporting period, frequency and contact point	
<b>Governance</b>		
2-9	Governance structure and composition	Chapter 5 – 5.2 Corporate governance
2-14	Role of the highest governance body in sustainability reporting	Chapter 5 – 5.3 ESG governance
2-17	Collective knowledge of the highest governance body	Chapter 5 – 5.2 Corporate governance
<b>Strategy, policies and practices</b>		
2-22	Statement on sustainable development strategy	
2-23	Policy commitments	
2-24	Embedding policy commitments	Chapter 5 – 5.3 ESG governance & 5.4 ESG strategy
2-25	Processes to remediate negative impacts	
2-26	Mechanisms for seeking advice and raising concerns	
2-27	Compliance with laws and regulations	
<b>Stakeholder engagement</b>		
2-29	Approach to stakeholder engagement	Chapter 5 – 5.5 Stakeholder engagement & 5.6 materiality assessment
<b>GRI 3 : Material Topics 2021</b>		
3-1	Process to determine material topics	
3-2	List of material topics	Chapter 5 – 5.5 Stakeholder engagement & 5.6 materiality assessment
3-3	Management of material topics	

## APPENDIX III - GRI STANDARDS 2021

Disclosure Item	Disclosure Title	Sections
<i>Topic Standards</i>		
<b>GRI 205 : Anti-corruption 2016</b>		
205-1	Operations assessed for risks related to corruption	
205-2	Communication and training about anti-corruption policies and procedures	Chapter 6 – 6.1 Business ethics and anti-corruption
205-3	Confirmed incidents of corruption and actions taken	
<b>GRI 302 : Energy 2016</b>		
302-1	Energy consumption within the organization	
302-3	Energy intensity	Chapter 8 – 8.2 Climate change and energy
302-4	Reduction of energy consumption	Appendix 1 ESG performance indicators
302-5	Reductions in energy requirements of products and services	
<b>GRI 303 : Water and Effluents 2018</b>		
303-1	Interactions with water as a shared resource	
303-2	Management of water discharge-related impacts	
303-3	Water withdrawal	Chapter 8 – 8.3.1 Water
303-4	Water discharge	
303-5	Water consumption	
<b>GRI 305 : Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	
305-2	energy indirect/Scope 2 GHG emissions	Chapter 8 – 8.2 Climate change and energy
305-3	Other indirect/Scope 3 GHG emissions	Appendix 1 ESG performance indicators
305-4	GHG emissions intensity	
305-5	Reduction of GHG emissions	
<b>GRI 306 : Effluents and Waste 2016</b>		
306-1	Waste generation and significant waste-related impacts	
306-2	Actions taken to prevent waste generation	Chapter 8 – 8.5 waste management
306-3	Composition of waste generated	
<b>GRI 308 : Supplier Environmental Assessment 2016</b>		
308-1	New suppliers that were screened using environmental criteria	Chapter 7 – 7.1 our approach
308-2	Negative environmental impacts in the supply chain and actions taken	Chapter 8 - sustainable operations and supply chains

## APPENDIX III - GRI STANDARDS 2021

Disclosure Item	Disclosure Title	Sections
<b>GRI 401 : Employment 2016</b>		
401-1	New employee hires and employee Turnover	Chapter 9 – 9.1 Attracting talent
401-3	Parental leave	
<b>GRI 403 : Occupational Health and safety 2018</b>		
403-3	Guidance for Disclosure	Chapter 9 – 9.5 Enhancing health and wellness
403-6	Promotion of worker health	
403-9	Work-related injuries	
<b>GRI 404 : Training and Education 2016</b>		
404-1	Average hours of training per year per employee	Chapter 9 – 9.4 Empowering our people
404-2	Programs for upgrading employee skills and transition assistance programs	
404-3	Percentage of employees receiving regular performance and career development reviews	
<b>GRI 405 : Diversity and Equal Opportunity 2016</b>		
405-1	Disclosure 405-1 Diversity of governance bodies and employees	Chapter 9 – 9.3 Creating a diverse, equitable and inclusive workplace
<b>GRI 407 : Freedom of Association and Collective Bargaining 2016</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Chapter 7 – 7.1 our approach Chapter 9 – 9.1 Attracting talent
<b>GRI 408 : Child Labor 2016</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	Chapter 7 – 7.3 Eliminating child labor Chapter 9 – 9.1 Attracting talent
<b>GRI 409 : Forced or Compulsory Labor 2016</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Chapter 7 – 7.4 Ending modern slavery and promoting responsible recruitment Chapter 9 – 9.1 Attracting talent
<b>GRI 414 : Supplier Social Assessment 2016</b>		
414-1	New suppliers that were screened using social criteria	Chapter 7 – 7.1 Our approach
414-2	Negative social impacts in the supply chain and actions taken	
<b>GRI 416 : Customer Health and Safety 2016</b>		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Chapter 6 – 6.4 Customer service