

SUSTAINABILITY

OUR APPROACH

Sustainability has always been a key part of our corporate culture and today provides a guiding framework for how we manage our environmental impact while contributing to the social and economic development of the societies and communities in which we operate. During 2010 we made significant progress by setting out a corporate sustainability strategy, starting to embed this within our operations and defining the parameters by which to track progress.

Our corporate sustainability strategy integrates actions that aim to improve the sustainability of our own operations and facilities and the work we do with suppliers, customers and industry partners to continually upgrade the sustainability of our global supply chain. In short, our vision is to use resources efficiently; to add business value for our customers and their suppliers; to focus on the health and wellbeing of our colleagues; and to positively impact our communities and societies.

Set out below are our key initiatives and achievements related to sustainability in 2010.

ENVIRONMENT

ENERGY AND CARBON

We recognize the risks posed by climate change and understand that business action is crucial for our global efforts to combat climate change. In 2010 we continued our partnership with the Clinton Climate Initiative and engaged Honeywell to conduct an Investment Grade Audit (IGA) of our headquarters in Hong Kong and advise us on energy efficiency opportunities. In 2010, we began to implement the audit's recommendations and have begun to see reductions in energy consumption.

For the second consecutive year, we have been awarded the Energywise Excellent rating for our Hong Kong offices and the "Class of Good" Energywise Label under the Hong Kong Awards for Environmental Excellence program of the Hong Kong government.

In conjunction with our efforts on energy efficiency in our Hong Kong headquarters, we reduced our Scope 1 and 2 carbon emissions by 12% compared to 2009. Globally, we are taking additional energy conservation measures, enabling us to reduce carbon emissions by 2.8% per m² compared with 2009 in our global operations. While reduction efforts have resulted from analysis on top of the IGA, many initiatives have been "bottom up" as a result of engaging our employees and leadership taken by key functional departments such as IT and corporate services.

Overall in 2010 our total global energy consumption was 187,099 GJ (51,972,203 kWh) while our total global emissions were 37,614 tons of CO₂ equivalent. This data forms part of our disclosure through the Carbon Disclosure Project.

WATER AND WASTE

We recognize that water is a scarce and valuable resource and have therefore made efforts to reduce our water consumption in Hong Kong and globally. In 2010 in our Hong Kong operations, we consumed 9,790 cubic meters of water, which is a 5.5% reduction on our consumption in 2009. We will continue to roll out water reduction efforts in our global operations.

Our waste reduction campaign focused on reducing A4 paper consumption, and in 2010 we achieved a reduction of 20.9% paper consumption per colleague in our global operations. Our total paper consumption in 2010 was 103,089 reams. We also maintained our “Class of Excellent” Wastewi\$e Label in Hong Kong.

SUSTAINABLE BUILDING AND RENOVATION

In parallel to our initiatives to increase the sustainability of our existing facilities and operations, we are also seeking to practice sustainable design for our new offices and renovations. In 2010, two of our offices in the United States were certified to the Leadership in Energy and Environmental Design (LEED) Silver standard.

As we gain experience with the design and operation of sustainable offices, we aim to make sustainable building a core part of our global sustainability strategy.

OUR PARTNERSHIPS

We recognize the benefits of implementing innovative sustainability programs and strategic initiatives with our partners – including suppliers, customers, industry associations and non-governmental organizations – who share our commitment to sustainability. By taking the lead ourselves, contributing to the development of our customers’ sustainability strategies and supporting our suppliers, we effect greater positive change in our supply chain.

Examples of some of our partnerships include:

- Business for Social Responsibility (BSR) – we are a member of the Beyond Monitoring Working Group and we also support a number of suppliers to participate in the BSR’s Energy Efficiency Program.
- Supplier Ethical Database Exchange (Sedex) – we work with businesses to improve the ethical performance of supply chains.
- Sustainable Fashion Business Consortium (SFBC) – we aim to increase sustainable practices across the fashion supply chain.
- The Natural Resources Defense Council (NRDC) – we partner with industry experts and other retailers working on the NRDC’s Responsible Sourcing Initiative – Clean by Design.
- United Nations Global Compact – we have been a signatory since 2001.

In 2010, we also supported the World Wildlife Fund, Hong Kong Council of Social Service and Habitat for Humanity on various outreach activities.

SUSTAINABILITY (CONTINUED)

SUPPLY CHAIN RESPONSIBILITY

We believe that by collaborating with and supporting our customers' sustainability programs, we help consumers worldwide make responsible choices and lead more sustainable lives. At the same time, we also seek to engage with our suppliers and customers to enhance our collective knowledge and capabilities around sustainable sourcing and sustainable products.

At a basic level, our Vendor Code of Conduct provides a clear statement of labour and environmental commitments for our approved suppliers. The Code is based on local and national laws and regulations as well as the International Labour Organization's core conventions. These include underage labour, involuntary labour, compensation, working hours, discrimination, disciplinary practices, freedom of association, health and safety, environmental practices and the right of access.

Li & Fung employs over 130 in-house dedicated vendor compliance colleagues worldwide who regularly monitor compliance and work with suppliers that produce our customers' products, in line with our own Code of Conduct and industry-defined and customer-specific audit standards, protocols and methodologies. Suppliers are rated and approved based on designations ranging from Satisfactory to Failed (Zero Tolerance) and/or customer specific designations.

Where there are issues, our approach reflects our belief in education, consultation and reinforcement leading to continuous improvement and higher standards at factories. We work with our customers, suppliers, non-governmental organizations and experts to implement energy, water and pollution reduction initiatives, as well as raise labour standards.

To ensure product safety, quality and regulatory compliance, we have put in place rigorous internal processes backed by a team of 2,600 global Quality Assurance/Quality Control colleagues. Our internal compliance efforts are additionally backed by regular internal and external testing and certification to ensure that products conform to the required standards.

OUR PEOPLE

We believe that the most valuable part of any business is its people and this belief is reflected in our commitment to nurturing the talent, enterprise and creativity of our people. Our goal is to inspire people by building a culture and environment in which they can grow and succeed.

We also know that to ensure long-term prosperity and sustainability we want all our people to be healthy, safe, motivated and committed to our business.

DIVERSITY AND SUSTAINABILITY

The Li & Fung family is a global, diverse and dedicated group of people, committed to making our organization the best sourcing and service company in world. We believe that diversity supports and strengthens our culture and mirrors the local communities in which we operate.

At a basic level, we try to provide a healthy and safe workplace and support our colleagues to live sustainable and healthy lives. Our intranet provides information on healthy living, hygiene, disease prevention, sustainable lifestyles, ergonomics and how to enhance work-life balance. We are also vigilant about preparedness for pandemics and have trained diverse teams to react globally if and when necessary.

Being a global business, our sustainability depends on our ability to understand, embrace and operate in a diverse and multi-cultural world. Maintaining a respectful workplace is grounded in our Code of Conduct and Business Ethics. Further, our executive team exemplifies our approach, given its composition: over 24 nationalities are represented among our top 600 global managers. In addition, we actively promote the relocation and transfer of our people between countries so they can gain experience and understanding of different business and cultural environments.

LEARNING AND DEVELOPMENT

Through our learning and development programs, we aim to build a culture of continuous learning designed to enable our people to grow and succeed.

During 2010, with the vision of delivering world-class training programs, our learning and development initiatives focused on strengthening the core functional and management capabilities of our people. Over 1,370 in-house learning programs were organized in 34 offices, with 19,500 participants joining through 75,000 learning hours. Our programs are designed to be practical and closely linked to our business, with a significant number of seminars conducted by internal experts, thereby further encouraging a culture of knowledge-sharing within the organization.

Under the auspices of Li & Fung (1937) Ltd, a substantial shareholder of the Company, the Li & Fung Leadership Program was developed in conjunction with the Massachusetts Institute of Technology (MIT) Sloan School of Management and the University of Hong Kong. Nearly 200 of our senior managers attended the 2-term seminars and workshops.

In 2010, Li & Fung also launched our corporate Program for Management Development focusing on attracting and developing talent for future business leadership positions. Over 40 Management Associates representing 16 nationalities participated in a one-year development program, including corporate orientation and training, rotational assignments in the Group's core businesses and business education programs.

The Merchandising Skills Foundation Program is another in-house talent development program that aims to equip merchandisers with practical, job-related skills that support business growth. In 2010, over 2,000 colleagues in 13 locations participated and in 2011, this program will be extended to a broader group of employees in more than 40 countries through e-learning.

We will continue to develop innovative learning programs focused on building capabilities that add value to our business performance and attract and retain the best talent.

In addition to these structured programs, we continuously seek to engage our people through programs that reflect our commitment to environmental protection, sports and healthy lifestyles and community outreach. These programs include in-house talks and seminars and a range of excursions and voluntary activities which put employees in touch with the communities in which they work.

RECOGNITION

Our efforts in sustainability have been independently recognized through our inclusion in the Dow Jones Sustainability Index, the FTSE4Good and the newly-formed Hang Seng Corporate Sustainability Index. We are identified as a Caring Company under the Hong Kong Council of Social Service's recognition scheme and recently we were named one of four Hong Kong listed companies to be selected by Sustainable Asset Management (SAM) in its 7th annual Sustainability Yearbook 2011.