



Disclosure statement on modern slavery

Li & Fung

Li & Fung Limited

Contents

Executive summary	2
Section 1. Structure, Business and Supply Chains	3
Introduction.....	3
A. Li & Fung: Structure & Business	5
B. Our Supply Chain.....	6
C. Worker Demographics in the Li & Fung Tier 1 factories	7
Section 2. Governance and policies in relation to modern slavery	8
A. Cross-Departmental Senior Leadership for Modern Slavery	8
B. Codes of Conduct for Employees, Suppliers, Contractors and Business Partners	8
C. Combatting Forced Labor Policy	9
Section 3: Human Rights and Modern Slavery Due Diligence	10
A. Identifying and Assessing Adverse Risks and Impacts.....	10
B. 2021 Risk Assessment Highlights: Modern Slavery Risk, Prevention and Mitigation Measures.....	11
C. Monitoring factories for forced labor indicators.....	13
PARTNERING FOR CHANGE SPOTLIGHT ON: MEKONG CLUB.....	13
D. Grievance Mechanisms	14
PARTNERING FOR CHANGE SPOTLIGHT ON: RESPONSIBLE RECRUITMENT.....	15
E. Remediation.....	17
PARTNERING FOR CHANGE SPOTLIGHT ON: CHILD LABOR	17
F. Responding to Indicators of Forced Labor	18
PARTNERING FOR CHANGE SPOTLIGHT ON: JORDAN	19
Section 4: Training and capacity building	20
A. Li & Fung Training on Modern Slavery	20
Section 5: Effectiveness, measured against appropriate KPIs	21
A. Progress against 2021's Modern Slavery Strategy Key Performance Indicators (KPIs).....	21
B. Looking ahead: Li & Fung's Strategy on Modern Slavery & Responsible Recruitment	23
C. Li & Fung's 2022 Modern Slavery Strategy Key Performance Indicators (KPIs)	25

Executive summary

The International Labour Organization (ILO) estimates that more than 40 million people are victims of modern slavery¹ with 16.5 million victims in Asia-Pacific alone. Of the almost 25 million people estimated to be trapped in forced labor – an exploitative practice that constitutes the most common element of modern slavery – the majority (16 million) work in the private sector, including across global supply chains. At Li & Fung, we are committed to do our part in supporting the elimination of forced labor from the private sector and recognize our responsibility to prevent, mitigate and remediate instances of forced labor in our operations and supply chains.

Our sixth disclosure statement on modern slavery is published in accordance with the UK Modern Slavery Act (2015) and the SB657 California Transparency in Supply Chains Act. It sets out the steps taken from January – December 2021 to meet commitments made in our earlier statements and outlines our 2022 modern slavery strategy and commitments.

Since we published our first statement in June 2017, we have increased our knowledge, improved our governance and gained greater insight into modern slavery risks and trends through collaboration and partnerships. This has enabled us to strengthen our approach in both assessing and responding to modern slavery risk. Over the past 12 months we have continued to make progress in strengthening our approach, including by:

- enhancing our governance on responsible recruitment
- improving our risk assessment approach, using more and better data and new technology
- conducting proactive monitoring, including monitoring suppliers beyond tier 1
- directly engaging with at-risk rights holders in the due diligence process
- training colleagues on modern slavery
- training for suppliers on modern slavery

Li & Fung will continue to evaluate the effectiveness of our efforts to eradicate modern slavery. We are committed to operating our business in line with our values, putting purpose at the core of what we do, in order to make a difference along the supply chain. We will continue to equip our colleagues and factories in our supply chain with the necessary tools to identify and prevent all forms of modern slavery.



Joseph Phi, Group Chief Executive Officer
Li & Fung Limited
June 30, 2022

The statement is fully supported and approved by our Board of Directors. It was reviewed externally by the Mekong Club, a Hong Kong-based, non-governmental organization committed to ending modern slavery within the private sector through collaborative engagement.

Section 1. Structure, Business and Supply Chains

Introduction

The root causes of forced labor – including poverty, limited access to decent work opportunities, social marginalization, weak enforcement of laws, corruption, discrimination, and limited legal migration routes – were all exacerbated by the COVID-19 pandemic and further still by recent geopolitical and climate-related events around the world. The pandemic caused reversals in poverty reduction and caused economic inequality to rise drastically, with the World Bank predicting an actual increase in global poverty for the first time in over twenty years.¹ It is now estimated that the ongoing impacts of COVID-19, the current conflict in Ukraine and the climate crisis, will lead to an additional 75-95 million people living in extreme poverty in 2022, compared to pre-pandemic projections², including an increase in the “new poor”; a label coined to refer to those who would have exited poverty in the absence of COVID-19, but are now projected to remain in poverty and those projected to fall into poverty as a direct outcome of COVID-19. As a result of this heightened vulnerability, workers are at increased risk of exploitation, including in manners that constitute key indicators of forced labor, as well as generally poor working and living conditions. Furthermore, with a growing number of people on the move and in desperate search of safety and employment, irregular migration patterns are heightening susceptibility to corrupt practices, such as people smuggling, human trafficking and bonded labor.

The speed and scale at which COVID-19 spread, and the resulting impacts, revealed the instability of businesses across many sectors, including the garment sector. With few companies sufficiently prepared to deal with such a shock, the industry saw an onslaught of lost orders, bankruptcies, business closures and subsequently mass lay-offs, with the poorest and most marginalized hardest hit. Subsequent and ongoing disruptions to supply chains, which continue to be felt even months after lockdowns are lifted, present enduring challenges for the world’s most vulnerable. While the world is largely operating back at full capacity, with rising costs and ongoing supply chain challenges, many workers continue to face job insecurity, with companies making use of temporary or contract labor, or rehiring workers for less pay and benefits than before the pandemic.

Against this backdrop, there are however reasons for optimism. The pandemic has shone a light on the fragility of global supply chains and on the millions of workers that support them. And with 2021 marking a decade since the unanimous endorsement of the United Nations Guiding Principles on Business and Human Rights (UNGPs), there has been a steady increase in legislation regarding companies and their efforts to respect human rights. Legislation on mandatory human rights due diligence (HRDD), supply chain transparency and modern slavery impact Li & Fung and our customers, who are largely headquartered in the jurisdictions that have introduced, or are proposing, this legislation. In 2021, the Netherlands became the latest country to announce its intention to introduce mandatory human rights and environmental due diligence laws at the national level, joining other countries such as Germany, France and Canada. Most recently the European Commission has adopted a proposal on the legislative directive on corporate sustainability due diligence. We, along with many companies globally, are making more public commitments to safeguard human rights and are increasingly investing in scalable tools, that can help us undertake better due diligence and support global targets, such as those under the Sustainable Development Goals (SDGs).

Combatting modern slavery against this backdrop requires proactive action and collaboration among various stakeholders, including governments, international organizations, civil society, and the private sector. The

¹ World Bank. 2020. *Poverty and Shared Prosperity 2020: Reversals of Fortune*

² Pandemic, prices, and poverty (<https://blogs.worldbank.org/opendata/pandemic-prices-and-poverty>)

SDGs including the adoption of four specific targets related to forced labor, human trafficking, exploitation and safe migration are an opportunity for Li & Fung to work in partnership with stakeholders across the globe.³

SUSTAINABLE DEVELOPMENT GOALS

5 GENDER EQUALITY



SDG 5: Achieve gender equality and empower all women and girls

Target 5.2: Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.

8 DECENT WORK AND ECONOMIC GROWTH



SDG 8: Decent Work and Economic Growth

Target 8.7: Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.

10 REDUCED INEQUALITIES



SDG 10: Reduced Inequality

Target 10.7: Facilitate orderly, safe, and responsible migration and mobility of people, including through implementation of planned and well-managed migration policies.

10.7.1 Reducing recruitment costs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



SDG 16. Promote Peace, Justice and Strong Institutions

Target 16.2: End abuse, exploitation, trafficking and all forms of violence against and torture of children.

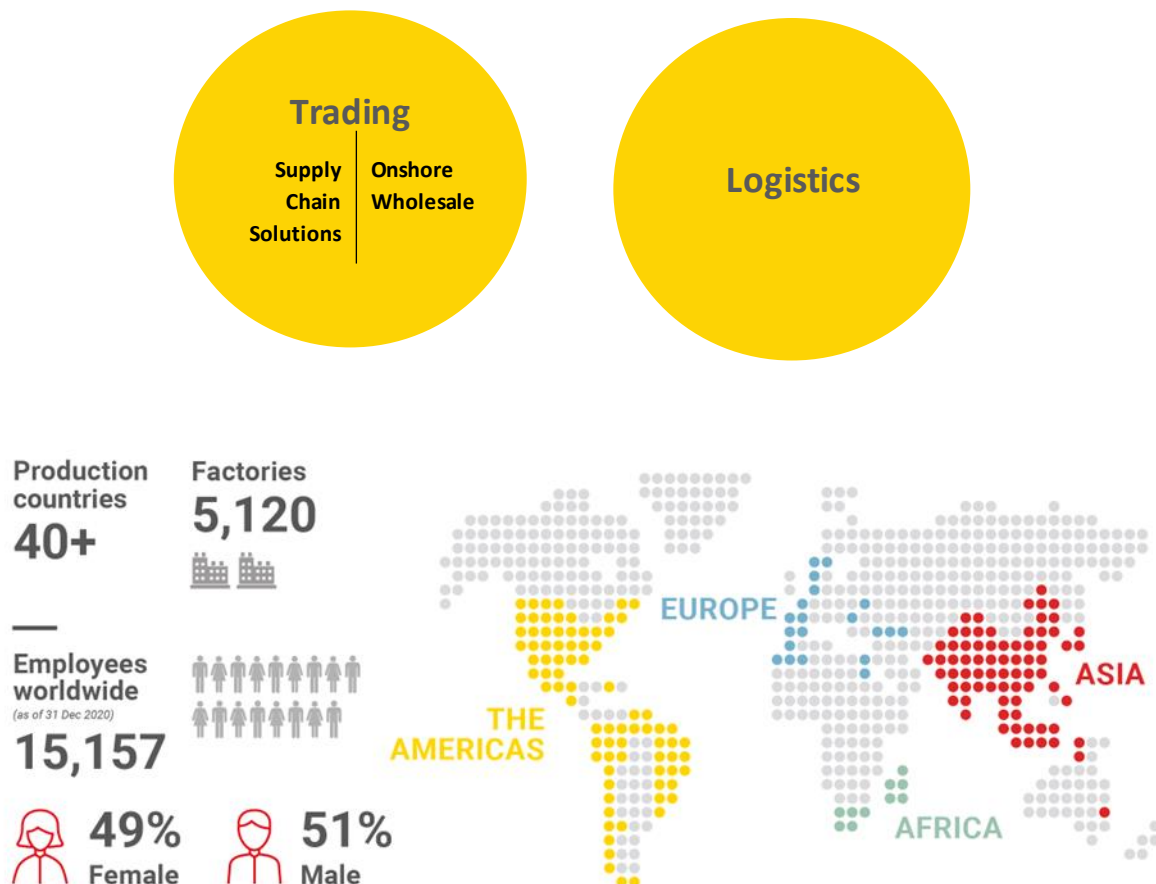
³ The SDGs supplement the existing international framework on forced labor and child labor, including: Child Labour Conventions and Recommendations (C138 and R46; C182 and R190); United National Convention on the Rights of the Child; Buenos Aires Declaration on Child Labour, Forced Labour and Youth Employment (2017); ILO Forced Labour Conventions, Recommendations and Protocols (C29, P29, R35 and R203; C105); and The Palermo Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children.

A. Li & Fung: Structure & Business

Li & Fung is a formerly publicly-traded company, which was privatized at the end of May 2020. It is headquartered in Hong Kong, and is a member of the [Fung Group of Companies](#). We operate two business segments:

- **Trading** consists of the Supply Chain Solutions and Onshore Wholesale business in the Americas, Europe, and Asia. We provide end-to-end supply chain solutions, from product design, raw material procurement, to production and quality control.
- **Logistics**⁴ delivers fast, reliable, and cost-effective solutions for the Fast Moving Consumer Goods, Food & Beverage, Footwear & Apparel and Retail sectors. LF Logistics runs warehouse management, freight management, and in-country transportation. LF Logistics offers a suite of integrated logistics and supply chain management services through its comprehensive distribution network in Asia and collaborates closely with over 400 brand owners and retailers.

Li & Fung Limited



⁴On 22 December 2021, the parent company of Li & Fung announced it has entered into a transaction for A.P. Moller – Maersk (Maersk) to acquire its logistics business, LF Logistics Holdings Limited (LF Logistics) and its various entities. Subject to regulatory approvals, the transaction is expected to close in 2022.

B. Our 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 2021, we sourced goods from 5,120 Tier 1 factories⁵ in over 40 production markets, with 910 factories contributing 80% of the value of goods shipped to our customers. These 910 factories represent 18% of our total active factories.

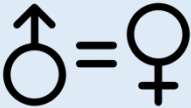
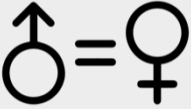




We expect our suppliers to continuously improve their performance and provide safe and fair workplaces for all workers. We believe that long-term relationships with suppliers can enhance sustainability performance along the supply chain. While the trade landscape continues to change, we make every effort to strengthen relationships with existing factories rather than onboard new ones. In 2021, we maintained long-term relationships (five years or more) with almost half of the Tier 1 factories in our supply chain.

⁵ Li & Fung define Tier 1 factories as the facility that undertakes the final product assembly

C. Worker Demographics in the Li & Fung Tier 1 factories⁶

Understanding worker demographics is necessary for building appropriate due diligence processes, better responding to the needs of different groups of vulnerable workers and helping to ensure that, if an issue does arise, grievance mechanisms are accessible to all workers. Li & Fung is committed to progressively building a complete picture of our supply chain that identifies and prioritizes areas at risk of modern slavery and recognizes vulnerable groups.

<p>Workers</p> 	<p>There are marginally more female than male workers</p> <ul style="list-style-type: none"> • 57% female workers and 43% male workers. • Myanmar, Cambodia, Vietnam and Lesotho have the highest percentage of female workers. • Pakistan and India have the highest percentage of male workers.
<p>Management</p> 	<p>Women are underrepresented in management positions, particularly in South Asian countries</p> <ul style="list-style-type: none"> • 37% of management are women. • 63% of management are men. • Women in Bangladesh and India are most underrepresented compared with the workforce demographic. • Through our partnership Better Work we encourage factories to join the Gender Equality and Returns (GEAR)⁷ women in leadership program. In 2021, 9 factories in Bangladesh and 23 factories in Vietnam joined the program.
<p>Contracts</p> 	<p>Workers on temporary contracts have less stability</p> <ul style="list-style-type: none"> • Most workers are on permanent contracts. • 91% of workers are on permanent contracts and 9% are contract workers. • However, both Indonesia and Jordan have a higher percentage of contracted workers than permanent workers, with continuing industry-wide challenges in securing permanent contracts in both countries.
<p>Migrants</p> 	<p>Migrant workers are more vulnerable to forced labor</p> <ul style="list-style-type: none"> • 77% are local workers and 23% are migrant workers. • Of the migrant workers, 94% are domestic migrant workers whereas 6% are foreign migrant workers. • However, Jordan, Malaysia, Taiwan and Thailand all have higher percentages of foreign migrant workers than domestic migrant workers. • Bangladesh, China, India, Pakistan and Vietnam have higher percentages of internal migrant workers than foreign migrant workers.

⁶ These statistics are based on a sampling of 2021 audit and self-assessment questionnaire (SAQ) data from our Tier 1 factories included in Better Work, Amfori and Sedex.

⁷ GEAR is a joint initiative of the IFC and ILO and delivered by Better Work. GEAR aims to promote career progression opportunities for women working in ready-made garment (RMG) factories, by developing both soft and technical skills, so that they can progress into supervisory roles, contribute to increased line-level productivity, and develop leadership capabilities for leading and managing the workforce.

Section 2. Governance and policies in relation to modern slavery

A. Cross-Departmental Senior Leadership for Modern Slavery

Engaging senior leadership across the company is crucial in driving effective corporate responses and policies to end modern slavery.

At Li & Fung, several different departments contribute to the company's efforts to end modern slavery, with the involvement and oversight of senior leadership. The Board's Risk Management and Sustainability Committee (RMSC) for example was established in 2001 and is chaired by the Group Chairman. Its written terms of reference include offering recommendations to the Board on the company's risk management and internal control systems and reviewing practices and strategies on corporate responsibility and sustainability. The specific topics discussed in 2021 relating to modern slavery included legislative proposals on human rights due diligence, the impact of factory lockdowns on the health and safety of workers in the supply chain, recruitment-related risks impacting foreign migrant workers in the supply chain and how to improve product traceability and supply chain mapping to better identify risk below Tier 1.

The Vendor Compliance and Sustainability (VCS) team is responsible for overseeing our vendor compliance operations and working with customers to strengthen compliance and sustainability performance, including overseeing risk assessments and due diligence measures to end modern slavery. The team has over 47 colleagues based in over 12 markets across the globe, from North and Central America, Europe and the Middle East to Asia.

The Human Resources (HR), Procurement, and Legal teams also play an important role. For example, our HR professionals help raise awareness by rolling out our e-learning training on modern slavery for colleagues and by ensuring responsible recruitment within our organization.

B. Codes of Conduct for Employees, Suppliers, Contractors and Business Partners

The **Li & Fung Code of Conduct and Business Ethics** ("[the Code of Conduct](#)") outlines our commitment to all internationally recognized human rights and requires all employees and Directors to adhere to the ten principles of the UN Global Compact and the principles contained in the ILO's Declaration on Fundamental Principles and Rights at Work, including the elimination of forced labor.

All new employees learn about the Code of Conduct during orientation, supported by additional training during their employment. Policies and guidelines for addressing the Code are implemented in the acquisition of any new businesses and through our ongoing recruitment, training, performance assessment, disciplinary and grievance processes.

The Code of Conduct also requires all employees to work with suppliers to ensure human and labor rights are upheld throughout the supply chain. For ease of reference and as a constant reminder, the Code of Conduct and its accompanying policies and guidelines are available on One Family, our internal communications platform, and externally on our website. Compliance with the Code of Conduct is overseen by the HR, Legal and Corporate Governance divisions.



Managing supply chain risk starts with Li & Fung's **Supplier Code of Conduct** ("[Supplier Code](#)"). The principles enshrined in the Supplier Code are grounded in the United Nations Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work, as well as local law.

The Supplier Code is available to suppliers in multiple languages and incorporates guidelines on social, environmental and security standards as well as practical resources for implementing standards within factory operations. All suppliers must commit to adhering to these minimum standards as a condition of doing business with us. Suppliers must also do their utmost to ensure LF Standards are communicated to and respected by next-tier Suppliers that produce parts or materials for Li & Fung and its customers. The Supplier Code was substantially updated in 2019, with an increased focus on responsible recruitment and combatting violence and harassment at work, due to the adoption of new international guidance and standards.⁸

To continue supporting suppliers to understand and comply with the Supplier Code, we hosted 48 training sessions in key sourcing countries for colleagues and suppliers in 2021 (56 sessions were held in 2020 when the updated policy was first implemented). The training highlights all key changes, their potential impact and requirements for adherence. 99.6% of factories (5,099) have signed their acceptance of the new Code.

C. Combatting Forced Labor Policy

Our Combatting Forced Labor Policy was introduced due to the heightened risk of forced labor and human trafficking seen across global supply chains, and in recognition that more effort is needed to combat this serious issue through targeted due diligence and mitigation by all actors along the supply chain.

Since its adoption, almost 90% (4,581) of factories have signed the policy.

⁸ See below section on Responsible Recruitment for details.

Section 3: Human Rights and Modern Slavery Due Diligence

A. Identifying and Assessing Adverse Risks and Impacts

Li & Fung has been working closely with Diginex – a sustainability technology and advisory company conducting ground-breaking work in data-driven corporate due diligence – to develop a four-year operational strategy on Human Rights Due Diligence (HRDD). The partnership was established to support our ongoing efforts to address any gaps in our existing systems and processes and to continue to embed our respect for human rights into all company management systems and our enterprise risk management approach.

As a first step, we identified and assessed the salient human rights risks we may face in our operations and our supply chain. The identification and assessment process, which aligns with the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct, was conducted by human and labor rights experts in collaboration with Li & Fung’s Vendor Compliance and Sustainability team. The first step of the process was to identify the most significant risks of harm in the supply chain. The scoping was built on known sector risks, taking into consideration relevant risk factors. Given Li & Fung’s activities in the garment sector, it was deemed appropriate to concentrate our efforts on the human rights identified in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. We assessed these human rights risks against a set of indicators, considering the following factors:

1. **Production Market:** considers the risks associated with the country or region in which activities are conducted or where our business partners conduct their activities
2. **Sector:** considers the risks associated with the type of product or raw material, along with the production processes and the way the sector is organized
3. **Business Relationship:** considers the structure, commitment and capacity of business partners to respect human rights, including those in the lower tier and our leverage
4. **Worker Vulnerability:** considers the increased vulnerability to forced labor as a result of vulnerable worker groups being present

B. 2021 Risk Assessment Highlights: Modern Slavery Risk, Prevention and Mitigation Measures

The issues listed below are some of the risks that we have identified through desk-based research. This does not mean that Li & Fung has identified these human rights impacts in its supply chains.

Production Market Risk

- Forced overtime in Bangladesh
- Contract issues in Indonesia
- Abuse of temporary labor in India
- Prison labor in China
- Payment of recruitment fees and costs in Jordan, Malaysia, Taiwan and Thailand



Prevention and Mitigation Measures: Completed 2021

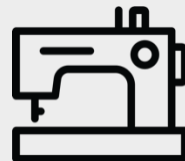
- 57% of core Tier 1 factories participated in training on modern slavery (with materials shared to the ones who were not able to participate)
- Unannounced spot checks at 511 sites (428 at Tier 1 and 83 at Tier 2 and beyond)
- 530 factories using Apprise Audit tool for worker feedback
- Human Rights Due Diligence training for VCS team

Prevention and Mitigation Measures: 2022

- Unannounced spot checks by experts on the identification of forced labor risk (Tier 1 and Tier 2)
- Roll out of diginexLUMEN to identify the recruitment and employment of vulnerable groups of workers and measure progress towards responsible recruitment

Sector Risk

- Excessive overtime due to pressured environment and targets
- Ethnic minorities forced to work as part of State-sponsored programs
- Only a small percentage of garment workers are unionized
- Worst forms of child labor due to chemical handling (dyeing and printing houses)



Prevention and Mitigation Measures: Completed

- 16 female Welfare Officers from eight Li & Fung factories participated in Better Work Bangladesh's training programme that helps strengthen the capacity of welfare officers and equip them with useful skills to help create a culture of social dialogue and promote a harmonious and productive working environment
- Established a Raw Material Traceability Working Group, made up of leaders from across the Li & Fung business and vendor compliance teams. The purpose of the working group is to: a) Stay informed regarding legislation; b) Understand customers' expectations; and c) Share insights from within the industry

Prevention and Mitigation Measures: 2022

- Partnership and trainings with Better Work to support workers to attain their rights on the factory floor, including training for 16 female Welfare Officers from eight Li & Fung factories
- Unannounced spot checks by experts on the identification of forced labor risk (Tier 1 & 2)
- Traceability pilot on raw materials with selected factories from Bangladesh, China, India and Vietnam to assess and mitigate risk at lower tiers of the supply chain
- Raw Material Traceability Working Group for risk prevention beyond Tier 1

Business Relationship Risk

- Worst forms of child labor due to unauthorized subcontracting
- Recruitment fees and costs paid by workers to private recruitment agencies or other 3rd parties, due to a lack of awareness and due diligence carried out by business partners



Prevention and Mitigation Measures: Completed 2021

- Established relationship with Diginex to explore opportunities for improved tech-based due diligence of recruitment agencies in the supply chain
- Training for over 900 factories and 2,557 participants on our Supplier Code, modern slavery, forced labor, responsible recruitment or child labor

Prevention and Mitigation Measures: 2022

- Unannounced spot checks by experts on the identification of forced labor risk and to detect unauthorized subcontracting (Tier 1 & 2)
- Roll out diginexLUMEN to map labor providers and recruitment agencies and to conduct due diligence on these actors
- Management KPIs tied to factory compliance with Supplier Code

Worker Vulnerability Risk

- Fees paid by agency workers in our logistics operations and those providing services (such as security and cleaning) for our offices, distribution centres and warehouses
- Exploitation of migrant workers (foreign and internal) and/or informal workers, including withholding personal documentation
- Approximately 80% of all garment workers are women, who are exposed to high levels of gender discrimination, sexual harassment and abuse, and a lack of means to report abuse

Prevention and Mitigation Measures: Completed in 2021

- Unannounced spot checks at 511 sites (428 at Tier 1 and 83 at Tier 2 and beyond)
- Better Work's Gender Equality and Returns (GEAR) program
- Implemented Apprise Audit tool to collect direct feedback from 10,567 workers



Prevention and Mitigation Measures: 2022

- Map labour providers and recruitment agencies used by Li & Fung to assess alignment with Responsible Recruitment Policy
- Unannounced spot checks by experts on the identification of forced labor risk (Tier 1 & 2)
- GEAR women in leadership program
- Roll out diginexLUMEN with Apprise Audit to identify the employment of vulnerable groups and to collect direct feedback from workers and target in-depth assessments and tailored intervention

C. Monitoring factories for forced labor indicators

Compliance with the Supplier Code is assessed by a designated third-party audit firm. All of our direct suppliers (Tier 1) are audited according to a timeline, which varies according to their level of risk. Li & Fung accepts audits from twelve recognized social and/or environmental compliance standards that meet our requirements as part of our audit “equivalency” program. This mutual recognition program has drastically reduced audit duplication and allows supplier resources to be reallocated to the sustainable improvement of critical issues. Suppliers are responsible for ensuring next-tier suppliers (Tier 2 and beyond) comply with the required Standards by performing periodic assessments and training, however Li & Fung may also conduct unannounced spot checks of these sites.

As part of our assurance program on factories audited against Li & Fung, industry and customer standards, Li & Fung and designated third-party audit firms conduct unannounced, risk-based spot checks on factories, with a particular focus on factories in countries where there are increased risk factors, such as a lack of transparency, or presence of vulnerable groups of workers. When a spot check focuses on forced labor, we use third parties to engage with both factory management and workers to ascertain the findings. In 2021, we conducted a total of 511 spot checks, including 428 at Tier 1 factories and 83 at Tier 2 and beyond Tier 2 factories.

PARTNERING FOR CHANGE | SPOTLIGHT ON: MEKONG CLUB

We participate in the [Mekong Club](#)'s regular Business Association working group meetings. These sessions bring together member companies spanning across industries including financial services, hospitality, retailing, and manufacturing with the shared goal of combatting modern slavery and improving industry-wide and cross-sector responses. We are regular participants in these sessions, where companies share best practice, discuss the challenges facing their operations and industry, and help to shape the Mekong Club's tool & technology development.

As a member of the Mekong Club's Manufacturing & Retail Working Group, we leverage its expertise and tools to improve our due diligence and risk assessment practices (including our audit and spot check program) and to educate key stakeholders on how to address the root causes of modern slavery.

Through these sessions, we have had the opportunity to collaborate with other brands in our industry on solutions such as Apprise Audit, as well as learn and share with our peers. We have also contributed to ad-hoc focus sessions run by the Mekong Club on several topics and discussed salient issues such as raw material risk, responsible recruitment, and technology-based solutions.



The Apprise Audit platform, which was developed by the Mekong Club and the United Nations University Institute in Macau (UNU) is an innovative platform that enables more workers to be engaged during an audit in a safe, effective and anonymous way. During a typical factory audit, the auditor has limited time to interview workers. There may also be confidentiality concerns from workers, or there may be language barriers between workers and auditors. This is even more challenging in the engagement of migrant workers, who are often more vulnerable to exploitation and coercion and are therefore at an increased risk of being trapped in forced labor. Apprise Audit is a mobile app specifically designed for

workers to help uncover hidden risks of forced labor in line with the ILO indicators⁹. It asks workers questions in their local language with both audio and subtitles to aid in accessibility. As a result of COVID-19, Apprise Audit was adapted so that the tool could be used without the presence of an auditor. Workers can now scan a QR code posted in the factory or be sent a link directly to their mobile phones. They are then able to answer the questionnaire on their phone, in their own language. This has allowed us to reach many more workers, enabling us to collect a far greater amount of valuable worker voice-driven data.

In 2021, Li & Fung used Apprise Audit to interview 10,567 workers, from 530 factories, across 12 key sourcing countries (Bangladesh, Cambodia, China, Guatemala, India, Indonesia, Malaysia, Taiwan, Thailand, Turkey, Philippines and Vietnam).

In 2021, Apprise Audit interviews helped us identify four factories with forced labor indicators.¹⁰ We are now actively working to scale it to even more workers and factories across our supply chain. A part of this scale will be reached through the diginexLumen platform, which has an integrated version of Apprise to better triangulate data on recruitment-related risk. More information on our partnership with Diginex and diginexLUMEN can be found in the [Partnering For Change: Spotlight on Responsible Recruitment](#) section of this report.

D. Grievance Mechanisms

In our own operations, we encourage our employees to report actual or potentially illegal or unethical behavior or material violation of our Code of Conduct, including human rights violations and modern slavery concerns, to appropriate senior management. Li & Fung employees can also report complaints or concerns anonymously to the Group Chief Compliance Officer. The Audit Committee of the Board ensures that proper whistleblowing arrangements are in place so that employees can report concerns in confidence and without fear of recrimination, for a fair and independent investigation and the appropriate follow-up action.

In our supply chain, we understand that grievance mechanisms are essential. They support the identification of concerns or complaints in the factory before they escalate, while ensuring proper procedures for dispute settlement, allowing workers to seek remedy should they have had their rights exploited at work. They are a critical component of ensuring factories achieve an appropriate working environment, while also supporting them to work towards long-term, sustainable improvements, as regular analysis of grievances can help identify shared complaints, with intervention leading to improved worker satisfaction.

In 2021, we worked towards building more efficient and effective grievance mechanisms in our supply chain through our industry partnerships. For example, Better Work Bangladesh (BWB) continue to provide training to workers and management of factory employees to build their capacity, strengthen existing grievance mechanisms and ensure that all local laws are followed in the process. In 2021 16 female Welfare Officers from eight Li & Fung factories participated in BWB's training programme that helps strengthen the capacity of welfare officers and equip them with useful skills that help create a culture of social dialogue and promote a harmonious and productive working environment in the factory.

Additionally, in 2021 Better Work Jordan (BWJ) conducted their training course on workplace communication, which includes a focus on grievance mechanisms. This training session aims to improve both the factory management and workers' understanding of dialogue-based problem-solving. It focuses on understanding the importance of communication in the workplace, assessing the communications systems at the factory level and ways of improvement. By attending this training course, participants develop more knowledge on grievance procedures in the workplace and receive tips for effective communication. Further, the sexual harassment prevention training, also run by BWJ, includes a focus on grievance mechanisms.

⁹ ILO indicators of forced labor: Abuse of vulnerability, Deception, Restriction of movement, Isolation, Physical and sexual violence, intimidation and threats, Retention of identity documents, Withholding of wages, Debt bondage, Abusive working and living conditions, Excessive overtime.

¹⁰ For more information on how Li & Fung responds to and remediates indicators of forced labor, see the Responding to Indicators of Modern Slavery section of this report.

Workers are provided information on how to prevent and address sexual harassment, as well as how to seek help via grievance mechanisms should they experience any form of sexual harassment.

We also continue to engage with industry initiatives that encourage workers to report on critical fire and safety risks, along with other grievances, through industry hotlines. In 2021, we received eight alerts via these channels that involved possible indicators of forced labor. Following in-depth investigations (carried out by Li & Fung or the industry initiative) and an assessment of the findings, five of the cases were confirmed as a violation of our Supplier Code, but none were positive cases of forced labor.¹¹ Four of the confirmed cases involved the delayed payment of severance-related benefits where workers had ceased working at the factory. In all four cases the factories participated in the investigations to understand why these payments had not been made, improved their systems to prevent recurrence and in all cases, workers promptly received their due payments. One case involved verbal harassment towards workers, by a factory manager. In this case, the factory worked with the industry initiative to improve their management systems and training on harassment, including a program aimed at factory management and supervisors, covering: Workplace Behavior Management; Improve Motivational Skills and; Conflict Management. A workplace safety surveillance team was also formed for each floor, to identify and share possible issues of harassment or other safety concerns, and an awareness-raising program was rolled out to encourage employees to raise grievances without fear of retaliation.

Further examples of Li & Fung’s response and remediation efforts regarding confirmed positive cases of modern slavery are described in the [Responding to Indicators of Forced Labour](#) section of this report.

PARTNERING FOR CHANGE | SPOTLIGHT ON: RESPONSIBLE RECRUITMENT

What is the risk:



The latest global estimates on modern slavery indicate that migrant workers represent almost a quarter of the 25 million victims of forced labor globally. The private sector, therefore – alongside governments and other stakeholders – has a vital role to play in safeguarding the rights and wellbeing of the estimated 164 million international migrant workers who move in order to find or secure work. An increase in overseas migrants attempting to obtain work abroad due to instability in their own countries brought about by the pandemic, climate change or conflict, leaves these workers incredibly vulnerable to abuse, increasing the risk of being trapped in debt bondage through unscrupulous recruitment agencies and employers; further substantiating the private sector’s ongoing responsibility to provide and promote responsible recruitment.¹²

As foreign migrant workers are highly vulnerable to incurring financial debt to secure their job abroad, they depend on regular and timely income during employment to avoid falling behind on repayments, or risk being trapped in debt bondage. Non-payment of wages due to production stoppage or lay-offs can have severe negative impacts on the livelihood of migrants and their families. The United Nations’ International Organization for Migration (IOM) currently advises global brands and buyers to reinforce their existing responsible recruitment and due diligence processes, ensuring supplier adherence and implementation.¹³ It is critically important that measures are in place to ensure the ethical recruitment of all workers, especially in times of crisis.

¹¹ Using the ILO ‘Hard to see, harder to count’ methodology for the identification of the victims of forced labour, using indicators of forced labor of adults.

¹² “Labor Migration in Asia: Impacts of the COVID-19 Crisis and the Post-Pandemic Future,” ADB Institute, OECD, ILO (April 2021) <https://www.adb.org/sites/default/files/publication/690751/adbi-book-labor-migration-asia-impacts-covid-19-crisis-post-pandemic-future.pdf>

¹³ “COVID-19: Guidance for employers and business to enhance migrant worker protection during the current health crisis” International Organization for Migration (IOM) (May 2020) https://iris.iom.int/sites/iris/files/documents/IOM-COVID19_Employer_Guidance_V2_Final%28English%29.pdf

How Li & Fung is working to promote fair recruitment, and mitigate the risk of migrant workers ending up in forced labor

Li & Fung, along with 132 other brands, retailers and suppliers, became a signatory to the AAFA and FLA Commitment to Responsible Recruitment in 2019.¹⁴

In 2020 Li & Fung developed and rolled out a Responsible Recruitment Policy, 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 reimbursed.
- **Due Diligence:** Prior to selection, suppliers shall undertake a formal screening of labor recruiters to assess commitment and capacity to meet the requirements set forth in the policy.

84% of Li & Fung's business partners have agreed to implement the Responsible Recruitment Policy

Throughout 2021, we intensified our efforts to identify recruitment violations, by conducting targeted checks on recruitment practices in countries with a high majority of foreign migrant workers, such as Taiwan. Through this process, we identified four facilities that were in violation of our Responsible Recruitment Policy, two of which involved foreign migrant workers paying recruitment-related fees. In both cases, Li & Fung worked closely with the facilities to implement a reimbursement plan for the fees that workers had paid. The employers also committed to absorbing all recruitment related fees for foreign migrant workers moving forward and the management at both facilities attended Migrant Workers Management Training, delivered by Li & Fung.

Toward the end of 2021, Li & Fung partnered with [Diginex](#) to deploy diginexLUMEN, to ensure business partners are complying with the Responsible Recruitment Policy and to identify gaps in the application of responsible recruitment, in practice. diginexLUMEN is an innovative platform that helps suppliers and recruiters undertake cascading due diligence while providing a bird's eye view of forced labor risk throughout the supply chain. Li & Fung will be using the platform in 2022 to assess recruitment practices along our supply chain, starting in Taiwan and Thailand. The platform, which allows for easy collection, analysis and verification of data on recruitment practices, combines several innovative features, enabling us to undertake scalable due diligence related to the recruitment and employment of vulnerable groups of workers. The platform includes assessments for suppliers, recruiters and labor providers (based on ILO Standards) and a worker voice tool (Apprise), which will enable us to have a fuller understanding of the worker's perspective. The platform uses cascading invitations to identify connections and map the supply chain, which will help us connect efficiently with traditionally "hidden" actors, including recruitment and labor providers.

The data retrieved from suppliers, recruiters and workers will be triangulated to provide a better understanding of red flags and inconsistencies with our policies, helping us prioritize in-person assessments and other interventions, such as training. The platform will also allow us to better understand the labor components of our supply chain, and support us with identifying key risk areas, hotspots or 'choke points' so that we can prioritize targeted interventions where potential risk is identified, or remediation should we identify actual violations of our Responsible Recruitment policy. The platform will also help us to measure and report on progress, ensuring continuous improvement towards responsible recruitment practices across our supply chain.

¹⁴ AAFA and FLA Apparel & Footwear Industry Commitment to Responsible Recruitment
https://www.aafaglobal.org/AAFA/Solutions_Pages/Commitment_to_Responsible_Recruitment

E. Remediation

Li & Fung has a remediation program to continuously improve performance in our supply chain. When non-compliance with our Supplier Code is identified through audits, incident reports or spot checks, the non-compliance is recorded into a standardized monitoring system and discussed with the factory. The factory then develops a corrective action plan with a root cause analysis and a focus on remediating harm done and prevention to avoid future reoccurrence. When critical or zero-tolerance issues are identified, the factory is required to remediate violations with progress monitored by Li & Fung or one of our partners (such as Better Work).

As modern slavery is both complex and serious, such cases are generally handled by a specialist third-party that discusses the case with the factory, provides capacity building and victim assistance, and helps monitor the factory improvement process. If the violations have not been systematically remediated, business is discontinued after agreeing on a responsible exit plan. We have developed remediation guidance on modern slavery in line with the UN Guiding Principles on Business and Human Rights, as well as the Mekong Club Remediation Toolkit.

Remediation guidance includes:

- Information on immediate corrective action to be taken in cases of non-compliance, including providing assistance to the affected persons (the rights' holder) and paying back any outstanding wages or fees (where relevant)
- Preventative action, including the use of third-party experts to assist the factory in changing its management systems or policies that may have contributed to the violation
- Business consequences (as needed) related to both the non-compliance and any failure to remediate

In practice, remediating cases of forced labor is challenging given the severity of the issue, the time needed for sustainable improvement, and the need to balance consequences for zero-tolerance findings (termination) with remediation needs (which may require factory support). Remediation may also be unsuccessful where there is insufficient leverage or in cases where the affected person(s) refuse remediation support. In such cases, we do engage our customers and industry partnerships to place additional pressure on the supplier and to generate the best possible outcome for the impacted worker(s).

We acknowledge that in mitigating the ongoing consequences of the coronavirus pandemic, we must continue to explore ways on how to effectively use new technology and digitalization to continue remediation efforts despite restrictions on travel and social interaction.

PARTNERING FOR CHANGE | SPOTLIGHT ON: CHILD LABOR

Advocating for the rights of the child and ending child labor, including child forced labor, is of critical importance to Li & Fung, which is why we are working with [The Center for Child Rights and Business \(The Centre\)](#) to embed child rights throughout our business and to prevent and remediate child labor in the supply chain. As a member of The Centre's Child Rights in Business Working Group, we work with other members to discuss and identify common challenges, share resources, and implement best practices regarding children, young persons and working migrant parents in the industry. For non-compliances that involve underage workers, we work in close partnership with The Centre to develop responsible remediation plans that are in the best long-term interests of the child and which consider 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. Training increases factories' awareness of, and ability to prevent child labor from occurring. Through this multi-layered approach, we support sustainable management practices to prevent underage recruitment.

F. Responding to Indicators of Forced Labor

In 2021, there were 10 confirmed cases in our supply chain that involved at least one indicator¹⁵ of forced labor, identified either through industry initiatives, incidents, grievance channels, audits, spot checks or Apprise Audit interviews. The indicators included recruitment related debt, violence in the workplace, excessive overtime, restriction of movement and withholding of wages. When assessing these 10 cases in line with the ILO's 'Hard to see, harder to count' guidelines to estimate forced labor of adults¹⁶ two cases were deemed to be positive cases of forced labor. Below we have provided further information on how we responded to these two cases in 2021.

Example Case: 1



In an unannounced spot check involving a Taiwan-based supplier, Li & Fung identified two strong and one medium indicators of forced labor. All three indicators related to restrictive provisions in the workers' contracts. While worker interviews suggested these provisions were never implemented, their presence may still have influenced workers' understanding of their ability to freely leave their place of employment.

To remediate the issues, Li & Fung worked with the company to update its policies and practices, including adopting a Zero Recruitment Fees Policy and updating employment contracts to remove the restrictive provisions. Further, the factory management was provided training in Migrant Workers Management and the worker orientation training materials were updated. The factory has also joined the dignexLUMEN Human Rights Due Diligence program, where policies, practices and improvements around responsible recruitment will be monitored.

Example Case: 2



In an unannounced spot check of a China-based supplier, Li & Fung identified one strong and one medium indicator of forced labor. Firstly, it was noted that some of the agency workers at the site worked overtime in excess of legal limits. Secondly, it was found that four workers had had their wages docked as a form of punishment.

Because of the potential severity of the case, a third party was assigned to work with the supplier to complete remediation. On investigation, it was identified that the excessive working hours were being dictated through the service agreement held between the factory and the labor provider. The supplier updated its service agreement with the labor provider, to ensure that working hours were within legal limits. Further, the supplier discontinued the practice of docking wages as a penalty and updated its written policy to remove this practice and made an announcement to all workers in the factory, that this practice was no longer in place. The factory also conducted an investigation to identify whether any additional workers had been subject to wage deductions in this manner. In total, 17 workers were identified, and all were reimbursed for the deductions that had been made. The factory also took part in training to better understand the risks and indicators of forced labor.

¹⁵ ILO indicators of forced labor: Abuse of vulnerability, Deception, Restriction of movement, Isolation, Physical and sexual violence, intimidation and threats, Retention of identity documents, Withholding of wages, Debt bondage, Abusive working and living conditions, Excessive overtime.

¹⁶ 'Hard to see, harder to count : survey guidelines to estimate forced labour of adults and children', International Labour Organization (ILO), 2012.

We continue to document our best practices from these examples and share them with our partners in the industry, so we can collectively improve how we engage with suppliers and impacted workers, when indicators of forced labor are identified.

PARTNERING FOR CHANGE | SPOTLIGHT ON: JORDAN

We support [Better Work Jordan \(BWJ\)](#)'s efforts to increase compliance with the ILO's General Principles and Operational Guidelines for Fair Recruitment in the Jordanian apparel industry.

According to the latest BWJ annual report, non-compliance for recruitment fees dropped significantly from the previous year.

There are three potential reasons for the improved performance from the previous years:

1. Fewer workers were recruited due to travel restrictions, especially workers from India who typically pay the highest fees
2. Many factories reimbursed workers for fees (and were therefore cited as compliant)
3. Factories and the Jordanian Garment, Accessories & Textiles Exporters' Association (J-GATE) put pressure on recruitment agencies to end this practice.

In 2021, eleven factories were cited as non-compliant for having workers who paid recruitment fees, one of which was a facility that Li & Fung has worked with in the past. Although we have not had any orders with the facility since 2020, we closely followed up to ensure the facility completed its corrective action plan. This included updating its recruitment procedure to better investigate if any workers are paying fees so that these can be fully reimbursed by the facility. BWJ has subsequently conducted a new assessment which confirmed the issue has been resolved and no new cases of fee-paying were found, with the facility providing evidence that they are now covering the recruitment fees for all workers.

Of note, J-GATE took a forceful stance against pregnancy tests and recruitment fees in 2021 and played an important role in several policy areas. Li & Fung has continued to support Better Work on moving Jordan's apparel industry toward the complete implementation of a no-fee charging standard.

Section 4: Training and capacity building

A. Li & Fung Training on Modern Slavery

1. Modern Slavery e-Learning for Colleagues



In 2019 Li & Fung developed an e-learning training to educate colleagues and factory managers on modern slavery. The e-learning runs through key concepts of modern slavery, risk indicators, best practices and prevention and remediation. It is available in English, Chinese and Bengali. Between 2019-21 it has been rolled out to apparel and footwear sourcing teams and LF Logistics colleagues. In 2021, approximately 8,200 employees (82% of colleagues from LF Logistics) completed the e-learning. As we identified a challenge with having some logistic colleagues complete the e-learning (as they do not have access to a computer or do not speak the available languages) the training was course adapted to be delivered to groups of employees, with both Thai and Vietnamese languages added. We are continuing efforts to cover all new hires to ensure that all relevant colleagues can complete the training. In 2022, the team will maintain the use of both the e-learning and adapted version of the training, as an effective method for educating colleagues on the risks of modern slavery, including forced labor.

2. Training Sessions on Modern Slavery for Suppliers

In 2021, we hosted 19 three-hour training sessions on modern slavery, which included in-person and online sessions for our suppliers across 10 sourcing countries: Bangladesh, Cambodia, China, Guatemala, India, Malaysia, the Philippines, Taiwan, Thailand, Turkey and Vietnam. The training was delivered to 494 factories, with 1,357 participants and covered key areas on how suppliers can prevent modern slavery including: Recruitment, Wages, Working Hours, Freedom of Movement Harassment, Abuse and Threats, Grievance Handling, and Remediation.

In total in 2021, over 900 factories and 2,557 participants took part in virtual, or in-person training sessions delivered by Li & Fung, that included a focus on modern slavery, forced labor, responsible recruitment, or child labor.

Section 5: Effectiveness, measured against appropriate KPIs

A. Progress against 2021's Modern Slavery Strategy Key Performance Indicators (KPIs)

Li & Fung set 2021 KPI goals covering policy, risk assessment, due diligence, remediation and training (see table below for details). Despite the global economic and social upheaval, our team mobilized resources, and staff, and drew on our existing partnerships to achieve the 2021 KPI goals, as below.

2019-2021 KPI Progress Table					
Goal	Indicator	2019 KPIs (Achieved)	2020 KPIs (Achieved)	2021 Target	2021 Achieved
Policy: Enhanced Governance on Responsible Recruitment	# of corporate policies on responsible recruitment	Update Supplier Code of Conduct with strengthened provisions on responsible recruitment and modern slavery	Company-wide adoption of the Responsible Recruitment Policy launched in November 2020, 72% of suppliers have signed	100% of Responsible Recruitment Policy violations are identified and subsequently remediated.	5 Responsible Recruitment Policy violations were identified and 100% were subsequently remediated.
		Responsible Recruitment Policy drafted based on consultations with key stakeholders	67% of suppliers signed the Supplier Code of Conduct	100% signature of both Supplier Code of Conduct and Responsible Recruitment policy across Li & Fung's Factories and Suppliers	100% Supplier Code and 84% ¹⁷ Responsible Recruitment Policy
Risk Assessment: Improved risk assessment using more and better data and new technology	Quality of risk assessment	No 2019 KPIs	Improved quality of the annual risk assessment by using industry risk tools and guidance ¹⁸ .	Increase the percentage of spot checks undertaken using risk assessment technology	100% of spot checks (511 - 428 Tier 1 factories and 83 lower Tier factories) were done using risk assessment technology ¹⁹ .
Due Diligence: Proactive monitoring and use of new technology	# of countries / regions with proactive measures taken to identify modern slavery	Six countries: Bangladesh, India, Malaysia, Thailand, Turkey, Vietnam	Six countries including monitoring across lower tiers.	Six countries including monitoring across lower tiers (focus on Asia)	12 countries were included: Bangladesh, Cambodia, China, Guatemala, India, Indonesia, Malaysia, Philippines, Taiwan, Thailand, Turkey, Vietnam

¹⁷ As failure to sign the Responsible Recruitment policy does not currently prohibit order placement, some suppliers have not completed this process

¹⁸ Risk assessment will analyze the impacts of COVID-19 on modern slavery.

¹⁹ EiQ was utilized to evaluate the risk, factory historical compliance performance and business leverage were taken into consideration when selecting factories for spot check

	# of facilities audited and countries covered using Apprise Audit	22 facilities in four countries: Bangladesh, Malaysia, Thailand and Vietnam	131 facilities in nine countries: Cambodia, Malaysia, Indonesia, India, China, Bangladesh, Thailand, Vietnam, and Taiwan	200 factories using Apprise Audit across the global supply chain	530 factories using Apprise Audit across the global supply chain
	% Li & Fung colleagues trained on the modern slavery e-learning	100% completion rate for Li & Fung sourcing staff	100% completion rate for Li & Fung Logistics staff – 66% achieved ²⁰	100% completion rate for Li & Fung Logistics staff	82% completion rate for Li & Fung Logistics staff ²¹
Training: Colleagues and suppliers trained on modern slavery	% of core factories trained on the modern slavery e-learning	100% completion rate for core factories in Malaysia and 54% in Taiwan.	100% completion rate for core factories in Taiwan, Vietnam, Cambodia, Indonesia, South Korea, Malaysia, Philippines, and Thailand E-learning launched in 100% of factories in China and Bangladesh	100% completion rate for all new factories in Li & Fung's supply chain	Virtual training was conducted in Li & Fung's new factories. Due to COVID disruption, 57% of factories joined the training and the training material was shared with the ones who were not able to participate.

²⁰ The discrepancy was due to COVID-19 restrictions hindering the digital training rollout for our sourcing colleagues

²¹ In an ongoing effort to cover new hires and to ensure all colleagues can complete the training, we launched an updated virtual Modern Slavery training in October 2021, that covers additional languages.

B. Looking ahead: Li & Fung's Strategy on Modern Slavery & Responsible Recruitment

Li & Fung's 2022 Strategy on Modern Slavery & Responsible Recruitment centers around three priorities to address gaps in existing systems and processes that can be improved to embed respect for human rights into company management systems and an enterprise risk management approach.

Strategic Priorities	
1	Enhanced and data-driven due diligence and human rights assessments with the use of new technology
2	Collaborating the industry initiatives for Sustainable Change
3	Continuous improvement through Supplier Education and Worker Engagement

Strategy Focus Area 1: Responsible Recruitment

Part A: Enhanced Governance

Guidance on implementation of the UN Guiding Principles on Business and Human Rights (UNGPs) dictate that in order for companies to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- A policy commitment to meet their responsibility to respect human rights;
- A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.

The first step of the strategy is therefore to ensure our policy commitments related to modern slavery and responsible recruitment are adequately embedded into our management systems and are regularly reviewed. This means ensuring 100% of our 5,635 suppliers sign the Responsible Recruitment Policy and latest Supplier Code of Conduct and have the knowledge and means to implement its provisions.

2022 Target

100% active Li & Fung Suppliers sign the Responsible Recruitment Policy, Combatting Forced Labor Policy and Supplier Code of Conduct

Part B: Strengthen recruitment due diligence

In accordance with our commitment to responsible recruitment, we are providing tools such as diginexLUMEN and training to our suppliers to enable them to better undertake robust recruitment due diligence. The platform will first be rolled out with 20 factories and 30 Agencies in two countries that were identified as having a higher risk of recruitment-related risks. After the initial rollout, we will review the data and undertake an analysis to identify higher-risk suppliers and agencies and provide mitigation measures or remediation as needed.

2022 Target

Carry out recruitment due diligence with 20 suppliers and 30 recruitment actors in 2 high-risk countries

Focus Area 2: Worker-Led Due Diligence

Due diligence processes call on businesses to identify where the greatest human rights risks are present. Therefore, Li & Fung aim to leverage scalable technology tools to enable worker-led due diligence to better detect the risk of modern slavery, through direct engagement with at-risk rights holders. Worker voice tools provide invaluable insights into the working conditions and labor practices at factories that social audits, by their nature, are unable to capture.

2022 Target	Apprise Audit utilized in 200 factories
	Develop a specialized recruitment survey to better identify recruitment-related risks

Focus Area 3. Monitoring & Mitigating Modern Slavery Risks

Part A: Specialized 3rd Party Assessments

The company will also undertake unannounced spot-checks by qualified 3rd parties in high-risk countries to better identify both recruitment-related and other modern slavery risks in both Tier 1 facilities and high risk lower tier facilities. In 2019-2021, Li & Fung undertook unannounced assessments in factories around the globe. In high-risk countries for migrant labor, such as Taiwan, assessments focused heavily on migrant worker interviews, which were conducted in a confidential setting in the migrant workers' own language. These interviews yielded significant insights into recruitment-related issues, which did not show up in regular audits. As part of the 2022 Strategy, Li & Fung will work with companies that have expertise on the identification of forced labor risk to undertake unannounced assessments in high-risk countries, including worker interviews.

2022 Target	30 specialized 3 rd party spot-checks in 5 countries (including in lower tiers)
--------------------	--

Part B: Suppliers and employees are educated on how to prevent and mitigate modern slavery issues

Li & Fung have developed an e-learning training to educate colleagues and suppliers on modern slavery. The e-learning runs through key concepts of modern slavery, risk indicators, best practices and prevention and remediation. The e-learning is currently available in English, Chinese, and Bengali. In 2022, the team will continue to make use of this e-learning, along with conducting in-person and virtual training sessions on modern slavery, forced labor and responsible recruitment. Li & Fung will also continue to collaborate with industry initiatives, including participation in The Mekong Club's Apparel Working Group and being a signatory to the American Apparel and Footwear Association (AAFA) and the Fair Labor Association's Apparel and Footwear Industry Commitment to Responsible Recruitment.

2022 Target	100% completion rate for all core factories in 4 countries
--------------------	--

C. Li & Fung's 2022 Modern Slavery Strategy Key Performance Indicators (KPIs)

Immediate Objective	Activity	Indicator	2022
1. Enhance governance of modern slavery issues	1.1 Development, roll out and strengthening of the Responsible Recruitment Policy	KPI 1: # of suppliers accepted RR policy	KPI 1: 100% acceptance
	1.2 Updated Li & Fung Supplier Code of Conduct with strengthened provisions and requirements on responsible recruitment and modern slavery	KPI 1: # of suppliers accepted Supplier Code	KPI 1: 100% acceptance
	1.3 Development and roll out of the Combatting Forced Labor Policy	KPI 1: # of suppliers accepted Supplier Code	KPI 1: 100% acceptance
2. Strengthen risk assessment and due diligence in the supply chain around modern slavery issues	2.1 Increase the quality and scope of: - risk assessment and - data collection using new technology focusing on the strengthened voice of outsourced and migrant workers	KPI 1: # of countries covered by programs to monitor responsible recruitment	KPI 1: 2 Countries
		KPI 2: # of factories and agencies monitored	KPI 2: 20 factories 30 Agencies
	2.2 Strengthened Voices of migrant workers	KPI 1: # of high-risk facilities in high-risk countries covered by Apprise	KPI 1: 200 facilities
		KPI 2: Quality of data collected	KPI 2: Development of recruitment survey for Apprise
	2.3. Undertake unannounced spot-checks by qualified 3 rd parties in high-risk countries	KPI 1: # of 3 rd party spot check per high-risk countries covered	KPI 1: 30 spot check, in 5 countries (including lower tiers)
3. Suppliers are educated on how to prevent and mitigate modern slavery issues	3.1 Roll out modern slavery virtual training for all core suppliers in high-risk countries/regions	KPI 1: % of factory completion rate per participated countries	KPI 1: 100% completion rate for all core factories in 4 countries