



# ESG 2023 REPORT

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# 1

## About this Report

Li & Fung Limited (“Li & Fung”, “the Company”, “we”, “our”, “us”) is pleased to present our annual Environmental, Social and Governance (“ESG”) Report for 2023. This Report gives an annual update of our ESG performance for the 2023 calendar year and is available on the Li & Fung website. 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 2023.

### BOUNDARY AND SCOPE

The ESG Report illustrates Li & Fung’s overall performance in environmental and social dimensions and covers all principal operations and subsidiaries. The Report covers the period from 1 January 2023 to 31 December 2023. It covers 60 entities<sup>1</sup> of the Company’s trading and distribution businesses in 41 offices across the world, including wholly owned subsidiaries.

There is no significant change in the boundary and scope of this Report from that of the Li & Fung 2022 ESG Report.

### REPORTING PRINCIPLE

This Report aims to provide a balanced representation of Li & Fung’s ESG performance under our ESG strategy. In particular, the selected content aims to reflect the impact of relevant ESG topics on Li & Fung as well as Li & Fung’s involvement in addressing these impacts.

The content of this Report is determined through a systematic materiality assessment process, which includes identifying ESG-related topics, assessing their materiality and relevance as well as topic boundaries, preparing the information reported and reviewing and addressing stakeholder feedback on Li & Fung’s ESG reporting. This Report covers key issues that are related to different stakeholders.

To ensure a comprehensive understanding of Li & Fung’s ESG performance over time, a summary of Li & Fung’s 2023 CSR performance relative to various quantitative KPIs, with comparison to 2021 and 2022, is disclosed in the Performance Summary section. Information about the standards, methodologies, assumptions and/or calculation references, and source of key conversion factors used for these KPIs are stated wherever appropriate. As far as reasonably practicable, consistent methodologies are adopted when calculating these KPIs, and any changes that could affect a meaningful comparison will be stated.

### REPORTING FRAMEWORK

This Report references selected disclosures, or parts of their content, from the GRI Sustainability Reporting Standards. For climate-related disclosure, we adopted the disclosure recommendations developed by the TCFD.

### ENDORSEMENT AND APPROVAL

This Report was endorsed by the ESG Committee and approved by the Group CEO in June 2024, following the confirmation review by the Board of Directors.

### CONTACT AND FEEDBACK

Your feedback is valuable to our continuous improvement, and we welcome any comments and suggestions you may have on this Report or our ESG reporting in general. Please share any comments or suggestions regarding the Li & Fung’s performance to [media@lifung.com](mailto:media@lifung.com) (corporate communication team).

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



# 2

## Message from our CEO



Dear Stakeholders,

As we continue to drive forward our aspiration “to deliver value in global supply chains by living our values around people, partners and planet,” we are pleased to share our progress on a broad range of ESG initiatives this year.

Sustainability remains at the heart of our endeavors, and we are grateful to collaborate with partners to create a positive impact on our people, communities where we live and work, and all those we touch along our supply chain. As we benchmarked our progress against our goals set in 2022, we are proud of our several notable recognitions and achievements this year.

- We received an A- score in the CDP Supplier Engagement Rating report, and a B score in their Climate Change Disclosure by the Carbon Disclosure Project (CDP). These scores are a testament of our efforts in working with our partners to minimize our environmental footprint and build a more sustainable supply chain.
- Our Miles-Promocan business in Europe received a Gold Medal rating from Ecovadis.
- We ranked second among other leading companies benchmarked by The Centre for Child Rights and Business for our child labor remediation and implementation.
- Our India office was certified as a “Great Place to Work.”

Looking ahead, we strive to further improve supply chain transparency, leveraging our global presence to navigate the complexities of an ever-changing ESG landscape. While there is still much work to be done, I am confident in our ability to build on this momentum to propel our ESG initiatives to new heights. We thank our colleagues, customers, suppliers and partners for their continued support on our journey to create a better future for all.

Sincerely,

*Joseph Phi*

Group CEO  
Li & Fung Limited



# 3

## 2023 Performance at a Glance

### PLANET

Validated SBTs



GHG emissions  
**38%** reduction, compared to  
2021 (own operations)



Energy  
consumption:  
**32%** reduction, compared to 2021



Water  
**33%** reduction  
compared to 2022  
(own operations)



Higg FEM

Higg score **35%** increase compared  
to 2018 (strategic suppliers)  
**16%** above industry median

### GOVERNANCE

Business ethics &  
anti-corruption  
training

**3,905 hours** of  
training



Received over  
responses directly from  
workers on workplace  
treatment

**29,000**

**367** Supplier training sessions  
**10,359** Factory  
representatives participate

### ETHICAL SUPPLY CHAIN

**100%**

suppliers agreed with Li & Fung  
Supplier Code of Conduct



### SOCIAL IMPACT CREATION



Employee training programs

**24,343 hours**

Average training hours per employee: **6.3**

Gender parity in senior management

**46%** Female vs **54%** Male

## 4

External  
Recognitions

**Rated A-** on 2023 Supplier Engagement Rating (SER) of the Carbon Disclosure Project (CDP), better than Global Average of C, Sector Average of C



**Rated B** on 2023 Climate Change Report by the Climate Change Disclosure Project (CDP), better than Global average of C, Asia average of C, and Specialized Professional Service Sector of C



Founding member of the SAC, representation on the Higg FEM Strategic Council, and on the Public Affairs Strategic Council



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



Member of the OECD garment and footwear advisory group



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



**Ranked 2<sup>nd</sup>** among leading companies benchmarked **for child labor remediation and implementation in 2023**



**Ranked #5 in Apparel & Footwear sector on Global Child Rights Benchmarking**, which is higher than the sector (4.9), region (4.4) and average all companies (4.9) for children's rights protection and its positive impact on children's lives



LF India has been certified a **'Great Place to Work'**

## About Li & Fung

Li & Fung specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide.

The company has a rich history and heritage in export trading and global supply chain management that dates back to 1906.

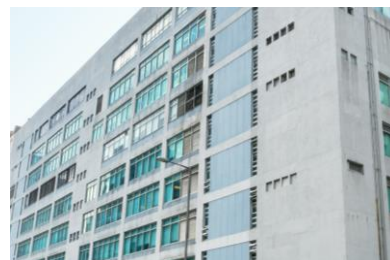
 LI & FUNG



# 5

## About Li & Fung

Li & Fung specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. Formerly a publicly traded company, Li & Fung was privatized in May 2020. It is a member of the Fung Group of Companies. Our trading business consists of Supply Chain Solutions and Onshore Wholesale businesses in the Americas, Europe, and Asia. We provide end-to-end supply chain solutions, from product design and raw material procurement to production and quality control.



### OUR BUSINESS

Dating back to 1906, Li & Fung has a long history and heritage in export trading and global supply chain management. Since then, the Company has grown into the world's foremost manufacturing and trading enterprise with a global reach, earning an exceptional reputation for reliable and efficient supply chain management.

Over 117 years, despite major changes and disruptions, innovation and creativity continue to drive our business. Connecting bright minds and crowdsourcing ideas, using design thinking, collaborative workspaces and rapid prototyping are just some of the ways we innovate at Li & Fung every day.

#### OUR VISION

**“To create the supply chain of the future to help our customers navigate the digital economy”.**



#### OUR PURPOSE

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

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.

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.

Li & Fung now operates one of the most extensive global supply chain networks in the world. With nearly 4,000 people in offices across 40 different markets, we use our extensive global reach, depth of experience, market knowledge, and technology to help brands and retailers respond quickly to evolving consumer and production trends. We design, source and deliver a diverse range of products including apparel, footwear, accessories, and household products for global brands and retailers. In 2023, we sourced goods from 4,380 Tier 1 factories in 30 production markets, with 783 factories contributing 80% of the value of goods shipped to our customers. These 783 factories represent 18% of our total active factories.



## PRODUCTION COUNTRIES

30



## FACTORIES

4,380



## EMPLOYEES WORLDWIDE

(as of Jan 2023)

3,892



## FEMALE

58%



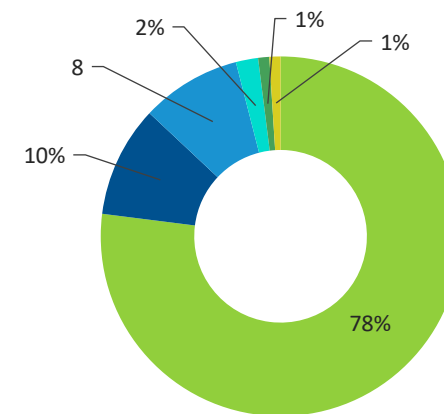
## MALE

42%



## OUR SUPPLY CHAIN

In 2023, we sourced goods from 4,380 Tier 1 factories in 30 production markets, with 783 factories contributing 80% of the value of goods shipped to our customers. These 783 factories represent 18% of our total active factories.



Greater China	3,407	78%
Indian Subcontinent	454	10%
Greater ASEAN	370	8%
Europe & Turkey	101	2%
LATAM	23	1%
Rest of the world	25	1%

# ESG



## Our Approach to ESG

As an active and responsible business leader in the supply chain solutions industry, Li & Fung is committed to adopting best ESG practices and promoting the global sustainability agenda to create positive values for our customers, society and planet.



# 6

## Our Approach to ESG

### 6.1 GOVERNANCE

Governance is the foundation of our sustainable business operations. At Li & Fung, we endeavor 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.

#### 6.1.1 CORPORATE GOVERNANCE

Our Board of Directors comprises 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
- Approve major acquisitions and disposals
- Oversee risk management and internal control system
- Oversee significant operational, financial, corporate governance, ESG matters

## BOARD COMMITTEES

### Audit Committee

- Oversight of financial performance, internal controls
- Review external and internal auditor reports
- 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

# 6

## Our Approach to ESG

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 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 investigations of alleged fraud and misconducts, assistance in upholding ethics and anti-corruption, corporate governance advisory and a review of PwC's independence for compliance with Li & Fung's Policy on Provision of Non-Audit Services by the External Auditors. Any major observations of control weaknesses in financial, operational and compliance operations and recommendations are escalated by CGD to the 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
Mr. Spencer Fung	Executive	Yes*	Yes*	Yes*	Yes
Mr. Joseph Phi	Executive	Yes	Yes	Yes	Yes
Mr. Ed Lam	Executive	Yes	Yes	No	No
Mr. Ming Mei	Non-executive	Yes	Yes	Yes	Yes*
Mr. Michihiro Higashi	Non-executive	Yes	Yes	No	No

\* Being Chairman of the Board or the corresponding committee

**BOARD MEETINGS AVERAGE  
ATTENDANCE RATE 87%**



In 2023, the board and board committee members' average attendance rate was 87%

### 6.1.2 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 to the Board and management for attention and action.



The Risk Management & Sustainability Committee (RMSC) under the Board oversees corporate ESG strategies, direction, policies, framework, company KPI, funding proposals and the ESG report. Chaired by the Group Chairman, the committee comprises members of the Board and its meetings are also attended by representatives from key divisions.

Under the RMSC, we have an ESG committee which consists of senior business management and key function heads from the Corporate Sustainability, Vendor Compliance, Human Resources, Corporate Governance and IT teams. The Committee members are well equipped to work closely with our businesses to strategically embed our sustainability initiatives into all that we do. Endorsed by an ESG Committee Charter, the committee is also responsible for instigating directions, supervising the execution of the ESG strategy, developing ESG related actions, and monitoring performance and progress.

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

To further improve 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 programs to incentivize and assess performance with respect to specific ESG and sustainability initiatives.



Below delineates the key responsibilities of our 3 levels of ESG governance structure:

## RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

(board level)

- Oversee the Company's initiatives and activities to support the Company's ESG and sustainability
- Review the adequacy of and the compliance with the Company's ESG and sustainability policies and framework
- Review the Company's key performance indicators and actions taken on ESG and sustainability
- Update the external developments on ESG and sustainability requirements that have impact on the Company
- Review and approve proposals of funding or partnership with community or charity organizations
- Review and approve the ESG Report for public disclosure

## ESG COMMITTEE

(management steering the ESG strategy)

The ESG Committee is composed of members from senior business leaders and heads of functions including Sustainability, Vendor Compliance, Human Resources, Information Technology and Corporate Governance. Our ESG Charter delineates the following key responsibilities:

- Provide direction on and review the Company's ESG vision, objectives, and strategy
- Monitor and review emerging ESG trends and issues, provide guidance on development of the Company's ESG vision
- Determine the relevance of ESG trends to the Company's business strategy and business model
- Develop and implement ESG initiatives including policies, internal controls, procedures, and reporting
- Establish measurable objectives and targets against the Company's ESG strategy
- Review management information in support of the ESG initiatives, monitor internal and external feedback
- Monitor departmental performance against set ESG targets and recommend improvement actions

## ESG WORKING GROUP

(management executing the ESG strategy)

The Working Group are selected from business, operations and supporting functions. Key duties include:

- Execute the ESG strategies as developed by ESG Committee
- Provide environmental, social, supply chain, human resources, governance information and data relating to ESG
- Share best practices with ESG Committee
- Highlight any critical incidents and risks, propose solutions to ESG Committee for reporting to RMSC

## 6.2 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 people 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 (CGD), 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.

Below illustrates the key roles and responsibilities of risk management and control at board, management and CGD.



Our policies and KOGs are tailored to the needs of 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 IT and HR. Refer to section 7.3 for Data Protection.



**Accountability, Independence  
and Transparency**



**Board Composition and Function**



**Ethics and Anti-corruption**



**Risk Management and  
Internal Control**



#### Greenhouse Gas and Energy

- Reduce CO<sub>2</sub>e emissions and increase energy efficiency
- Accelerate the use of renewable energies



#### Water and Chemicals

- Reduce fresh water intake
- Improve the quality of wastewaters



#### Raw Materials and Products

- Improve the environmental and social performance of raw materials
- Enhance circularity of products



#### Harassment, Child labor, Modern slavery

- Zero cases of modern slavery
- Elimination of child labor
- No worker pays to get a job



#### Inclusion & Diversity

- Zero cases of gender-based violence
- No workplace harassment and discrimination
- Equal opportunities



#### Health and Wellbeing

- Zero fatalities or major injuries
- Promotion of healthy lifestyle choices

### 6.3 ESG STRATEGY

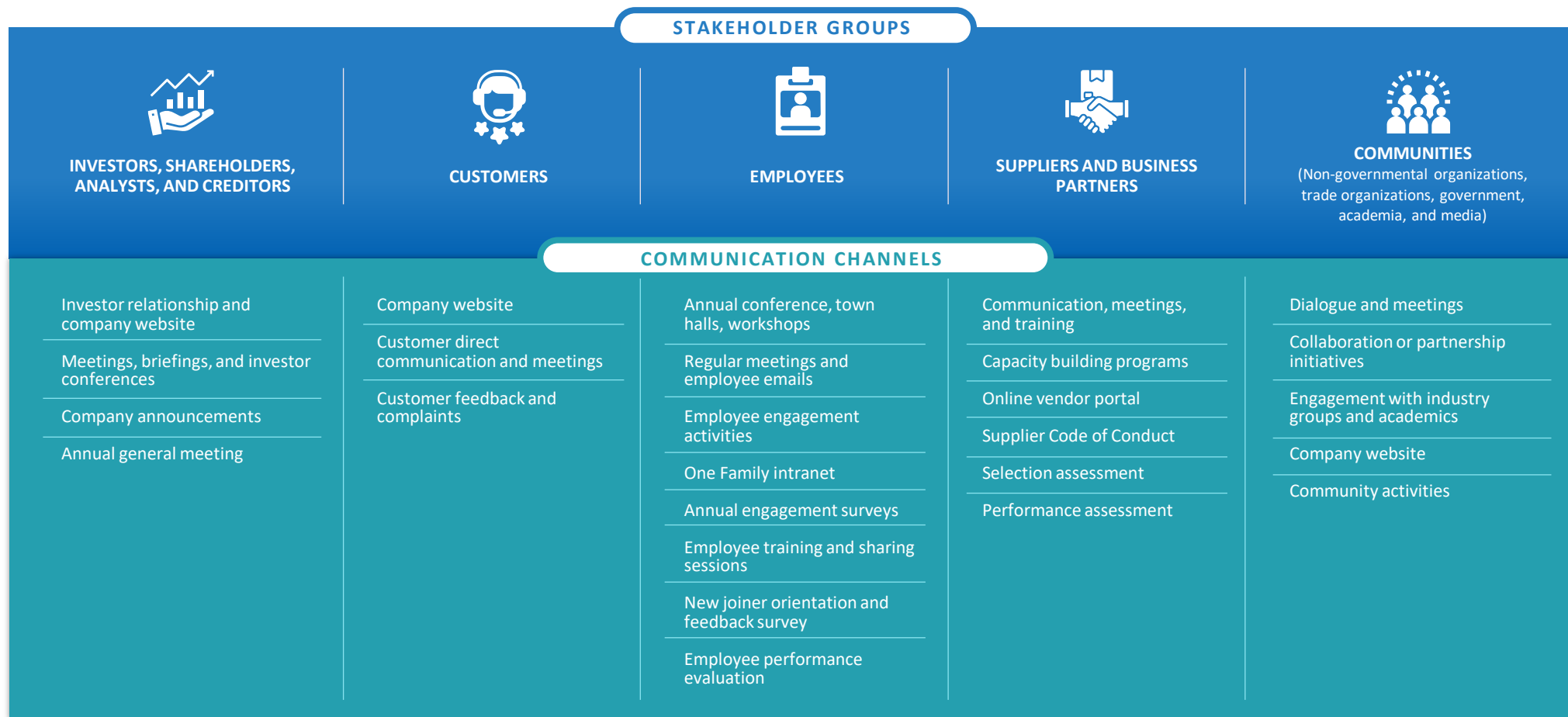
We believe it is our responsibility, through innovation, investments and active leadership, to build a successful, sustainable future, not just for our business, but for the communities we serve, live and operate in. Our business vision in ESG – “to deliver value in global supply chains by living our values around people, partners, and planet”, focuses on our responsibility to society, the environment and safeguarding future value creation, while taking all the steps necessary to create positive impact. To address our determination of the sustainable future, our ESG strategy is aligned with the United Nations' Sustainable Development Goals (UN SDGs) with the three key pillars of environment, society, and governance. Our key priorities and commitments are included in the diagram.



## 6.4 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.



## 6.5 MATERIALITY ASSESSMENT

Our commitment to Environmental, Social, and Governance (ESG) reporting is underpinned by a robust materiality assessment process. Since initiating this process in 2021, we have continuously refined our approach to ensure our sustainability disclosure aligns with operational realities and stakeholder expectations.

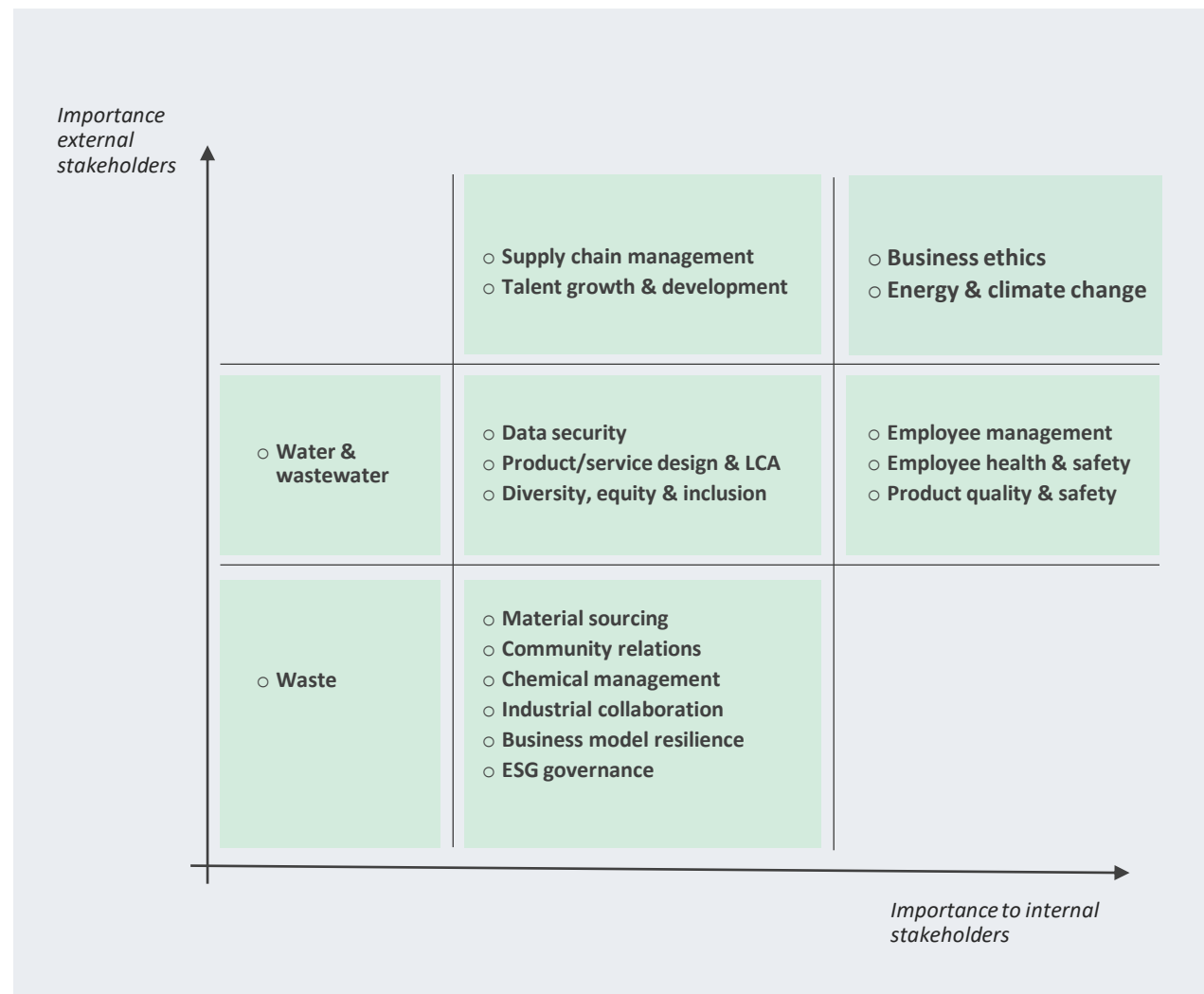
In 2022, we identified 19 key material topics by engaging with a diverse set of key external and internal stakeholders through online questionnaires. This rigorous process ensured our topics were not only relevant but also reflective of the broader concerns and expectations placed upon us.

In 2023, we have built upon this foundation starting with a review of last year's process and outcomes, and integrating key insights from:

- Peer brands' reporting benchmarking and best practices.
- Business partner's key priorities.
- Industry-relevant ESG ratings frameworks and assessments.
- Regulatory trends and requirements.
- Global ESG standards and disclosure frameworks, such as the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) Standards.

Key stakeholder insights, collected throughout the year, alongside notable changes in our business strategy and value chain, were also integral in shaping our review. Finally, to validate our findings and fine-tune the final prioritization of material topics, we conducted interviews with key internal and external stakeholders.

The results of the 2023 refresh have validated the continued relevance of all 19 topics identified in 2022, with some changes to their prioritization, reflecting the changing priorities and expectations of the business and our stakeholders. The final list of topics presented reflects this and aligns with the latest best practices, ensures our reporting remains relevant and impactful.



## Ethics and Integrity

As a company with over one hundred years' history, Li & Fung's business is built on the strong ethical operations and excellent customer services. We are committed to creating long-term value for corporate partners and our society. Our business activities are carried out ethically, and in compliance with the laws and regulations of the countries in which we operate. We put customers first by anticipating our customers' needs, protecting their rights, and seeking innovative technologies and ideas for continuous improvement.

# 7

## Ethics and Integrity

### 7.1 BUSINESS ETHICS AND ANTI-CORRUPTION

Every Li & Fung's employee has the responsibility to uphold our reputation and values, and our success is based on the consistent application of our standards of conduct. Our [Code of Conduct and Business Ethics](#) (the Code) prohibits any form 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](#), available on our intranet (One Family) and company website, conveys our values and guides all directors' and employees' practices of respectful and ethical conduct. It provides a guideline for our colleagues on how to conduct themselves and our business, how we serve our customers, and what we expect from our suppliers.
- All new joiners must undergo training and must commit to abide by the Code.
- Our Group CEO periodically sends messages to all colleagues to remind the importance of performing our duties with integrity and fairness at all times.

#### 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.

#### 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 the rules which apply to all colleagues.

#### 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 Corporate Governance Division.
- No retaliation of any kind is taken against colleagues who raise genuine concerns or who participate in any investigation.



## WHISTLEBLOWING PLATFORM – FACEUP

In 2023, we launched a new [whistleblowing platform](#) that allows colleagues and external parties to report any illegal, unethical, harassment or discrimination issues. FaceUp is a secure third-party reporting channel, available 24/7 and supports both written and voice reporting in 113 languages. Whistleblowers can file reports anonymously or non-anonymously via the website or mobile app. Without creating an account, users can report and follow up on issues with designated persons in our company with utmost importance on confidentiality.



FaceUp

Customers

Vendors

Factories

Employees

Any other  
stakeholders

## Independent investigations



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

## Due diligence on vendor ethics practices



- The Company is committed to driving ethical practices along our supply chain.
- In 2023, on a risk and rotational basis, vendors were selected from China, Vietnam, and India to complete a questionnaire from the Corporate Governance Division (CGD) on their anti-bribery and anti-corruption practices. These vendors supplied merchandise to the Company's customer with an FOB value of US\$752million to the Company's customers.
- CGD reviewed the vendors' feedback and the relevant management followed up with vendors who need improvement in ethics practice.

## 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 cashflows.
- Payments to parties, which we have no business or are not contracted with, are strictly prohibited.
- Our Trade Compliance Policy stipulates that we do not engage in transactions that may violate applicable sanctions, import and export controls, and other international trade laws in any circumstances.

## Regular ethics training



- Colleagues 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 colleagues understand and put the principles into practice.
- In 2023, a total of 3,905 hours of ethics training was completed by employees. On average, each colleague attended at least 62 minutes of ethics training.

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



No. of concluded court cases regarding corrupt practices: **ZERO**

## 7.2 CUSTOMER SERVICE

As a company with over **117-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 stringent management system.

**QUALITY CONTROL TOWER:** Li & Fung believes in the power of prevention. The key to accomplish this is to develop our people and vendors to ensure quality and safety. Items such as electronics, toys and furniture are being evaluated for their risk and hazards using international recognized standards such as European Standard (EN), International Organization for Standardization (ISO), Underwriters Laboratories (UL), American Society for Testing and Materials (ASTM), US Consumer Product Safety Commission (US CPSC), US Consumer Product Safety Improvement Act (US CPSIA).



*"This has to be one of the best supply chain risk management platforms I've seen. By leveraging historical supplier and product performance data to assess risk, it enables the business to make informed decisions and take proactive actions on driving product quality and supplier chain efficiency improvements. It is a must-have tool for any organization serious about mitigating supply chain risks and maximizing operational excellence!"*

Quotes from one of the Key Customers

We support and monitor vendors throughout the product life cycle, implementing processes and systems to prevent quality problems. Through our practices and improvement, we have established a control tower management system to close the loop from Technical Audit of factories to Quality Control (QC) to product enhancement. We integrate all critical areas in the dashboard to prevent quality issues from all united aspects.

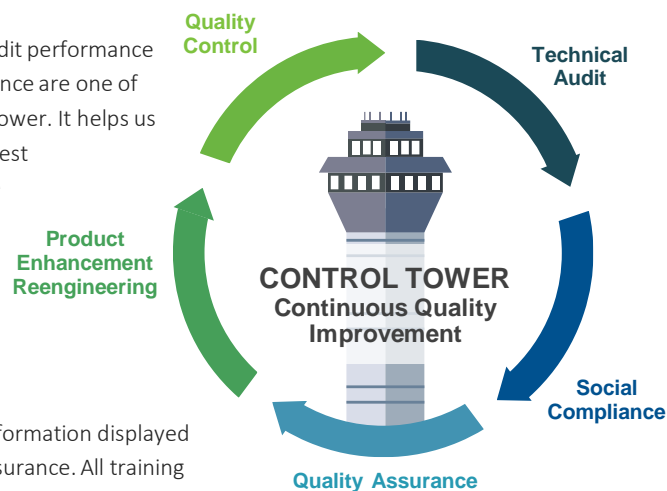
**1. Technical audit:** Before each order placement, technical audit on manufacturing facility is conducted to assess vendors' production capability, capacity, and proven experience against pre-agreed standards, which is subject to the product category's risk level.

**2. Social compliance:** Vendor audit performance and scorecards on social compliance are one of the key elements in the control tower. It helps us to stay updated with vendors' latest performance on non-compliance issues, and enables us to take necessary actions to support or provide guidance to the vendors. Zero tolerance cases are reported within 24 hours.

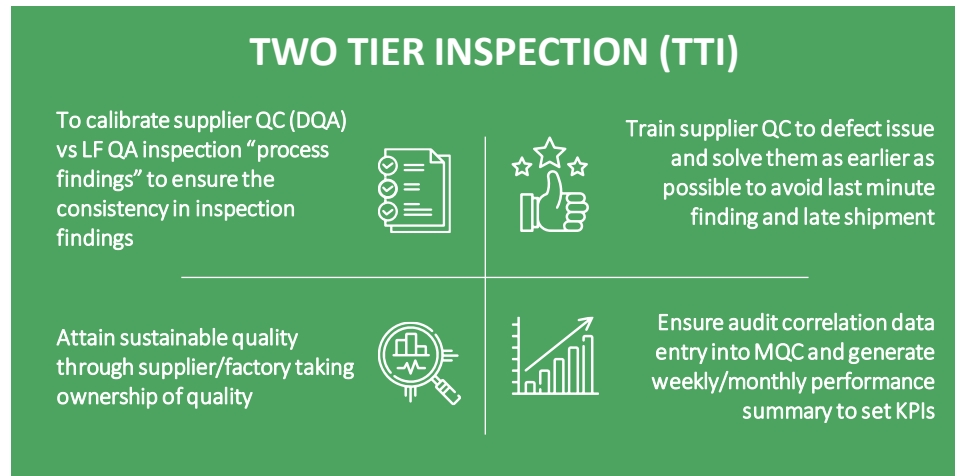
**3. Quality assurance:** The key information displayed in the control tower is quality assurance. All training information, sample review results, product specification and testing report is extracted and integrated into the control tower. Our quality assurance team can conduct an in-depth analysis and formulate steps for improvement based on this information.

**4. Product enhancement reengineering:** Product specification for selected categories, defect analysis, product test protocol or specific product requirement from customers are integrated in the control tower. It helps the team improve efficiency and make better decisions on quality assurance and control.

**5. Quality control:** We use the control tower to manage production and product quality risk by generating real time QC inspection reports. The reports are based on the analysis of the latest, as well as historical, QC inspection records and upcoming production and shipment details, which can help us detect quality issues in advance.



**TWO TIER INSPECTION (TTI):** At Li & Fung, product quality is at the core of our services. It is how we retain our customers and make our business sustainable. To deliver high-standard product quality, we started to implement a Two-Tier Inspection mechanism in our non-seasonal product line in 2018. We began with a small pilot with a specific customer, and in 2023, it has been rolled out to the company's entire apparel business.



The mechanism is to require double inspections from both factory or vendor and Li & Fung. Detailed analysis and comparisons are conducted based on the two inspection results. Tailored activities are carried out based on the matching rate of the analysis. In 2023, the product claim rate reduced to 0.03%, which reduced by 70% compared to 2018.

Two Tier inspection is the foundation for us to ensure our product quality and helps the company manage quality issues in a consistent approach. We are now building more elements above the Two Tier Inspection mechanism to get our vendors more engaged and motivated during the whole process by constantly improve their performance.

#### QUALITY STORY: CARE FOR CHILDREN PRODUCTS

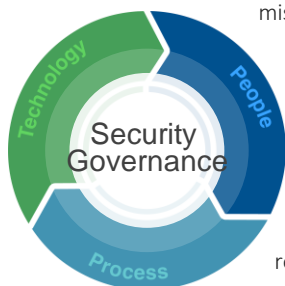
Ensuring the quality and safety of our products is a top priority, especially when it comes to children's products. Our commitment to caring for children means that we have strict standards and processes in place to safeguard against any potential hazards. From the design and pre-production stages to the final product inspection, each step of the way is carefully monitored and executed with care. Our policies cover everything from drawcords, drawstrings, garment safety and construction review to needle control and broken needle policies. We also conduct frequent factory audits to ensure policy compliance, and utilize metal detectors to prevent any unwanted materials from making their way into our products. Our dedicated quality team undergo mandatory product safety training, which allows them to serve as mentors to our factory partners to reinforce the importance of our practices. Finally, we send all our final products for safety assessments to third-party laboratories to ensure that they comply with the regulations of their respective countries.

### 7.3 DATA PROTECTION

In today's digital age, cyber security is one of the most important issues for companies to address. At Li & Fung, our commitment remains firm in safeguarding the informational assets entrusted to us. Our efforts towards building a resilient cyber security framework have enabled us to incorporate industry-standard technology and practices to secure our networks and data comprehensively.

We strive to ensure compliance with major data protection and privacy laws including the General Data Protection Regulation (GDPR), the Personal Data Privacy Ordinance (PDPO), and the Cybersecurity Law of the People's Republic of China (CSL – PIPL), and we recognize the critical role of legal compliance in fostering trust and maintaining our reputation in the digital domain. Our

mission is to strengthen Li & Fung's security and protect our valuable information. A robust governance mechanism is in place to ensure we enforce cyber security for our technology, people, and processes.



We have a dedicated security team that is responsible for preventing security breaches and monitoring and reacting to attacks. Our security team consists of experts from different domains including network security, cloud security and data security. We use a risk-based approach to assess and mitigate potential risks associated with collecting and processing data. Our key processes includes:

**Risk assessment and audits:**  
to identify and mitigate any potential threats or vulnerabilities in our processes and systems.

**Technical and organizational measures:**  
to safeguard our system from unauthorized access, use, disclosure, modification, or destruction, such as encryption, authentication, authorization, backup, and recovery.

**Employee training and awareness programs:**  
to ensure that our people understand and adhere to information security responsibilities and obligations, and to foster a culture of security and responsibility.

**Cybersecurity breach response plan:**  
to define the roles and responsibilities, notification and reporting procedures, and remediation and recovery actions in the event of a cybersecurity breach or incident.

In 2023, we achieved remarkable results and outcomes that demonstrate our impact, and received positive feedback and recognition from our customers and stakeholders. We prevented any major security breaches or incidents that may have compromised the confidentiality, integrity, or availability of our system, or caused any harm or damage to our infrastructure environment. We have successfully detected and prevented any attempted attacks or intrusions, and we have promptly reported and resolved any minor incidents or anomalies that have occurred. We have also maintained a high level of transparency and accountability, and communicated with relevant stakeholders in a timely and professional manner. We also received the ISO 27001 certification<sup>2</sup>, which shows that we have established and maintained an effective information security management system (ISMS) that covers our overall IT infrastructure.



Employee awareness programs are one of our key priorities to help boost and educate our people on the topic of data protection. In 2023, we held a series of mandate online security awareness training sessions, and all employees are required to participate the trainings. We also conducted 11 phishing simulation exercises and shared monthly IT tips.

As we move into 2024, our top priority is to finalize our comprehensive privacy management system. We are investing additional resources and expertise to ensure its completion and integration into our broader governance and cyber security framework. This work will include a continuation of privacy risk assessments, enhancements to privacy controls, training and awareness programs, and updating our response strategies to potential data breaches.

<sup>2</sup> ISO 27001 is an internationally recognized standard that specifies the requirements and best practices for managing information security risks and controls.



## Responsible Sourcing

As an active and responsible business leader in supply chain solutions industry, Li & Fung is committed to adopting best ESG practices and promoting the global sustainability agenda to create positive values for our customers, society and planet.



## 8

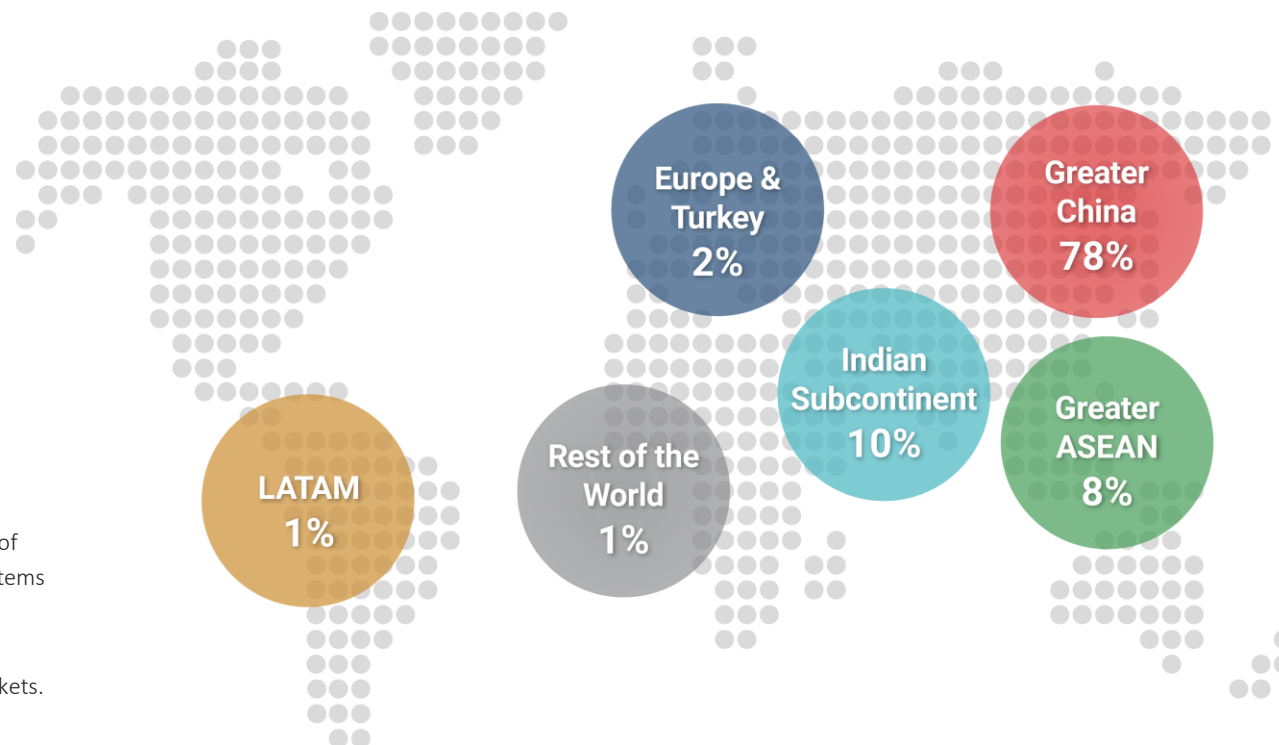
Responsible  
SourcingSUSTAINABLE  
DEVELOPMENT GOALS

As a global supply chain solutions company, 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 adopt responsible sourcing practices to proactively source sustainable products in our global supply chain. We are committed to respect people in our supply chain by promoting supply chain transparency, ensuring work safety, protecting human rights and promoting diversity and inclusion.

## OVERVIEW OF LF'S SUPPLY CHAIN

We specialize in designing, sourcing, and delivering a diverse range of products, including apparel, footwear, accessories, and household items for global brands and retailers.

We sourced goods from 4,380 Tier 1 factories in 30 production markets. As of 2023, 18% of the suppliers contributed to 80% of the value of goods. We pride ourselves on maintaining long-term relationships with 51% of our suppliers for six or more years, which not only reinforces our commitment to sustainable business practices but also highlights the significance of enduring partnerships within our supply chain.



## 2023 Highlights



Launched updated Li & Fung  
Supplier Code of Conduct

Updated Responsible Recruitment  
policy in line with the enhanced  
AAFA commitment

### SAYARI

Enhanced ongoing risk screening  
using advance risk intelligence  
platform, Sayari



Introduced Li & Fung designated  
third party grievance platform and  
participated in an industry  
initiative on grievances such as  
amfori and Better Work



Scaled to more than  
**940** factories with over  
**29,000** responses directly  
from workers on workplace  
treatment



Through Li & Fung proactive  
screening, **160** workers were  
reimbursed a total of  
USD **51,848**  
recruitment related cost



**367** factories enhanced  
safety measures through  
Li & Fung workplace safety  
programs



Ranked second among  
companies assessed by the  
Centre of the Child Rights and  
Business with regards to the  
efforts to prevent and remediate  
child labor



Educated **10,359** factory  
representatives with  
**367** training sessions

## 8.1 OUR APPROACH

Our Supply Chain Due Diligence program aims to identify and address social and environmental risks and provide access to remedy for rights holders. We strive to fully align our program with the OECD Due Diligence Guidance for Responsible Business Conduct. Implementation starts with developing robust policies, including the Supplier Code of Conduct and others tackling specific salient risks such as forced labor and child labor. These policies are supported by frequent risk assessments, social audits, preventative and mitigative actions such as supplier capacity building and grievance mechanisms, assurance and tracking the effectiveness of our actions and providing remedy. Industry collaboration, direct engagement with rights holders and transparency underpin all key parts of our responsible sourcing and due diligence journey.

### 8.1.1 SUPPLIER CODE OF CONDUCT

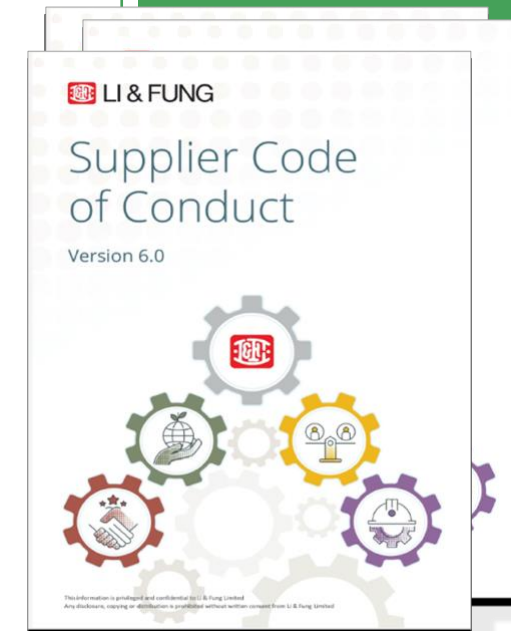
Li & Fung is committed to ethical business practices, and our [Supplier Code of Conduct](#) (“Supplier Code”) is a crucial step to ensure responsible and sustainable production of goods. Our Supplier Code outlines minimum standards for human rights and labor, health and safety, environmental protection, and business transparency and ethics based on international standards and local laws. We also have specific policies on human rights and trade compliance including [Combatting Forced Labor Policy](#), [Child Labor Policy](#), [Responsible Recruitment Policy](#), and Certification Letter for Global Trade Regulations Compliance policy.

Our Supplier Code was last updated in October 2023 to comply with changes in international standards and emerging legislation and is available in 13 languages on the Li & Fung company website. We take a proactive approach by offering e-learning courses to ensure our suppliers to have a comprehensive understanding of the Supplier Code and policies. The e-learning courses and Supplier Code is mandatory for all suppliers, and they must ensure their next-tier suppliers also comply. By adhering to the Supplier Code, we expect suppliers to operate responsibly and sustainably, and to minimize any negative impacts on workers, communities, and the environment.

#### KEY CHANGES:

- Stronger requirements on supply chain mapping, supplier due diligence and grievance mechanisms.
- New requirements for suppliers ensuring workers receive a timely refund of fees and costs paid to obtain or maintain their job, and stronger due diligence over recruitment and employment agencies.
- Introduction to Li & Fung’s designated third-party grievance channel.
- Stronger provisions on environmental compliance.

*Through our mandatory e-learning program, active suppliers becoming aware of refreshed requirements and signed our updated Supplier Code*





### 8.1.2 MONITORING AND REMEDIATION

#### Robust New Supplier Onboarding

We have a rigorous approach to vetting new suppliers and promoting continuous improvement. All our direct suppliers undergo audits by third-party firms that Li & Fung or our customers designated, based on their level of risk. We also have an audit equivalency program that accepts nine recognized social and environmental compliance industry standards that meet our requirements. As of 2023, approximately 76% of our active factories were approved by various industry audits, such as BSCI, SMETA, Better Work, and WRAP. This not only increases transparency in our supply chains but also reduces the burden of multiple audits among suppliers, allowing them to effectively focus on improving working conditions for their employees.

#### Enhanced Risk Screening

Li & Fung uses new technology to identify, prevent, and monitor prioritized risk. In line with this approach, we subscribed to a new commercial risk intelligence provider, Sayari, to screen various ESG risks, including sanctioned entities/individuals and forced labor risk. Sayari's comprehensive and searchable database helps Li & Fung identify any connections to risky entities, proven and/or potential. We use this tool both to screen potential new suppliers and for ongoing risk screening for existing suppliers. If any risks are found, we may decide not to engage with the concerned company and/or its subsidiaries.

#### Supplier Rating System

We have a rating system aligned with our Supplier Code that allows suppliers to assess their performance and monitor progress over time. Factories are approved for a period depending on the rating. All new and existing suppliers must achieve an audit C-rating or higher to be considered for continued business with Li & Fung. In 2023, we onboarded 613 new suppliers and disapproved 15 suppliers from joining our supply base.

#### Mandatory Remediation

We also have a comprehensive remediation process in place to support suppliers in the establishment of corrective and preventive action plans for any critical issues that arise. In case where zero tolerance issues are identified and remediation is not fully satisfactory, we collaboratively work with our customer to implement responsible exit plan. In 2023, we identified 30 suppliers with zero tolerances cases, 14 cases were fully remediated while other 12 suppliers were terminated due to insufficient remediation progress. We continue to work closely with the remaining 4 suppliers throughout the remediation process.

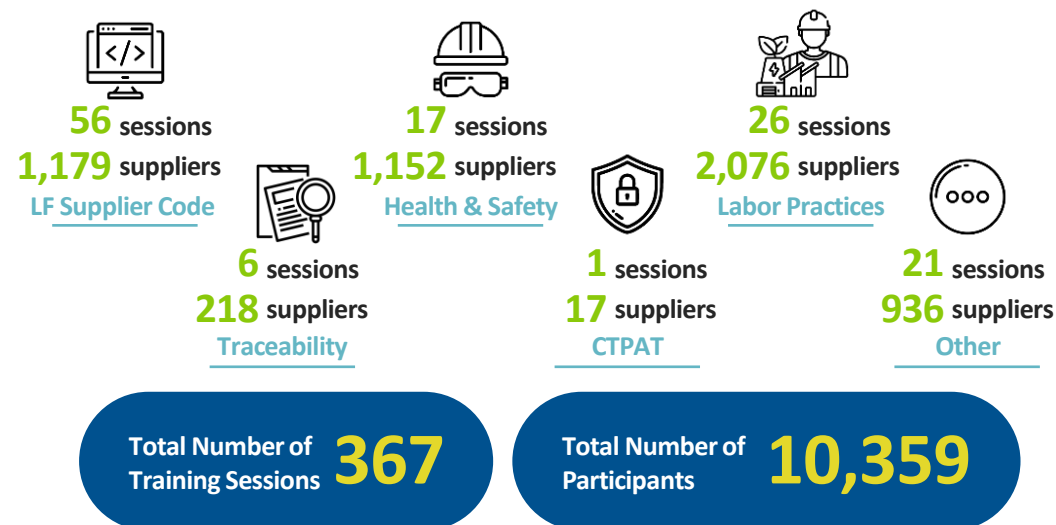
#### Assurance

Our Vendor Compliance team conducts unannounced spot checks on high-risk factories. Throughout the year 2023, we conducted a total 773 spot checks across 12 countries, with 101 conducted on upstream suppliers to monitor egregious issues, such as child labor, exploitation and/or abuse of vulnerable workers, harassment, and potential health and safety hazards.

### 8.1.3 TRAINING AND CAPACITY BUILDING

At Li & Fung, we strongly believe that fostering a culture of accountability and continuous improvement is integral to our core values. To achieve this, we provide comprehensive capacity-building programs that include well-designed training and awareness-raising initiatives with industry partners for our diverse group of suppliers. We proactively engage with our suppliers through regular workshops, training sessions, and targeted capacity building programs to ensure that they fully understand and comply with our Supplier Code and other key policies. Additionally, we offer practical guidance on vital topics such as human rights, labor practices and fire safety to expedite improvement at factory level.

In 2023, our Vendor Compliance team hosted 127 training sessions, ultimately raising awareness among 5,562 suppliers and 8,916 supplier representatives who participated in our training program. We are committed to collaborating with our industry partners such as amfori, SEDEX, and Better Work, and we facilitated participation for 711 suppliers with 1,143 factory representatives in 240 industry-led trainings. Li & Fung remains fully committed to continuously supporting our suppliers, underpinned by a culture of accountability and continuous improvement.



#### 8.1.4 TRACEABILITY

We recognize that end-to-end traceability from raw material through to finished products is extremely complex and our current aim is to educate suppliers and increase their knowledge through training and tracing exercises. Educating our suppliers and emphasizing their responsibilities are fundamental to this initiative, as it will enable suppliers to expand their supply chain disclosure beyond Tier 1 accurately and efficiently. In 2023, Li & Fung continued to build on the experience gained from the 2022 traceability programs related to legislations on human rights due diligence and the prohibition of forced labor imports and expanded our training programs to additional suppliers. We conducted two hybrid workshops in Vietnam and India with suppliers from other markets joined virtually. In these exercises and workshops, we educated a total of 218 suppliers with 553 factory representatives attended.



#### 8.1.5 WHISTLEBLOWING AND GRIEVANCES

Grievance mechanisms are essential processes that provide access to remedy for workers and a critical component of ensuring factories achieve sustainable improvement. In 2023, Li & Fung has taken the initiative to implement a third-party grievance and whistleblowing platform, which enables concerned stakeholders including workers to report any concerns they may have about working conditions or potential violations of our Supplier Code in a confidential and secure manner, in multiple languages. The platform includes voice messages and accommodates multiple languages to help overcome any language or literacy challenges.

All suppliers are required to display Li & Fung's Supplier Code and the platform QR code in visible areas of the workshop. While the platform was only recently rolled out, overtime we hope to receive grievances to proactively identify and remediate salient human rights issues including ones that are less likely to be detected through an audit, such as gender-based violence and harassment, child labor and forced labor.

We support trusted multi-stakeholder initiatives supply chain grievance mechanisms, like Better Work Jordan's (BWJ) Worker's Voice Project, used by all factories in Jordan having active business with us. In December 2023, BWJ also conducted a meeting together with the Arab Renaissance for Democracy and Development (ARDD) to facilitate stakeholder consultations around the development of a worker grievance mechanism.

Additionally, Li & Fung participates in amfori Speak for Change grievance mechanism program, enabling anonymous reporting through web forms, apps, or telephone. 17 factories in the Li & Fung supply chain participated in the Turkey, India, Bangladesh, and Vietnam launch. While no grievances were received through this channel in 2023, we continued to partner with amfori to provide this as an option and scale it up according to future implementation roadmap.



Garment Workers Federation and the National Garments Worker Federation. Throughout 2023, we received nine complaints through these channels involving active factories that covered topics such as fire and building safety, harassment and abuse, freedom of association, and payment of wages and benefits. All of which we have followed up with investigation and remediation.

To ensure immediate action is taken, the LF vendor compliance team or a designated third-party thoroughly investigates, identifies the root cause, and tracks remedial actions until the issue has been fully resolved. These measures enable us to detect and address potential issues within the supply chain more effectively and promoting a responsible and sustainable supply chain.

### 8.1.6 INDUSTRY COLLABORATION

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 in the supply chain.

#### American Apparel and Footwear Association (AAFA)

Li & Fung is a member of the American Apparel & Footwear Association (AAFA), which represents more than 1,000 world famous name brands, retailers, and manufacturers. We engage with two Committees on the topic of forced labor: The Social Responsibility Committee and the Forced Labor Working Group. Li & Fung is a signatory to the enhanced AAFA Commitment of Responsible Recruitment - an enhanced, proactive industry effort to address potential forced labor risks for migrant workers in global supply chains.

#### ILO/IFC Better Work

Li & Fung continues to be an active Buyer Partner of Better Work, a partnership between the International Labour Organization and the International Finance Corporation (IFC), to support improved working conditions in our supply chain. In 2023, 230 suppliers participated 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 prevent negative human rights impacts such as forced labor, gender-based violence and excessive working hours and improved working conditions.

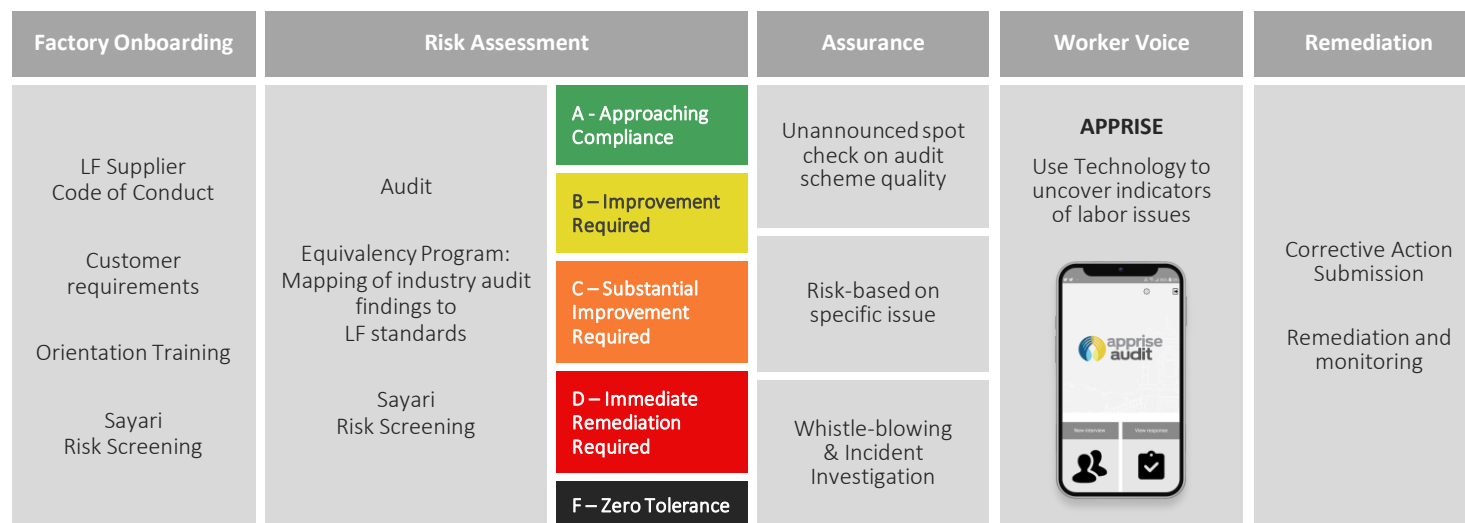
#### The Centre for Child Rights & Business (The Centre)

As part of our commitment to the well-being of children and families in our supply chain, Li & Fung collaborates extensively with [The Centre for Child Rights and Business](#), a not-for-profit social enterprise specialized in supporting companies to uphold children's rights, particularly in supply chains. As a member of The Centre's Business Working Group, we work with other members companies to discuss and identify common challenges, share resources, and implement best practices regarding children, young persons and working migrant parents in the industry. The Centre is our designated industry partner to provide child remediation services when non-conformance of underage workers are discovered in our supply chain. In 2023, Li & Fung worked closely with the Centre to develop a new Child Labor Policy.

#### The Mekong Club

The Mekong Club mobilizes the private sector to disrupt and end modern slavery. In 2023, Li & Fung remained an active participant in the Mekong Club's Manufacturing & Retail Working group meetings, where companies share best practices, discuss the challenges facing their operations and industry and contribute to Mekong Club's tool & resource development. The Working Group worked to develop a Toolkit to help suppliers to develop more robust strategies to tackle modern slavery and improve human rights outcomes. In March 2023, we partnered with The Mekong Club to host an awareness training on Human Rights Due Diligence Legislation. This training session was specifically provided at the management level of Li & Fung attended by 93 participants.

The diagram below outlines our risk monitoring program.



On going education and capacity building Industry collaboration →

## 8.2 ENSURING WORK SAFETY

Li & Fung is committed to ensuring the safety, health, and wellbeing of workers along our supply chain. Our Supplier Code outlines our commitment to act ethically in our business relationships and to enforce controls and systems that ensure the safety of workers. We work closely with our suppliers, customers, industry peers and external partners to help ensure safe workplaces for the people who work in our supply chain.

We recognize ensuring the safety and well-being of factory workers in Bangladesh is critical to us and our customers. Through our customers' affiliations with RMG Sustainability Council (RSC) and Nirapon, approximately 172 factories have been inspected, covering more than 500,000 workers. To ensure that remediation progress is fast-tracked, Li & Fung's local

engineer provides vital technical guidance to the suppliers. An overall remediation rate of 97% was achieved for fire, electrical, and structural safety in these factories. We have also partnered with Better Work Bangladesh, and currently, 76 of our 172 factories in Bangladesh are affiliated with this program, covering workplace safety for over 300,000 workers.

In line with our commitment to promote workplace safety, we have implemented three workplace safety initiatives on Electrical & Fire Safety, Boiler, Lift, and Generator Safety, and Denim Washing and Dyeing Machine Safety. We are continually working on expanding these efforts to more factories in order identify and mitigate potential safety hazards, and to also increase awareness through industry-led trainings. In the following section, we will outline the progress we have made with these initiatives throughout 2023.

### ELECTRICAL FIRE SAFETY PROGRAM

Since launching our program in 2020, we have made significant progress in increasing electrical fire safety awareness in 742 factories across nine production countries, including 200 in 2023. Throughout this initiative, we have identified common high-risk issues such as damaged or overheated equipment, uninsulated wiring, and dusty electrical boards that can lead to electrical short circuit. In 2023, we identified 100 high-risk factories, 88 medium-risk factories, and 12 low-risk factories. We have taken immediate action to remediate these risks, focusing first on the high-risk factories, and have successfully improved the safety of 158 factories. We are continuing remediation efforts in the remaining factories to address all identified risks systematically.

The Boiler, Lift, and Generator Safety Program was initiated in 2022 to provide comprehensive training to suppliers for the safe handling, operation, and maintenance of equipment and machinery. As of 2023, the program has successfully trained 330 factories across eight countries, including Bangladesh, Cambodia, China, India, Indonesia, Jordan, Turkey, Vietnam. In the same year, we identified 50 factories as high risk, 91 as medium-risks, and 14 factories had low-level risks. Common issues detected included improper use of Personal Protective Equipment (PPE) and untrained operators/supervisors. Our team supported the factories to remediate 112 factories to low-risk status while 29 factories are in the process of remediation.





### DENIM WASHING AND DYEING MACHINE SAFETY PROGRAM

In 2023, the Denim Washing and Dyeing Machine Safety Program was introduced and piloted across 12 factories located in Bangladesh, Cambodia, China, Egypt, India, Indonesia, Turkey and Vietnam. The program was specifically developed based on AAFA denim washing safety guidelines aimed at improving safety standards in denim factories. During the pilot program, 5 high-risk issues and 7 medium-low risks were identified. The most common safety issues found were related to operators not wearing proper PPE, improper placement of hazard signs, and a lack of awareness of safety measures. Out of these risks, 5 have been successfully remedied, and the remaining 7 are in the process of being remediated.



*"This project is very good, as supervisor, this program helps us to timely discover the safety hazards of the workshop site, so that we can realize the shortcomings in management. Especially after finding problems, we will try our best to rectify those that can be corrected."*

—Zhang Xiao Lei, Compliance Manager,  
Zhejiang Fumily Hometextile Co., Ltd.



*"The successful completion of the fire and electrical safety inspection of Li & Fung has benefited our company a lot. Timely discovery of deficiencies in factory hardware facilities, timely rectification in accordance with industry norms, and nip hidden dangers in the bud. This factory inspection training to the electrical and fire personnel of the factory allows them to realize areas of improvement in their daily work, to change their working methods and consolidate their responsibilities in the future work."*

— Jerry, Sales Manager,  
Taian Jinhui Apparels Co., Ltd

### INDUSTRY-LED HEALTH & SAFETY TRAINING

We understand training plays a crucial role in raising the awareness of safety standards in factories, and we collaborate with stakeholders and adopt industry best practices to achieve this goal. In 2023, 1,444 factories with 2,436 factory representatives received training from Li & Fung and industry partners including amfori and Better Work enabling them to recognize and address safety risks in their workplaces. We believe that ongoing training and collaboration are essential to maintaining and elevating safety standards in the factories we work with, and we remain committed to these efforts going forward.



### 8.3 RESPECTING CHILDREN'S RIGHTS AND ELIMINATING CHILD LABOR

Li & Fung is committed to ensuring our business practices respect children's rights and contributing to the elimination of child labor in all business activities and business relationships. Our approach to achieving this goal comprises four critical areas of focus:



1

As of 2023, we embedded a stronger child rights approach in our child labor policy and strengthened our guidance on child labor prevention and remediation for suppliers

**Reinforcing  
governance and policy**



2

We embedded a stronger child rights approach in our child labor policy and strengthened our guidance on child labor prevention and remediation for suppliers

**Implementing Child Labor  
Prevention and  
Child-sensitive Processes  
for Remediation**



3

In 2023, we conducted child labor risk assessments in 30 factories, and strengthened our spot check process. We're also extending our due diligence beyond Tier 1 suppliers

**Enhancing child labor  
due diligence**



4

In 2023, we closely collaborated with The Centre for Child Rights and the Business ILO-IFC Better Work programme to drive efforts in child labor prevention and remediation

**Building industry  
partnerships to drive  
collective efforts**

## 1. REINFORCING GOVERNANCE AND POLICY

Our recently updated [Supplier Code of Conduct](#) and [Child Labor Policy](#) demonstrates our steadfast commitment to improving outcomes for children connected to our supply chain, with a focus on eliminating child labor.

Revisions include:

- **a strengthened rights-based approach** to our strategies for preventing and addressing child labor
- **clearer guidance for our business partners** regarding their roles and responsibilities

The policy includes child-sensitive processes to remediate child labor, protect children and young workers from hazardous work, and collaborate with stakeholders to promote education and sustainable solutions. To comply with the policy, suppliers are required to ensure an effective human resource management system and must cooperate in remediation efforts. Moreover, suppliers must report all child labor issues to Li & Fung within 24 hours of discovery through reliable and effective procedures established by them.

All reports will be taken seriously and investigated in partnership with The Centre. If an incident of child labor is identified, the Li & Fung team will work with The Centre to develop a comprehensive remediation plan for the affected children and suppliers, which will prioritize and respond to the needs of the children and provide them with appropriate support.



We embedded a stronger child rights approach in our child labor policy and strengthened our guidance on child labor prevention and remediation for suppliers.

## WHAT DO OUR UPDATED POLICIES INCLUDE?



**Child-sensitive processes to remediate child labor**



**Children and young workers are protected from hazardous work**



**Stakeholder collaboration to promote education and sustainable solutions**

## 2. IMPLEMENTING CHILD LABOR PREVENTION AND CHILD-SENSITIVE PROCESSES FOR REMEDIATION

Li & Fung teamed up with The Centre to update an e-learning tool aimed at raising awareness of child labor risks and reinforcing Li & Fung's child labor policy and remediation requirements. This is an annual mandatory course that all of our suppliers must take through the Li & Fung Total Sourcing Platform and all internal staff take through the Workday platform. By the end of 2023, 3,272 (85%) suppliers took the training in key sourcing countries such as Bangladesh, China, Indonesia, India and Vietnam, as did 2,520 Li & Fung staff.

For non-compliance involving underage workers, we partner with The Centre for Child Rights and Business to develop responsible solutions that are in the best long-term interests of the child. Our child labor remediation guideline defines the remediation process and ensures children are promptly removed from the workplace and that their families are given a monthly living stipend and educational support. This approach allows the child to return to an education program of their choice, and eliminates the risk of the child working elsewhere. A dedicated case manager monitors the child's progress and ensures that their educational, social, and economic needs are met. As part of the program, we also provide responsible recruitment training for factory management to prevent future non-compliance.

Acknowledging the complexity of remediation processes and the need to mobilize resources quickly to ensure the best possible outcomes for children, Li & Fung has gone one step further and established an USD 10,000 emergency fund for case support. This fund eliminates potential delays in supporting children in challenging child labor situations and reflects our commitment to children's wellbeing.

# BY THE END OF 2023...



**3,272** suppliers took the e-learning training in five key sourcing countries



**2,520** Li & Fung staff attended the training



Beyond our standard remediation program, we established a **USD 10,000** child labor emergency fund to provide immediate support to children in challenging child labor situations

## How Li & Fung is Upholding Children's Rights

### Child-Friendly Space: Supporting Parent Workers with Childcare and Safeguarding Children

In the summer of 2023, a case of child labor was discovered at a factory in China. Li & Fung took immediate action by notifying The Centre to undertake an on-site rapid assessment and develop a remediation plan to address the situation for both the children and their families. After conducting in-depth interviews, it was found that the children were brought to the factory without any formal procedures by their parents because of a lack of childcare options. To prevent potential reoccurrences during school vacations, the Li & Fung vendor compliance team and The Centre worked together to convince the factory management to establish a Child Friendly Space (CFS), which was received positively by the workers, especially those with young children. The CFS is scheduled to open in the summer of 2024. Once up and running, this CFS will provide an exclusive, safe space for children of workers to stay while their parents work, thus mitigating the risk of parents taking their children to the factory. The children will be taken care of by a designated teacher, and the space will be stocked with suitable children's books and toys to keep them stimulated and entertained. This action showcases Li & Fung's commitment to protecting children's rights and making a positive impact on our community.

We believe this CFS not only addresses a compliance risk, but is a significant step towards creating a family-friendly workplace and upholding children's rights. Through the CFS, parent workers will have free access to childcare during the summer holiday, and opportunities for increased parent-child engagement.

### SUPPORTING CHILDREN'S RIGHT TO EDUCATION IN BANGLADESH

We understand the importance of education and its impact on a child's future and aim to make a difference by participating in a scholarship program for workers' children in Bangladesh. In 2022, we signed a Memorandum of Understanding (MOU) with Grameen Shiksha, a Bangladesh-based NGO, which is managing the program on behalf of one of our European customers. This scholarship program's mission is to enhance educational opportunities for children in Bangladesh's Ready-Made Garments (RMG) industry. With our customer, we are proud to be part of this program and contributed towards supporting the secondary education of a selected group of qualified students whose parents work in our factories. The program will run until 2026, during which time we are planning to continue our financial support. Education is a powerful tool that can be used to build strong and resilient communities. As such, we believe this initiative will play an important role in the development of the children's communities.

### FURTHER EDUCATION FOR YOUNG WORKERS FORMERLY IN HAZARDOUS WORK

Li & Fung believes that young people who have reached the legal minimum working age have the right to access decent work opportunities that are in line with local and international regulations on young worker protection and child labor. However, when these children work in hazardous positions, this is considered child labor and requires immediate remediation as outlined in our child labor policy. For such cases, we're committed to supporting their interests in education and vocational training, and exploring opportunities to take up non-hazardous positions in factories. In 2023, a young worker was found doing hazardous work in a supplier factory in China. As part of the remediation, the young worker was enrolled in a vocational training program with the tuition fully covered throughout the program's duration. In a similar case in Cambodia, we supported a young worker by covering the costs of a 3-month wedding embellishment training.

### 3. ENHANCING CHILD LABOR DUE DILIGENCE

#### UNANNOUNCED SPOT CHECKS

As part of our ongoing due diligence procedures, Li & Fung's compliance team conducts 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).

We're extending  
our due diligence  
beyond Tier 1  
suppliers

#### CHILD LABOR RAPID ASSESSMENTS

We have been working with The Centre to enhance our child labor due diligence since 2022. The due diligence project consists of child labor rapid risk assessment and child labor prevention and remediation (CLPR) training. The collaboration aims to assist suppliers in building a robust management system that can help to reduce the risk of child labor, while also providing Li & Fung with an in-depth understanding of potential and actual child rights risks that extend beyond Tier 1 suppliers.

The assessment involves in-depth interaction and focus group discussions with workers to evaluate:

- Child labor risks
- Working conditions
- Vulnerable worker groups
- Wage structures
- Family-friendly policies
- Subcontracting practices & policies



The assessment did not reveal any cases of actual child labor in the selected sites. It did, however, highlight opportunities for suppliers to step up their efforts to improve recruitment policies and procedures, strengthen the competencies of responsible staff, and ensure a safe workplace.

In 2023, 14 out of 15 supplier sites:<sup>3</sup>

- Developed a child labor policy to include key requirements, including respecting child rights, preventing child labor, protecting young workers, and strengthening remediation measures.
- Improved their recruitment procedures to ensure all workers go through formal interviews and strong age-verification processes including the piece-rate workers, seasonal workers, and short-term contract workers;
- A designated responsible person to monitor child labor risk in factory's own operation and its supplier chain.

In-depth Child Labor Prevention and Remediation Training sessions were provided in **four high-risk countries: Bangladesh, Cambodia, China and India**. The training equipped the 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 subcontractors.



*"This program has helped us to establish an effective age verification process and improve the awareness of our management team and workers."*

— A Cambodian factory that participated in the Li & Fung child labor risk assessment.

#### OUR ASSESSMENTS AT A GLANCE



**30**  
factories



**1,409**  
informants



**6**  
countries



**30**  
sets of corrective  
action plans  
developed

#### OUR TRAINING SESSIONS AT A GLANCE



**176** participants



**99** suppliers in  
four countries

**99%**

of participants agreed that  
the training will change how  
they think and handle child  
labor-related issues

**96%**

of participants agreed that the  
measures discussed were  
helpful for them to tackle child  
labor-related issues

<sup>3</sup> 1 supplier stopped business.



#### 4. BUILDING INDUSTRY PARTNERSHIPS TO DRIVE COLLECTIVE EFFORTS



Li & Fung has a long-standing collaboration with The Centre for Child Rights and Business, a not-for-profit social enterprise specialized in supporting companies to uphold children's rights. As a member of The Centre's CRIB Working Group, we are part of a multi-stakeholder platform consisting of over 30 multinational buyers from different industries dedicated to strengthening child rights in global supply chains. The platform encourages collaboration, information-sharing, and discussions to proactively promote supply chain transparency and to ensure business practices have a positive impact on children, families and communities. We also collaborate with The Centre on numerous other child rights initiatives, as described on pages 35 to 38.

Our collaboration with The Centre will continue into 2024 with a focus on strengthening our spot check process, enhancing our internal compliance team capabilities, and establishing a robust training program for both internal staff and suppliers and a further integration of child rights into our Human Rights Due Diligence process. Our primary objective is to elevate our response to child labor, strengthen respect for child rights and establish a systematic approach to address the issue on a larger scale in our supply chains.

Our collaboration with industry partners will continue in 2024 to drive further positive change in our supply chain

We also work closely with other industry actors, including the ILO-IFC Better Work Programme, on the topic of child labor prevention and remediation. Better Work Vietnam continues to provide training and industry seminars to participating suppliers with a focus on critical issues, including young worker management and child labor prevention. As Better Work is an International Organization that engages with governments, brands, employer organizations and trade unions, their programs help to build the capacity of all key stakeholders.

## Recognition for our Work on Child Rights

### Li & Fung ranks among Top 5 in apparel and footwear sector for protecting children's rights: 2023 Global Child Forum Benchmarking

Li & Fung has been recognized by the Global Child Forum<sup>4</sup>, a Swedish not-for-profit, for its efforts in protecting children's rights in the Apparel and Footwear Sector. This recognition was based on Li & Fung's 2023 assessment and benchmarking by the Global Child Forum (produced in collaboration with Boston Consulting Group).

Despite not producing any of its own branded products, Li & Fung still ranked as one of the top 5 companies in the Apparel and Footwear Sector for our positive impact on children's lives and the protection of their rights. This achievement was made possible by our commitment to developing, integrating, and implementing policies and practices that address our impact on children's rights and creating positive change within the company and our supply chain. This positive benchmarking is a testament of Li & Fung's unwavering commitment to protecting children's rights and our understanding and acknowledgement on the significant role we play in protecting the welfare of children.



<sup>4</sup> Please refer to more details of the [Global Child Forum and benchmarking Scorecard of Li & Fung](#)



## Recognition for our Work on Child Rights

### Li & Fung ranks second in 2023 Child Labor Remediation Feedback Report in promoting child rights protection by The Centre

Starting in 2022, [The Centre for Child Rights and Business](#) has been providing an annual Child Labor Remediation Feedback Report<sup>5</sup> to its member companies with the aim of giving constructive feedback on the effectiveness of their remediation practices. The report serves as an insightful tool to help these companies track their progress and identify areas for improvement for their remediation process.

Li & Fung stood out in all five feedback criteria with a score higher than the average of member companies, ranking second among all assessed companies in 2023. Upon reviewing the benchmarking, Li & Fung's compliance team identified gaps in their practices and will be collaborating with key industry stakeholders in the supply chain to promote child rights protection, decent working conditions, and family-friendly policies.

External benchmarking allows Li & Fung to measure our performance objectively in comparison to industry standards, peers, and other relevant comparators. This approach can help us identify areas for improvement and establish progressive performance targets. The Centre's exercise of external benchmarking also promotes the exchange of best practices and knowledge among companies in the same industry to benefit the industry as a whole.



Child Labor  
remediation policy  
and procedure

Our score:  
**9.5/10**

**STRONG**

Average of all assessed  
companies in 2023:

**8.2**



Case detection  
and reporting

Our score:  
**9.5/10**

**STRONG**

Average of all assessed  
companies in 2023:

**6.9**



Rapid assessment  
support

Our score:  
**10/10**

**STRONG**

Average of all assessed  
companies in 2023:

**9.1**



Accountability

Our score:  
**9/10**

**STRONG**

Average of all assessed  
companies in 2023:

**6.4**



Linkages to  
sourcing decisions

Our score:  
**7/10**

**MEDIUM**

Average of all assessed  
companies in 2023:

**5.1**

<sup>5</sup> Nine global companies were assessed in 2023 by The Centre



#### 8.4 PROMOTING RESPONSIBLE RECRUITMENT

The International Labor Organization (ILO) estimates that more than 40 million people are victims of modern slavery and that forced labor in the private economy alone generates US\$236 billion in illegal profits per year<sup>6</sup>. Li & Fung is committed to addressing forced labor risks and harms in our operations and supply chains. We do this through the adoption and implementation of robust policies and processes, undertaking specific forced labor risk assessment and monitoring, supplier capability building and ensuring accessibility to effective grievance and remedy.

#### *Policy and Processes*

Li & Fung's commitment to end modern slavery is incorporated into four key policies<sup>7</sup> and implemented through our management approach. We ensure our policies are easily accessible, updated regularly, and communicated to staff and suppliers in a language they understand. In 2023, the company updated the Supplier Code and the Responsible Recruitment Policy to be better aligned with international, local and industry standards. The updates added new requirements ensuring workers receive a timely refund of fees and costs paid to obtain or maintain their job; and stronger wording around due diligence over recruitment and employment agencies in accordance with the refreshed American Apparel and Footwear Association (AAFA) Pledge on Responsible Recruitment. Changes to Supplier Code included stronger requirements on supply chain mapping, supplier due diligence and grievance mechanisms.

#### *Undertaking Forced Labor-focused Risk Assessments and Monitoring*

As part of our human rights due diligence process, we undertake a focused forced labor risk assessment every year. This includes looking at key risks by sector, country, business model, product and sourcing model. Using these risk assessments, we then engage qualified third parties to carry out specialized forced labor audits in high-risk locations. Increasingly we are expanding the scope of these audits to cover not only first-tier factories and production facilities but also those in the upstream where there is a greater risk of forced labor. In 2023, we undertook unannounced forced labor audits on 30 facilities in eight countries.

In line with our commitment to responsible recruitment, Li & Fung also uses LUMEN, a third-party platform to map its labor supply chain and ensure stronger due diligence over the recruitment process. The assessment consists of four steps: First the factory completes a self-assessment (SAQ); Second, workers are invited to complete a survey; Third, recruitment agencies used by the facility are requested to also fill out an SAQ. The data is then triangulated for a fuller and more transparent picture of recruitment practices and working conditions.

In 2023, we expanded the use of LUMEN to include new facilities and sourcing markets, covering 32 factories and 35 labor recruiters across five markets. Through LUMEN screening, potential red flags were identified in nine factories in four markets. This included worker paid recruitment fees and costs, absence of written employment contracts and retention of identity documents. Some of these potential findings are undergoing investigation through a qualified third-party and three factories have paid back recruitment fees and costs to workers as part of an ongoing remediation process.

As a result of our proactive screening,  
**160** workers across 3 factories were  
reimbursed a total of **US 51,848**  
in recruitment costs

<sup>6</sup> ILO Report "Profits and poverty: The economics of forced labour" (2024)

<sup>7</sup> [Supplier Code of Conduct](#), [Combating Forced Labor Policy](#), [Responsible Recruitment Policy](#), and the Certification letter for compliance with global trade regulations

### Scale Up Worker-voice

As worker-driven risk assessments are effective at detecting cases of forced labor, we have made a significant effort to combat forced labor by expanding the use of the APPRISE worker-voice tool. In 2023, we were able to gather over 29,422 worker responses across 947 suppliers in 13 countries.

The survey is deployed in several ways; first, we roll out the APPRISE worker surveys as part of our recruitment due diligence through LUMEN. The worker survey responses are then matched with employer and recruiter SAQ responses. Second, we roll out APPRISE as part of our regular spot check or audit process, allowing auditors the ability to engage more workers during factory walkthroughs. This includes using APPRISE as part of an initial pre-visit to a facility or as a remediation follow-up visit. Third, we request factories outside of the audit cycle to undertake standalone surveys where factory will post the survey QR code for at least three months and encourage the workers to take the survey through regular communication.



*"We're proud of our collaboration with Li & Fung who share in our vision of using innovative technology to increase transparency and enhance responsible and ethical supply chains. Li & Fung's Vendor Compliance & Sustainability team have deployed **diginexLUMEN** and **diginexAPPRISE** to proactively identify and address critical issues, such as modern slavery, worker paid recruitment fees, and gender equity."*

— Jessica Camus-Demarche  
Chief Corporate Affairs Officer  
Diginex



### Capacity Building

Li & Fung continues to make significant progress towards raising awareness on forced labor in 2023, with our e-learning, webinars, and in-person training programs. To keep in line with the latest industry trends, we improved the training content in 2023 to reflect new risk areas, changes to legislation, and best practices. We have organized a series of interactive webinars for factories that employ foreign migrant workers in markets such as Malaysia, Taiwan, Thailand, and Jordan, as well as major production markets in Bangladesh, India, China, Cambodia, Indonesia, and Vietnam. In total, we conducted 127 training sessions on various human rights issues, including 11 training sessions on Responsible Recruitment for a total of 915 factory participants.

We also require all suppliers to complete three mandatory e-learning courses on our Total Sourcing Platform, including a course on recognizing forced labor available in Chinese and English. Additionally, we have introduced this course as a compulsory step in the approval process for new factories.

In October 2023, Li & Fung participated in a GIZ-facilitated, three-day Training of Trainers (ToT) on Human Rights and Environmental Due Diligence (HREDD). As an outcome of the training, we further enhanced our internal processes and strengthened our knowledge on how to proactively identify potential risks in our

supply chain. With this knowledge, Li & Fung was able to train 30 suppliers in Bangladesh with a total of 147 participants. The feedback that we received from the suppliers has been exceedingly positive. In 2024, we plan to expand this HREDD training further to include more core suppliers.

### Effective Grievance Mechanism & Remedy

We recognize that putting in place effective grievance mechanisms for rights holders in our supply chain is essential for early detection and mitigation of forced labor risk. In late 2023, Li & Fung initiated the FaceUp Platform, which facilitates reporting on key issues such as harassment, discrimination, and safety risks, for employees in our own operations and workers in the supply chain. Our suppliers must communicate this platform to their workers via QR Code.

We also work with amfori's Supply Chain Grievance Mechanism, "Speak for Change", which operates in Bangladesh, India, Turkey and Vietnam. 17 factories in Li & Fung's supply chain across the four countries, participated in the Speak for Change onboarding training.

Finally, we receive grievances from country-specific hotlines such as the Amader Kotha Helpline in Bangladesh and from trade unions (e.g. the Akota Garment Workers Federation and the National Garments Worker Federation). No grievances on forced labor were received through any of these channels in 2023.

Li & Fung publishes an annual statement of our ongoing efforts to address in combatting modern slavery and human trafficking in compliance with the California Transparency in Supply Chain Acts (SB 657) and the UK Modern Slavery Act of 2015. Please see [our 2023 Modern Slavery Statement](#) for more detail on our activities in 2023 aimed at eradicating modern Slavery.



## 8.5 PROMOTING GENDER EQUALITY

Approximately 190 million women work in global supply chains – in the factories, farms and packing sites that supply the world's clothing, goods and food. Li & Fung recognizes the importance of promoting gender equality in the global supply chain industry and believes that men and women workers should receive equal treatment and respect in the workplace. These measures include working with suppliers to improve policies, conducting gender-focused risk assessments, capacity building with suppliers in high-risk location and increasing access to trusted grievance mechanisms and remedies.

### *Policy and Processes*

Our Supplier Code was strengthened in 2023 to ensure that all workers, regardless of gender, are treated fairly and with dignity. Li & Fung is also taking active measures to ensure these rights are respected by our suppliers. For example, we conducted an assessment with our strategic apparel suppliers, collecting 114 survey responses to gather information on gender policies, employee demographics, and sex-disaggregated data. We then collected and assessed in-depth over 95 suppliers' policies on Gender Equality, Anti-harassment, and Non-discrimination to set baseline for further improvement. Then, we evaluated their due diligence processes, including presence of gender-related programs and internal monitoring procedures to identify gender-related non-compliances in the workplace. Lastly, we categorized the policies and processes into strong, weak, and average levels based on their comprehensiveness and effectiveness.

The key findings were as follows:

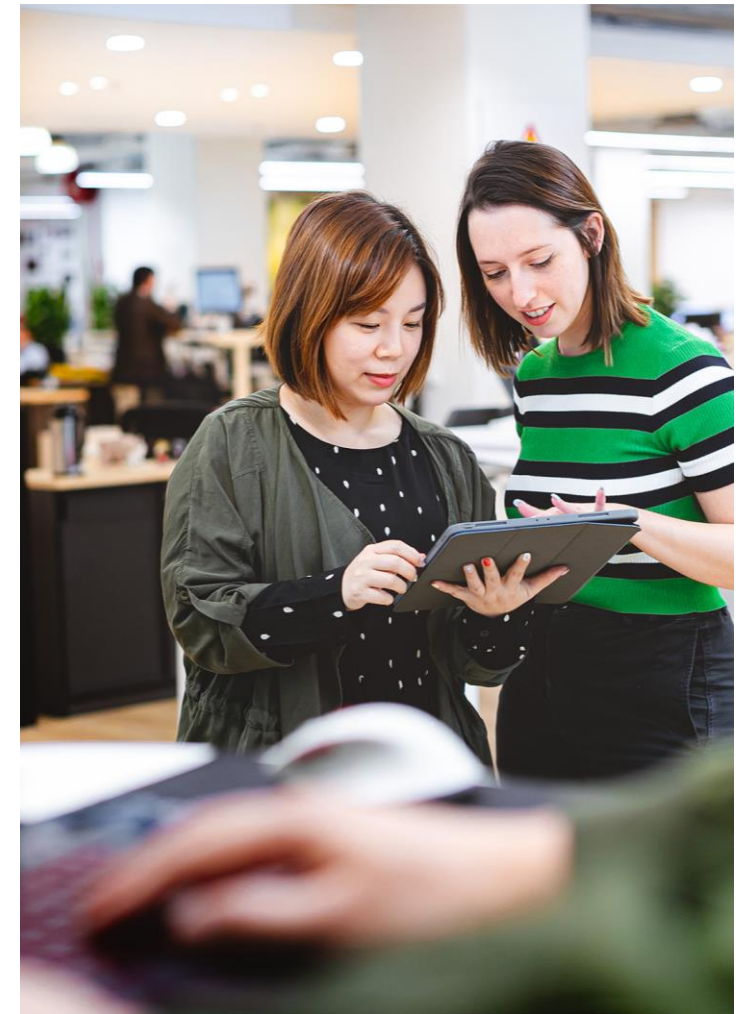
- **7%** had no policies, processes, or specific programs and initiatives.
- **54%** of suppliers had weak policies or processes and only a basic understanding of gender equality in the workplace; many lacked the resources or capacity to effectively implement policies and programs.
- **37%** of suppliers had policies and processes but lacked a comprehensive approach to implementing them or did not have specific programs or initiatives.
- **2%** had strong policies, processes, and programs and embedded gender equality as part of their corporate culture.



### Spotlight on a Gender Champion

One factory is participating in the Reimagining Industry to Support Equality (RISE) program and has initiated several in-house activities to promote women in leadership positions. The facility also established an effectiveness grievance mechanism and undertook efforts to sensitize it to all workers to facilitate proactive reporting of incidents of GBVH or discrimination.

Li & Fung aims to strengthen supplier policies and processes, promote accountability and knowledge on gender, and improve effectiveness of grievances mechanism in ISC countries where gender issues are more prevalent. This strategy will benefit both their business and society while meeting customer and industry expectations.





### *Undertaking Gender-Focused Risk Assessments and Monitoring*

Li & Fung partnered with Diginex to expand the use of the risk-platform LUMEN to better identify gaps and challenges on gender equality in our supply chain. The tool was rolled out to 20 factories in India, 13 in Indonesia, and 5 in Bangladesh, receiving nearly 2,000 responses as representative samples. Through this work we were able to better benchmark factory by risk-level. While no high-risk facilities were identified, 19 facilities fell into the medium risk category which were prioritized for unannounced gender spot checks. The spot checks identified gaps in awareness levels, grievance handling procedures, anti-sexual harassment measures, and gender-equality initiatives. Where serious non-compliances were identified, one-to-one meetings were arranged to communicate the findings and ensure time-bound remediation. Equally several good practices were also identified on inclusive efforts to raise awareness on grievance channels. We plan to use this information to inform our future capacity building efforts with our suppliers covering high-frequency risk areas such as low-understanding on root-cause analysis, pregnancy and maternity protection or wages & benefits.

We also developed our own tool that benchmarks industry programs, specifically tailored to our supply chain. This tool uses an evaluation criterion to assess factories' gender-related policies and practices, training programs, reporting mechanisms, and the overall workplace culture. In 2023, we piloted the tool at four factories in India and Indonesia. The tool helped us to identify critical gaps, for which remediation is undertaken or ongoing.



### *Supplier Capacity-Building*

Li & Fung has taken steps to promote gender equality within our company by inviting external experts to provide training for our internal Vendor Compliance Team and Human Resources. The two-part training provided an overall framework and actionable steps for promoting gender equality and addressing gender-based violence and harassment (GBVH), which has helped increase the teams overall understanding and ability to implement our strategy.

Li & Fung also offers education and training to its suppliers by leveraging its partnership with the ILO-IFC Better Work Programme and AMFORI. For example, at present five suppliers are part of RISE – a multi-stakeholder initiative that seeks to support the advancement of gender equality in the global garment, footwear, and home textiles supply chains. Additionally, six factories joined the IFC Gender Equality and Returns (GEAR) program that helps enterprises to improve working conditions for women. Finally, two factories joined the We Inspire Support Empower (WISE) Programme that seeks to inspire, support, and empower women by offering educational opportunities for development of knowledge and leadership skills, building of professional and personal connections, promoting the presence of professional women, and fostering mentoring relationships.

By taking these steps and working closely with our factories, we aim to foster a culture of gender equality, empowerment of women workers, and safe and inclusive workplaces.

## ENVIRONMENTAL SUSTAINABILITY

Our planet is dependent upon how we use, protect, and restore our environment and its resources. Li & Fung recognizes the impact our actions and business operations have on the planet. We are committed to reduce our environmental footprint by leveraging our convening power to collaborate with stakeholders along the value chain.



# 9

## Environmental Sustainability



Our planet is dependent upon how we use, protect, and restore our environment and its resources. Li & Fung recognizes the impact our actions and business operations have on the planet. We are committed to reducing our environmental footprint by leveraging our convening power to collaborate with stakeholders along the value chain. Beyond compliance, we aim to continually improve the environmental performance of our operations and supply chains. We aspire to grow our business sustainably by acting on climate change, optimizing resource efficiency, and promoting environmentally conscious products.

### 9.1 DATA DRIVEN IMPACT MANAGEMENT

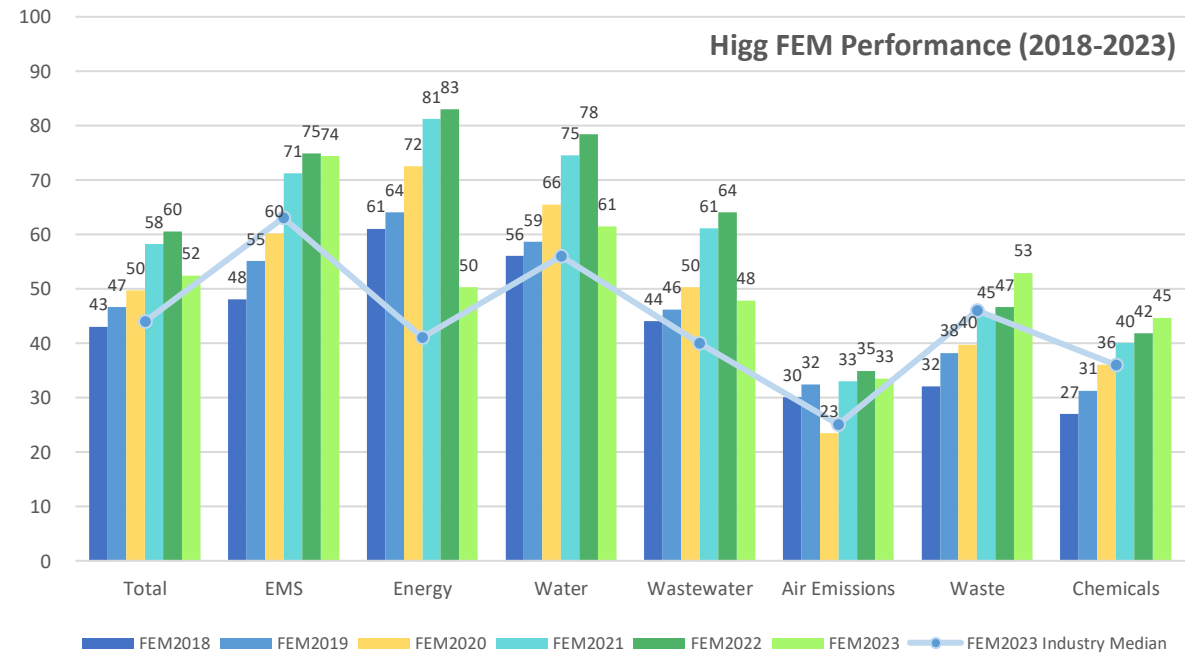
It is well known that we cannot improve what we don't measure. We have therefore made a priority over the past years to equip ourselves with several tools to ensure data collection and monitoring across factories and products.

Our business connects with global suppliers, vendors and customers across the globe. We aspire to collaborate with stakeholders in our supply chain to reduce our carbon footprint. As one of the founding members of Cascale (formerly known as SAC), we encourage our strategic factories to join the [Higg Facility Environmental Module](#) (FEM) 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 2023, Li & Fung has collected environmental data from nearly 1,500 factories via the Higg FEM, two-thirds of our factories had their data verified by a third party to ensure accuracy. Since 2018, we have conducted over 45 training sessions for suppliers on Higg FEM.

Since 2018, the average Higg FEM score increased by 20%, from 43/100 to 52/100. The LF portfolio scores on average 18% higher than the industry median (approximately 17,000 participating factories worldwide).

In 2023, the Higg FEM has evolved from version 3.0 to 4.0, which led to a decrease of our scores in the following categories: Energy, Water and Wastewater (graph below). The difference comes from a drastic change of requirements, and the drop is significant across all the factories reporting on Higg FEM, including those outside of the LF portfolio.

In 2024, we plan on adjusting our trainings and direct support to the factories to help them improve their practices and drive higher score over the coming years (see 9.1.1).



	Total Score	EMS	Energy	Water	Wastewater	Air Emissions	Waste	Chemicals
FEM2023 Industry Median	44	63	41	56	40	25	46	36
LF 2023 Median Score	52	74	50	61	48	33	53	45

In parallel to 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 improvements when necessary. After a pilot run in 2022, our teams have started to scale the tool to around 200 factories together with a key customer to identify risks and drive improvements. The success of the program and adoption from suppliers encourages our team to expand the scope over the coming year, to eventually cover more than 500 factories within 3 years.

### 9.1.1 PERFORMANCE IMPROVEMENT

To enhance supplier environmental practices and performance, our sustainability team continues to scale the “LF Performance Improvement Program”, a proprietary program launched in 2021. The program contains three components of Adoption, Improvement and Direct Support.

- Adoption:** core training sessions delivered in multiple languages designed to provide information on Higg system registrations and the 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:** LF identifies factories with potential for improvement and with whom we have strong business relations to enroll 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.

Our team working with the factories is composed of sustainability, energy and chemicals experts located in China, Bangladesh and India.

### 9.1.2 RISK ELIMINATION

To effectively identify and prevent potential risks, 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 sustainability team then conducts an assessment to evaluate the severity of the reported issues and implement relevant follow-up measures until the issues are fixed. In 2023, we tracked over 900 facilities via IPE and successfully supported suppliers on the remediation process to eliminate non-compliances and inherent risks.





## 9.2 COMBATTING CLIMATE CHANGE

Climate change is a major environmental issue that affects the planet and all living creatures on it. It refers to the long-term changes in the Earth's average climate patterns caused by human activities, such as burning fossil fuels, deforestation and industrial processes. The consequences of climate change include rising temperatures, changing rainfall patterns, melting of glaciers and ice caps, rising sea levels, and an increased frequency of extreme weather events such as hurricanes, droughts, and floods, drastically affecting people across the world.



### OUR CLIMATE GOAL

**“To reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2021 base year”**



At Li & Fung, we are committed to addressing this global issue by pursuing a holistic and science-based approach in all our efforts. In 2022, we developed our 1.5°C aligned targets to the Science Based Target initiative (SBTi)<sup>8</sup>. Our targets have been verified and approved by SBTi in 2023. Our 2030 goals are to reduce Scope 1 and 2 emissions by 42% compared to our 2021 baseline. Our Scope 3 target focuses on Supplier Engagement: we commit to have our suppliers quantify and monitor their own CO<sub>2</sub>e emissions, and set SBTs by 2026. This target covers 80% of our suppliers by emissions in purchased good and services, and 83% of suppliers by emissions in transportation and distribution.

### 9.2.1 ASSESSING OUR IMPACTS

In 2021, we established an internal environmental data collection platform and developed our GHG inventory for the first time. Since then, we continued to gather and assess company-wide emissions data annually. This robust system provides us with insights on our emission hotspots and helps us prioritize our actions to decarbonize across the whole value chain. Our GHG emissions inventory for Scope 1, 2, and 3 is prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Scope 1 emissions are calculated by applying standard emissions factors to the quantity of fuels purchased. Scope 2 emissions are calculated using market-based methodology. Scope 3 emissions are calculated using a combination of spend data and industry assumptions. We are in the continuous process of improving the accuracy of our carbon footprint. Our GHG footprint is reported annually via the CDP climate questionnaire and disclosing the full details of our carbon missions and sources in our CDP report.

In a landmark year for our environmental stewardship efforts, we are delighted to report significant achievements encapsulated by our CDP (Carbon Disclosure Project) assessments for 2023. Our comprehensive approach to reducing greenhouse gas (GHG) emissions within our operations has culminated in receiving a total CDP score of B, the highest score we have ever achieved. This remarkable accomplishment not only highlights our intensive efforts to minimize our environmental footprint, but also underlines our dedication to enhancing operational sustainability. Complementing this achievement, our strategic focus on supply chain

#### CDP SUPPLIER ENGAGEMENT RATING REPORT 2023



#### CDP SCORE REPORT - CLIMATE CHANGE 2023



decarbonization has been equally recognized, earning us an A- in the CDP supplier engagement rating. Distinguishing us well above the industry average, which stands at a C, this score is a testament to our leadership in advancing sustainability throughout our supply chain. Both accolades underscore the effectiveness of our environmental strategies, positioning us as a frontrunner in the implementation of comprehensive measures aimed at combating climate change and reducing emissions at every operational level. These achievements collectively epitomize our holistic commitment to environmental excellence, striving for sustainable growth and responsible business practices.

<sup>8</sup> The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF)

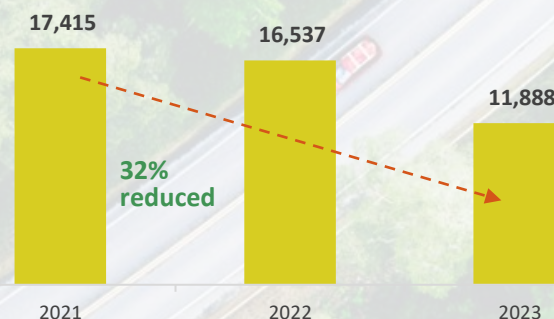


### 9.2.2 WALKING THE TALK : SUSTAINABILITY THROUGH EFFICIENCY

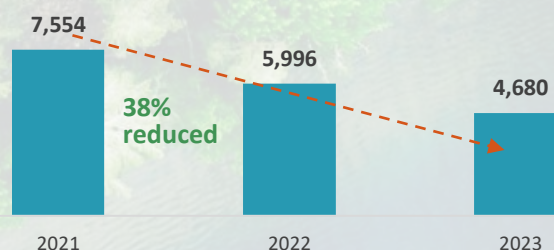
Our commitment towards climate protection is reflected in our operations. In 2023, we have significantly advanced our sustainability objectives, with a focus on reducing our environmental impact in line with our Science-Based Targets (SBTs). Starting from a 2021 baseline, our comprehensive strategy to enhance operational efficiency and commitment to sustainability has led to a remarkable 32% reduction of energy consumption, and a 38% reduction in our Scope 1 and Scope 2 greenhouse gas emissions.

In the reporting period, our efforts to optimize our workspace has not only realigned our physical office footprint with our commitment to sustainability but has also yielded significant operational efficiencies. By embracing hybrid working arrangements and enhancing our workspace utilization, we have not just transitioned towards a more adaptable and efficient operational model, but have also realized substantial environmental and financial benefits. This shift has resulted in a 31% decrease in our electricity consumption and a 45% reduction in our natural gas usage. These results not only reflect our dedication to environmental stewardship but also highlight our efficiency in resource utilization, aligning with our overarching goal to minimize our impact on the planet. This achievement is particularly noteworthy as it includes the impact of transitioning two of our European offices to 100%

Energy consumption (MWH)



Scope 1+2 (market-based) (Tons CO<sub>2</sub>e)



renewable energy sources, underscoring our commitment to renewable energy and reducing our carbon footprint across our operations. This approach is another evidence that sustainability is a dividend of good business practices.

Our progress is set against a 2021 baseline year, which serves as the reference point for our ambitious goal to reduce greenhouse gas emissions by 42% by the year 2030. The substantial achievements we have made to date place us not only on track, but potentially ahead of schedule in meeting, if not exceeding, this target. This acceleration in our efforts towards our SBTs demonstrates our proactive approach and unwavering commitment to leading by example in the realm of corporate sustainability. The reductions in energy consumption and carbon emissions directly contribute to our sustainability goals, demonstrating our ability to implement effective solutions that benefit both the planet and our operational efficiency. This strategic optimization of resources underscores our commitment to fostering a sustainable future, while also adapting to the evolving needs of our workforce and business. As we move forward, we remain dedicated to exploring further opportunities for improvement, ensuring that our operational practices continue to reflect our core values of innovation and responsibility.



### 9.2.3 REDUCING OUR ENVIRONMENTAL FOOTPRINT

To reduce our impacts and meet our GHG reduction commitment, we have opted for a three-step strategy: **Efficiency, Improvements, Renewable energy use.**

We began by putting our efforts on energy efficiency to reduce unnecessary energy waste and maximize energy efficiency, as explained above. In 2023, we have initiated energy, carbon and water audits across our key offices, to identify opportunities for improvement. Finally, and also done in parallel in our offices in Germany and Netherlands, we aim to maximize the use of renewable energy sources.

#### LI & FUNG OPERATIONS

Electricity purchased from grids is the most substantial type of energy consumed across Li & Fung. In 2023, we initiated an energy audit program to assess our energy consumption and identify opportunities for improvement. The main purpose of the program is to identify potential energy savings and prioritize potential actions by examining the return on investments, without disrupting our office operations. We started this program by auditing the largest offices globally and applying the common findings to all our operations. We mandated an energy management specialist firm to audit our sites. The audit criteria and methodology are based on the standard required in ASHRAE energy audits level 1 and 2. The whole audit program will be completed in 2024.



As a third step, we are exploring renewable energy options where applicable to reduce more GHG emissions. One of our offices in Germany achieved 100% green electricity by switching their energy contract to “Renewable Energy Contracts” since 2022. Our office in Netherland has rooftop solar photovoltaic panels. A portion of the office’s electricity comes from the solar power, and the remaining portion comes from purchasing “Renewable Energy Contracts”. By doing this, our office in Netherland also achieved 100% green electricity.

From the initial success obtained in Europe, we will continue to switch to renewable energy in all relevant locations where sustainable and renewable electricity is available over the coming years to reduce our GHG footprint and meet our Science Based Targets.

## IN OUR SUPPLY CHAIN

Our supply chain decarbonization program is designed to guide and support our customers, vendors, and factories in their journey to reduce their environmental footprints. Factories are selected based on their impacts, potential for improvements and business strategy. Using data collected and validated by third parties (e.g. Higg vFEM), factories are on board, trained and supported through this program.

Since beginning in 2018, 94 strategic factories have participated in the program. In 2023, we enrolled an additional 28 strategic factories into the program and provided on-site support with our dedicated teams of onboarded, trained, and supported through a three-year program. The success of the program relies on collaboration between experts from the Li & Fung sustainability team, factory/vendor production team, and Li & Fung's or customer's design or merchandising team. This partnership allows an increase of efficiency, by identifying and implementing best practices in the manufacturing facilities while continuing to produce quality products. It leads to a reduction of environmental impacts such as greenhouse gas emissions and freshwater intake. Overall, the factories participating in the decarbonization program have reduced their GHG emissions by 49% on average. All participating factories have disclosed their carbon footprint with Li & Fung and were able to move forward to the next phase of the program, laying the groundwork for continuous improvement.



### CARBON REDUCTION PROGRAM

One of our key suppliers in China participated the Carbon Reduction Program since 2018. The factory implemented various measures to improve their energy efficiency and reduce their carbon footprint. Up until 2023, they've achieved 56% carbon reduction (compare to 2018 baseline). Major actions they have taken:

#### 1. Improve thermal conversion efficiency of steam:

the supplier upgraded their devices such as desuperheaters to lower the temperature of superheated steam to near that of saturated steam either through direct or indirect contact. In the meantime, they did an optimization of their steam system design and layout. This ensures good insulation of steam transport pipelines to reduce heat loss. Through these actions, they successfully reduced superheated steam to 190°C and improved the thermal conversion efficiency of steam, while saving 1,200 tons of steam annually.

**2. LED retrofit:** to generate more energy savings, the supplier also upgraded the lighting system in their workshop. They re-designed the lighting layout based on the specific work areas and tasks within the workshop. The old lighting system was replaced with energy-efficient LED lighting, as LED fixtures have a longer lifespan and consume less energy for the same lighting effect compared to traditional lighting equipment. This upgrade program helped the facility reduced 93 tons of CO<sub>2</sub>e annually.

**3. Increase use of renewable energy:** the supplier also installed rooftop solar panels in their facilities and purchase international renewable energy certificate (i-rec) to reduce GHG emissions.



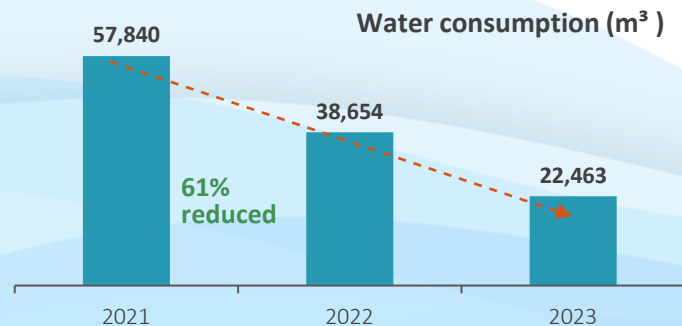


### 9.3 REDUCING WATER CONSUMPTION

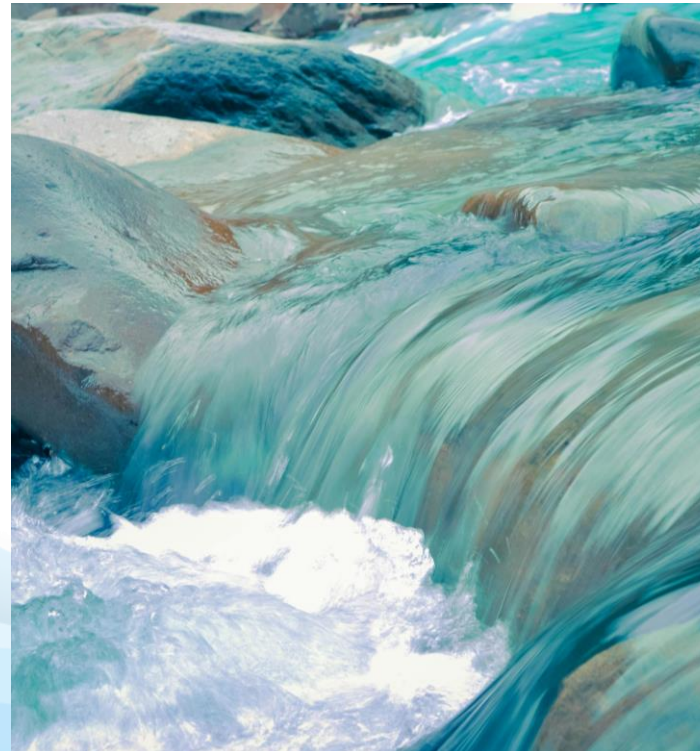
Access to clean water is a fundamental human right. Every individual and community within our value chain is, or will shortly be, affected by issues related to water scarcity and quality. We are committed to enhancing water management practices in the regions where we operate. We firmly believe that responsible water stewardship is key to ensuring the long-term sustainability of both our business and society at large.

#### 9.3.1 MANAGING WATER CONSUMPTION IN OUR OPERATIONS

In 2023, Li & Fung's dedication to sustainability and operational efficiency was reflected in our significant reduction in domestic water footprint, which encompasses the water used by our colleagues in our worldwide offices for drinking, bathroom, and shower purposes. Our total water consumption was recorded at 22,463.21 m<sup>3</sup>, marking a substantial 33% decrease compared to our 2022 figures. This achievement was not only the result of transitioning to hybrid work arrangements—which inherently reduced the daily on-site workforce and, consequently, the per capita demand for water—but also due to a strategic decision to reduce our office spaces.



As part of our commitment to sustainability, several of our offices were relocated to spaces with enhanced environmental credentials, which included more efficient water use facilities. These new spaces, often smaller and designed with sustainability at their core, contributed significantly to decreasing our overall water consumption. The reduction in office size directly influenced our water footprint, showing our proactive approach in aligning our operational practices with environmental sustainability goals.



Having surpassed our water savings target in the previous year, our team remains unwavering in its dedication to pushing the boundaries of what we can achieve in water conservation. In 2024, we plan to conduct comprehensive water audits, in tandem with energy and greenhouse gas evaluations, across our offices. This initiative will allow us to gain deeper insights into our water usage patterns, informing our decision to revisit and refine our 2030 objectives and strategies. At Li & Fung, we believe that our achievements serve not as a finish line, but as a milestone. Our current success fuels our commitment to continuous improvement, inspiring us to consistently set and achieve higher sustainability standards.

#### 9.3.2 REDUCING WATER CONSUMPTION ACROSS SUPPLY CHAIN

Supply chains are inherently water intensive: from the extraction of raw materials to the final stage of products preparation, each step contributes significantly to the overall water footprint. Not only extensive volumes of freshwater are withdrawn from the natural habitats globally, but wastewater is equally a high concern as it can be contaminated by manufacturing processes. Activities such as dyeing, material preparation, and finishing release pollutants into aquatic ecosystems, creating damages to the biodiversity, including eutrophication and eco-toxicity.

Li & Fung takes a data-based approach to establishing a baseline, monitor, accurately assess and refine our efforts to minimize our impact on water resources. Utilizing factory-level tools such as the Higg Facility Environmental Module (Higg FEM) and the Business Environmental Performance Initiative (BEPI), we consistently

measure total water intake, wastewater generation, and volume of recycled water amounts used by factories. This preliminary analysis helps us to benchmark performance, identify hotspots, and select factories for our water efficiency program. This program works in parallel with the Carbon program described in section 10.2.3 of this Report. Selected facilities are collaboratively guided and supported by our sustainability team, along with designers, merchandisers, and the technical teams from the factories, to optimize operations and processes in factories. Through the program, till 2023, 30 strategic suppliers are participating this program and achieved their water reduction targets. The total water intensity reduced 40% compared to baseline year, and some of our suppliers even exceeded the reduction targets we set for them. This is achieved without compromising production quality or efficiency, underlining our commitment to environmental stewardship and sustainable operations.



### WATER REDUCTION PROGRAM

One of our key suppliers in Bangladesh inaugurated a wastewater treatment plant as part of their commitment to our water reduction program. This facility, with a daily processing capacity of 2,000 tons, plays a crucial role in conserving water resources, achieving an impressive annual saving of 300,000 tons of fresh water. By leveraging advanced physical and biochemical treatment methodologies, the facility consistently maintains Chemical Oxygen Demand (COD) levels below 65mg/l—far exceeding the stringent regulatory maximum of 200mg/l. This remarkable performance underscores our commitment to leading in environmental stewardship and highlights the plant's exceptional efficiency in wastewater management.



The implementation of such advanced water treatment technology not only underscores our responsibility towards safeguarding natural water bodies but also epitomizes our strategy to mitigate environmental impact. Moreover, these efforts significantly reduce operational costs associated with water usage for businesses, offering a sustainable solution in areas plagued by water scarcity. The strategic importance of recycling and water-saving measures cannot be overstated, given their profound economic benefits and critical contribution to environmental sustainability. This initiative is a testament to our enduring commitment to environmental excellence and aligns with our broader Environmental, Social, and Governance (ESG) goals.

#### 9.4 USING SAFER CHEMICALS

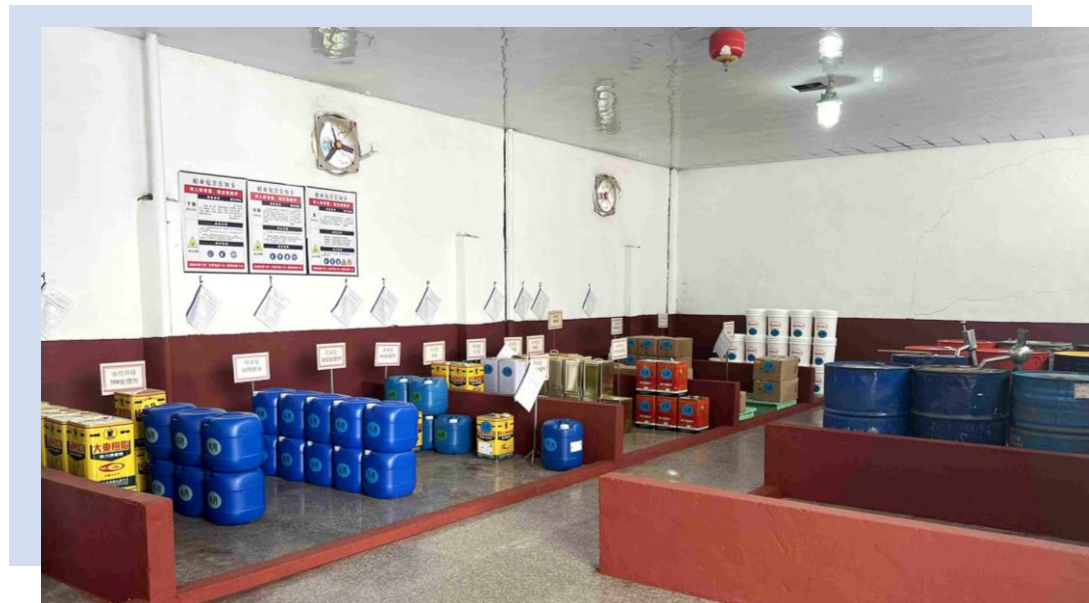
At Li & Fung, we are unwavering in our commitment to ensuring our supply chains are devoid of hazardous chemicals, prioritizing compliance and safety above all. Our strategy encompasses both: regulatory mandates and voluntary initiatives, focusing on two primary levels of compliance: upstream and endpoint. Upstream compliance is governed by Manufacturing Restricted Substance Lists (MRSL) that deter manufacturers from utilizing specified substances, while endpoint compliance is directed by Restricted Substance Lists (RSL), prohibiting specific substances in finished goods.

The regulatory framework serves as a cornerstone for conducting business and distributing goods within key markets, including the European Union and the USA. Our agreements with suppliers and factories clearly stipulate the types of restricted substances lists to comply with. Compliance is ensured either through recognized certifications, such as Oeko-Tex standard 100, or by performing physical tests on the products, verified by our quality teams and third-party laboratories.

The voluntary approach is driven by the ambitions of brands and retailers to elevate safety standard and minimize their impact on consumers, workers and the environment. A variety of tools, certifications, and lists are available as industry best practices, and we actively collaborate with clients to craft and execute bespoke requirements. A prime example of this is adherence to program, which defines the best practices in terms of MRSL, and is completed by wastewater testing protocols. Factories must share their chemical inventories and ensure compliance with the MRSL guidelines, and conduct regular wastewater analyses. These analyses are comprehensive, assessing a wide range of quality indicators, such as chemical and biological oxygen demand, ammonia, nitrogen, and heavy metals. The requirements from brands for their factories to

integrate with chemical management tools or platforms has greatly increased in 2023. Our customers are becoming increasingly concerned about worker safety and making the decision to purchase certified products such as [Oeko-Tex](#) or [Bluesign](#). They also encourage suppliers to use chemical inventory innovative tools such as the [Bhive](#) by Goblu.

Following international regulations to phase out the Per- and Polyfluoroalkyl Substances (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.





## 9.5 ENVIRONMENTALLY AND SOCIALLY CONSCIOUS PRODUCTS

The appetite for product sustainability has gradually grown over the years, evolving from a niche interest to a widespread market demand evident today. For many years, teams at Li & Fung have prioritized the delivery of products that not only boast certified and verifiable environmental and social positive impacts, but also maintain our high standards of quality. This commitment to sustainability encompasses a comprehensive approach involving the selection of superior raw materials, enhanced manufacturing processes, and improved better packaging solutions, all developed in collaboration with our partners and customers.

### 9.5.1 CHOICES OF RAW MATERIALS

The environmental impacts of raw material extractions are by far the largest across the lifecycle of a product. Since 2019, we have partnered with [Textile Exchange](#) and [Cascade](#) (priorly known as the Sustainable Apparel Coalition -SAC) to better assess the footprint of the early stages of the supply chain, and identify scalable solutions to minimize it. Our teams of merchandisers and customers are trained on materials, certifications standards and Life Cycle Assessment data to better understand the footprint of raw materials used.

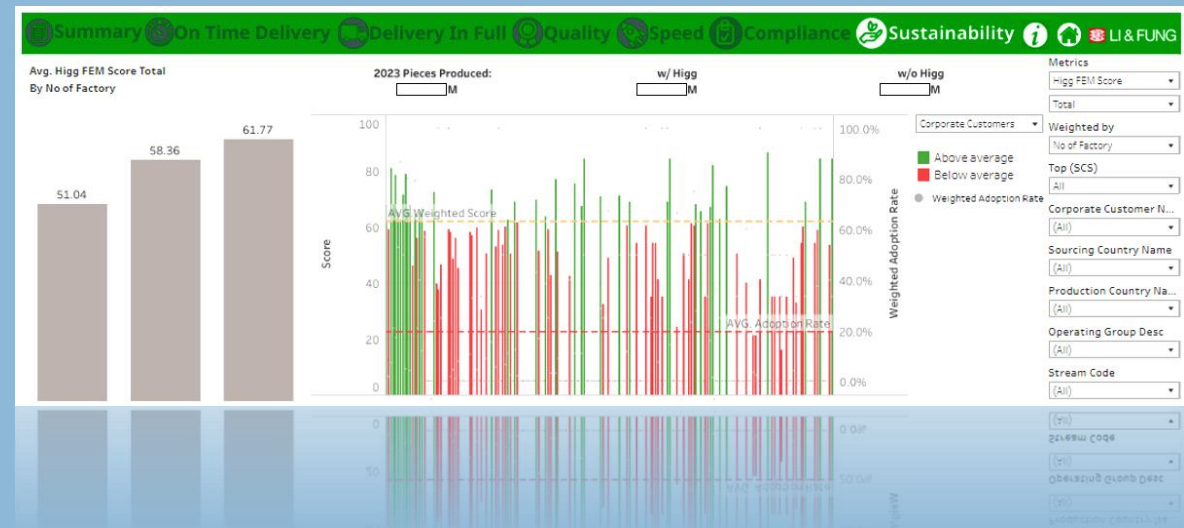
Li & Fung offers tailored services that include the development of specific Standard Operating Procedures (SOPs) and playbooks. These resources are designed to guide and support our teams in producing more sustainable products, ensuring compliance, and enabling the effective monitoring of our sustainable products and accessories programs.



## SUSTAINABILITY DASHBOARD

Our teams developed a Sustainability dashboard, a unique tool created in collaboration with Textile Exchange and GOTS. Designed to capture and display factory certifications, along with the scope of operations and products. This tool is tailored for our production and merchandising teams. Immediate access to this information allows our team to swiftly identify relevant factories and ensure the continuity of certifications year after year.

In addition to the certifications, we have incorporated data from the Higg FEM, merging the concepts of sustainable products and factory performance. This approach treats them as two sides of the same coin, enabling and promoting more sustainable supply chains.





### 9.5.2 WASTE MANAGEMENT AND CIRCULARITY

Waste and circularity within supply chains present a complex challenge. The perception of waste—whether as a treasure or a burden—varies significantly, depending on factors such as factory location, materials used, mix of streams, and the potential for treatment and monetization. Today, platforms facilitating connections between factories and waste management companies are expanding, and recycling technologies are rapidly advancing. These improvements enable the use of higher content of recycled materials in new products.

In 2023, several strategic vendors have embarked on fiber-to-fiber recycling within their facilities. This process diverts fabric scraps from landfills to onsite recycling plants, where the material is transformed into new yarn for producing new products. This innovative approach not only yields substantial environmental benefits, but also offers financial gain by converting waste into cash.

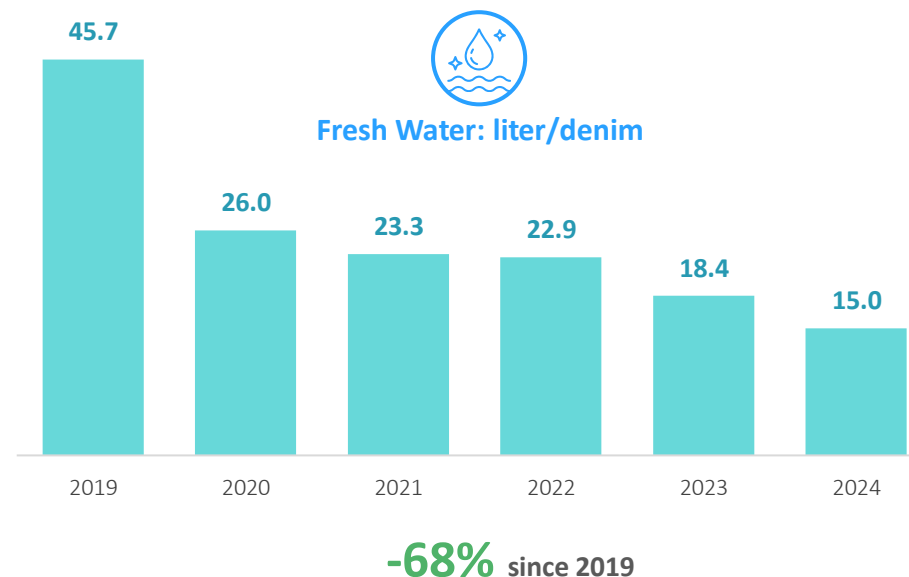
Leveraging this experience, our future goal is to further accelerate the matchmaking between factories and waste management companies, thereby enhancing the circularity across our supply chains.

### 9.5.3 BETTER PROCESSES

Denim washing and finishing are critical processes in addressing water use within supply chains. Each style brings its own set of challenges: from the relatively minimal impact of raw blue denim, to the significantly higher water and chemical consumption associated with fashionable styles featuring whiskers, abrasions, acid patterns, etc. Employing efficient machinery and harnessing technical expertise are essential to making these styles water efficient.

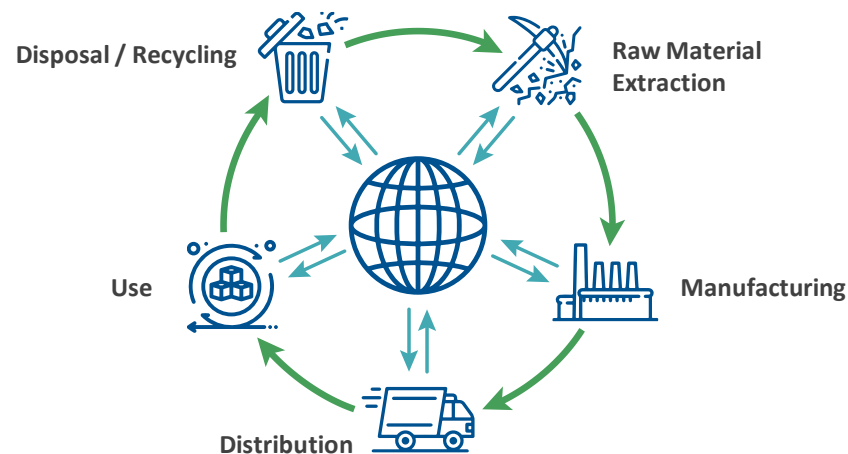
Our teams of experts from Li & Fung Jeanswear, in collaboration with factory technicians, selects cutting-edge processes to reduce the environmental impact of each garment. To aid in the selection of production steps, they utilize the Environmental Impact Measurement (EIM) tool. This tool digitally quantifies various KPIs, such as water used (liters per piece), energy (kWh per pieces), chemicals and worker safety, culminating in an aggregated global score. Employing these measurements at the development stage enables the teams to better understand the impacts of each operation and collaboratively decide the best ways to create products desired by the customers, while minimizing the impacts of the manufacturing.

In 2023, Li & Fung's Jeanswear team initiated third party verification of these scores to ensure confidence and reliability for brands wishing to publicly claim the savings generated. Sustainability is not just a nice-to-have; it is fully integrated into our value proposition.



#### 9.5.4 PRODUCT TRANSPARENCY AND LIFE CYCLE ASSESSMENT (LCA)

Regulations in Europe are rapidly evolving to prevent greenwashing and to better structure the market. Throughout 2023, we have supported our suppliers in understanding the forthcoming requirements, such as the Anti-Waste Law for a Circular Economy (AGEC) Law in France, and the European Union Green Deal, along with all necessary related actions. Our efforts have been focused on raising awareness, participating in various vendor summits organized by customers and partner organizations.



We initiated a pilot project to quantify the environmental footprint of our products, aligning with the upcoming requirements from the European Union. This project follows the approved methodology and accredited factors, representing collaborative efforts among several business units. The initiative responds to immediate market demands for transparency on specific metrics, such as greenhouse gas impacts of each product. It also prepares us for the expected set of regulations in Europe, which are anticipated to commence January 2025, as part of the EU Green Deal. The strategic meanings of these efforts will continue to grow in the coming years, as other regions increase their requirements and scrutiny around products sustainability, transparency and public claims.

#### 9.5.5 ECO-DESIGNED PACKAGING

At Li & Fung, we offer tailor-made solutions on POSM (Packaging, Premiums, POS, and Textile) to our brand customers. We are aware of the significant environmental impact of packaging at all stages of its life cycle and are committed to mitigating these effects. Our teams work closely with brands and supply chain partners to explore and identify sustainable packaging alternatives. This collective effort is part of our dedication to reducing the environmental impact while maintaining the integrity and protection of the products we handle.

##### REPLACING PLASTIC PACKAGING WITH PAPER-BASED PACKAGING

At Li & Fung, we are committed to limiting the use of plastic in both our products and packaging. In 2023, Promocean (one of Li & Fung's entities) replaced the plastic adhesive tapes by using paper tapes to seal export cartons. During the reporting period, Promocean eliminated plastic adhesive tapes from 77% of our total purchasing volume, which accounts for around 1.1 million meters of plastic paper tape. This accomplishment not only helped us cut down CO<sub>2</sub>e emissions by 3.67 tons but also conserved 607 m<sup>3</sup> of water.

We also work with customers on eliminating the use of polycotton handles and plastic lamination to ensure the shopping bags can be fully recycled. This type of packaging is now using the paper cord handles made of 40% FSC recycled kraft paper and printed with organic ink.



##### USING RECYCLED AND CERTIFIED CONTENT

All offices of Miles Promocean are FSC certified, and we have increased our purchase volume of full chain of custody certified items by 28% from 2021 to 2022. Though not all our products bear the FSC brand, we have decided to exclusively purchase FSC certified paper and board for the manufacturing of our packaging items. Initially, this initiative was implemented for products that were headed to Asian and European markets, and in 2023, out of the total 1,685 tons of paper and board that we purchased, 98% was FSC certified. Our next goal is to extend this best practice to the products that are shipped to the USA.



We teamed up with customers to develop a shopping bag that was constructed using RPET as opposed to conventional polyester. The choice to use this material was instrumental in preventing the release of 28.3 tons of CO<sub>2</sub>e into the environment and preserving 9,563 m<sup>3</sup> of precious water.

## GROWTH AND EMPOWERMENT

As an active and responsible business leader in the supply chain solutions industry, Li & Fung is committed to implementing the best ESG practices and creating long-term value for its people, partners and planet. Our people power our business, and we are committed to their wellbeing and development.



# 10

## Growth and Empowerment

### SUSTAINABLE DEVELOPMENT GOALS



At Li & Fung, people are the great asset of our company. We are dedicated to cultivating an environment where each individual feels a strong sense of belonging, is appreciated, and is duly acknowledged for their invaluable contributions. Our commitment lies in fostering a culture of high performance, inspiring our team to consistently provide exceptional service to our clients.

#### OUR PEOPLE STRATEGY

Our company deeply values the remarkable strength of our people. We have a global reach that enables us to attract and retain highly motivated professionals with an entrepreneurial mindset and expertise in supply chain dynamics. We remain steadfast towards caring for the people across our value chain who contribute to our success — by respecting human rights across our operations and supply chain. Our commitment is to create a nurturing atmosphere that fosters a deep sense of belonging among all individuals, where their valuable contributions are appreciated and recognized.

From our innovative designers, meticulous merchandisers, quality assurance and control experts to the astute professionals in business development and operations, our company comprises of some of the world's most skilled individuals in their respective fields. They are the driving force behind our continual growth and success. Our commitment lies in fostering a culture of high performance and mutual respect, inspiring our team to consistently provide exceptional services for our customers.

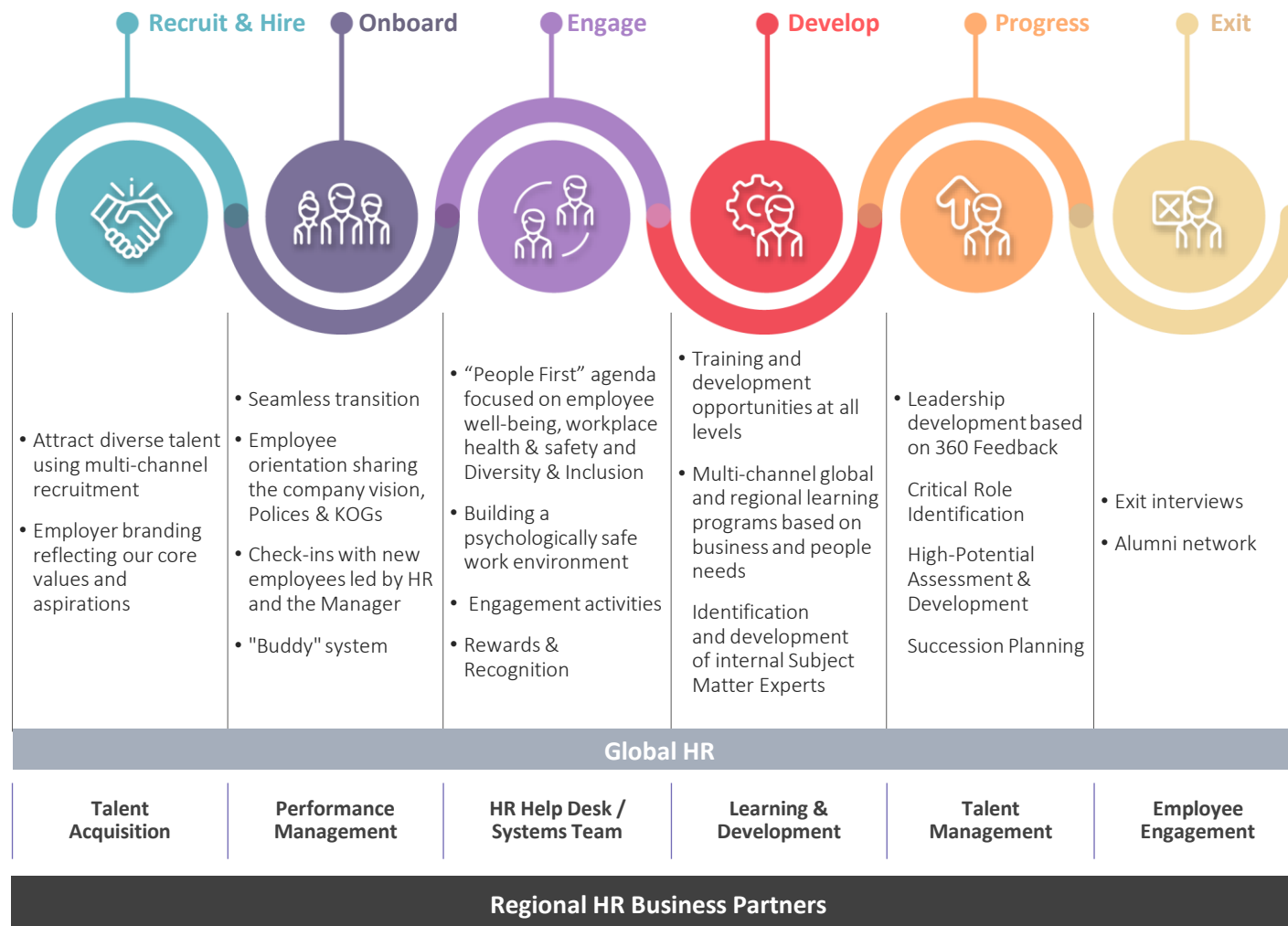
In line with our core values, *Family, Entrepreneurship and Humility*, we place a significant emphasis on fostering diversity, prioritizing the wellbeing of our people, and ensuring a workplace that is both respectful and safe. Our people-focused strategy revolves around three key areas: actively engaging our diverse global workforce, enhancing the overall wellbeing of our teams, and consistently attracting and nurturing exceptional talent.

Our dynamic, inclusive, and flexible culture is focused on learning and collaboration, empowering our people to develop skills for the future. We foster an environment that encourages educational opportunities for both personal and professional growth, prioritizing a 'people-first' approach that permeates our entire company culture. This top-down emphasis on personal development not only enhances our collective success but also contributes significantly to fostering an inclusive and supportive atmosphere.

As responsible corporate citizens, we understand the importance of giving back to the local communities in which we operate. We are committed to making a lasting, positive impact by continuously supporting the development and alignment of our efforts with the values and needs of these communities. By actively engaging and contributing to the wellbeing of the society around us, we aim to create a sustainable, long-term positive influence.



## LF TALENT MANAGEMENT APPROACH



### LF TALENT MANAGEMENT APPROACH

In today's fast-changing geopolitical and business environment, we need to have the best talent to drive growth across our global offices. Our senior management recognizes that having a healthy talent pipeline is key to our future success and the stability of the organization. Our holistic organization-wide global talent management process begins with attracting the best diverse talent from across the globe, ensuring their seamless integration into the organization and continuously engaging with them. We prioritize the growth, development and learning of our people and provide upskilling opportunities at all levels. Both external and internal Subject Matter Experts contribute to our range of Learning programs and workshops.

Our global Talent Management Approach focuses on current and future critical jobs, talent and development needs, and succession planning. Workforce planning also enables us to identify our high potentials early on so we can plan their career path and growth within the organization.

The Li & Fung alumni network is an asset to the organization. Many colleagues rejoin Li & Fung after working in other parts of the industry and this is a testament to the strong and positive relationships, we have with our people.

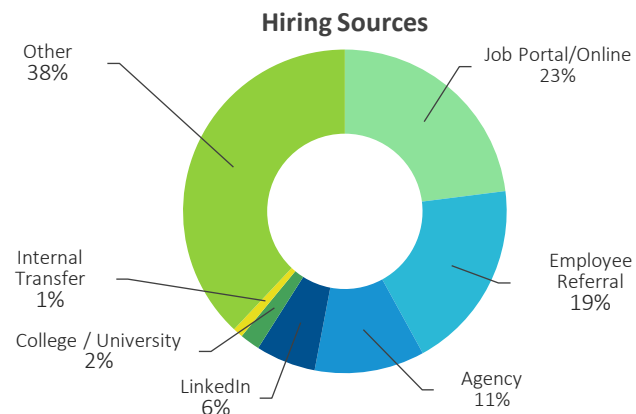
### 10.1 ATTRACTING TALENT

Our people are our most valuable asset. As a global supply chain solutions provider, Li & Fung depends on the skills and expertise of our people to innovate, design, and deliver quality products and services to our customers. We recognize that our people are essential to the execution of our company's strategy, and maintaining a skilled, motivated, and diverse workforce is critical to our success. The company places great emphasis on empowering our people and providing opportunities for professional development and career growth. Moreover, the company's reputation, brand image, and competitive advantage in the industry rely heavily on our people and the dedication of their contributions. Therefore, ensuring that people feel engaged, valued, and supported is not only essential for the company's success but also for maintaining a positive and sustainable work environment.

Li & Fung is committed to attracting, developing, and retaining top talent to achieve our strategic goals and objectives. To attract talent, we implement various talent acquisition strategies such as job postings, proactive talent search, talent network, employee referrals, and partnerships with recruitment agencies. We constantly explore new recruitment channels and platforms to broaden the candidate pipeline and network.

In 2023, there were **579** new hires globally for Li & Fung. The major recruitment channels are **23%** from job postings/online search, **19%** from employee referral and **11%** from recruitment agencies. Employee referrals are an effective and efficient way to attract talent by leveraging existing team members' connections and networks. We continue to promote our employee referral program, with an attractive referral bonus, with the goal to reach a successful fill rate. In 2020, Li & Fung launched the "Join LF Talent Network" campaign to build an external talent pool by inviting passive candidates who may not be actively searching for job opportunities to sign up to our talent network and to be matched with future career opportunities by our talent acquisition team. In 2023, **366** applications joined the LF Talent Network, and the total number of responses received since launch was **1,625**.

### Hiring: 579 New Hires



Li & Fung focuses on promoting its workplace culture, values, and reputation as a preferred employer to attract top talent. We are committed to driving innovation and sustainability as well as employee empowerment and development. In October 2023, our India office was awarded the **Great Place To Work®** certification. This is a testament to the hard work our people has put in, especially our leaders and managers who have helped to build and deliver a great work culture on a daily basis.

Li & Fung firmly believes in the importance of employee engagement and a positive work culture to enhance job satisfaction and retain top talent. Engaged employees are more productive, innovative, and dedicated to achieving their goals. In 2022, we launched a global Employee Engagement Survey. Based on the survey results and focus groups feedback, in 2023, Li & Fung has successfully implemented various engagement initiatives and campaigns in our many different office locations. The voluntary turnover for 2023 is **10.7%** which is 2.3% lower than 2022. Looking ahead, we will continue to do more to boost employee engagement at the office.

As an equal opportunity employer, Li & Fung is committed to treating 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. In 2023, we have rolled out the Responsible Recruitment Policy to Li & Fung HR community and HR is mandated to follow and comply with the policy. Li & Fung values fairness, social responsibility, and human rights and prioritizes ethical and fair labor practices in the company.

Li & Fung provides its employees with opportunities for growth and development, including professional training, leadership development programs, and international assignments. In 2023, a total of **24,347** learning hours have been completed, a **37%** increase from 2022. The average learning time for each employee is **6.3 hours**.

### 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. In 2023, the total number of followers on LinkedIn increased to **186,296**, showing a year-on-year follower growth of **15.6%**.





## 10.2 CREATING A DIVERSE, EQUITABLE AND INCLUSIVE WORKFORCE

The mission of Li & Fung's Global Diversity and Inclusion program is to create a workplace where all individuals are respected and differences and similarities are valued, by promoting awareness and education about diversity and inclusion. We believe that the contributions of our colleagues are richer because of their diversity, and we aim to always provide fair and equal opportunities and foster an inclusive culture that builds psychological safety for our people.

We cherish diversity, and our company is built upon the resilience of unique individuals, varied experiences, and diverse voices. They form the very essence of our identity and influence the way we operate. We understand that establishing and maintaining a fair, equitable and welcoming environment for all people requires building a culture of belonging: a shift from awareness to empathy — while demonstrating inclusive leadership that cultivates trust among our people and our clients.

We remain unwavering in our commitment to cultivate a culture of belonging, operating as a responsible business, working to advance a more equitable, resilient planet and building trust through education, awareness, and governance.

We achieve our mission and commitment by fostering dialogue and promoting diversity, equity, and inclusion (DEI) across the company through education and engagement.

Our actions: Creating a safe and open environment and culture where D&I conversation and learning is welcomed through:

- **D&I monthly article series** on One Family. In 2023, 12 articles have been published reviewing topics such as: Break the bias – Celebrating International Women's Day; Cultural Competence; World Inclusion Day - What is inclusion; Working with disability and unconscious bias, Holidays around the globe, and more.
- **D&I speaker series** discussing topics such as: Black History Month – Navigating DE&I around the educational systems; Asian-American hatred in the US; Islamophobia and anti-Semitism; Belonging, learning, growing; Hispanic Heritage Month; Pride Month, and more.
- **Educational workshops** tackling topics such as: Gender diversity, Unconscious bias, Mental health and Healthy lifestyles.



### THE MISSION OF LI & FUNG'S GLOBAL DIVERSITY AND INCLUSION PROGRAM IS:

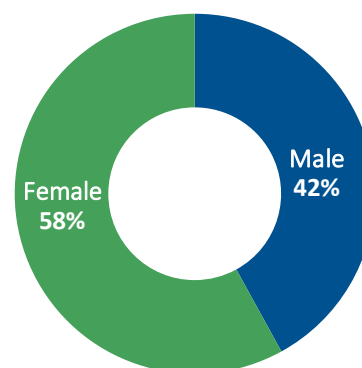
Creating a workplace where all individuals are respected and differences and similarities are valued, by promoting awareness and education about Diversity and Inclusion.

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.

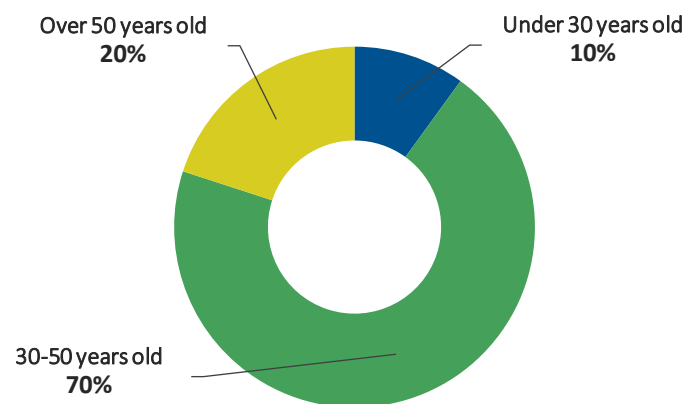
By creating a diverse workforce that is engaged to deliver our strategy and help customers thrive wherever they are, and connecting them to opportunities near and far, big and small, diversity provides Li & Fung with a competitive advantage and the promise of a more sustainable future. A snapshot of a few articles published in 2023 are below:



TOTAL WORKFORCE BY GENDER



TOTAL WORKFORCE BY AGE-GROUP



Being an equal opportunity and inclusive employer, we ensure that that women are not discriminated against based on pregnancy, motherhood or family responsibilities during the recruitment or employment process. Flexible working arrangements, availability of breast-feeding rooms, family-friendly days, maternity & paternity leave options and building an inclusive and supportive work environment are all efforts taken in this direction.

#### UPDATED ANTI-HARASSMENT & ANTI-DISCRIMINATION POLICY & PROCEDURE AND FACEUP ONLINE HARASSMENT REPORTING TOOL

At Li & Fung, we are committed to creating and maintaining a workplace free of harassment and discrimination, where all individuals are treated with dignity, equality, and respect. We have a zero-tolerance policy for behavior that creates an intimidating, hostile, or offensive work environment and we prohibit retaliation against employees who report concerns related to harassment or discrimination. To this end, we launched our Global Anti-Harassment & Anti-Discrimination Policy & Procedure in 2019.

In 2023, we have updated the **Global Anti-Harassment & Anti-Discrimination Policy & Procedure** and introduced **FaceUp**, a secure online platform that provides employees with an additional channel to report any illegal or unethical behavior, harassment or discrimination issues, or any other concerns. With this platform, employees can file reports anonymously or non-anonymously by using the app, website, browser link, or QR code. Our designated personnel will handle all reports with the utmost confidentiality. The mobile application can be downloaded from Google Play or the App Store. All employees are required to read and acknowledge the Policy on Workday.

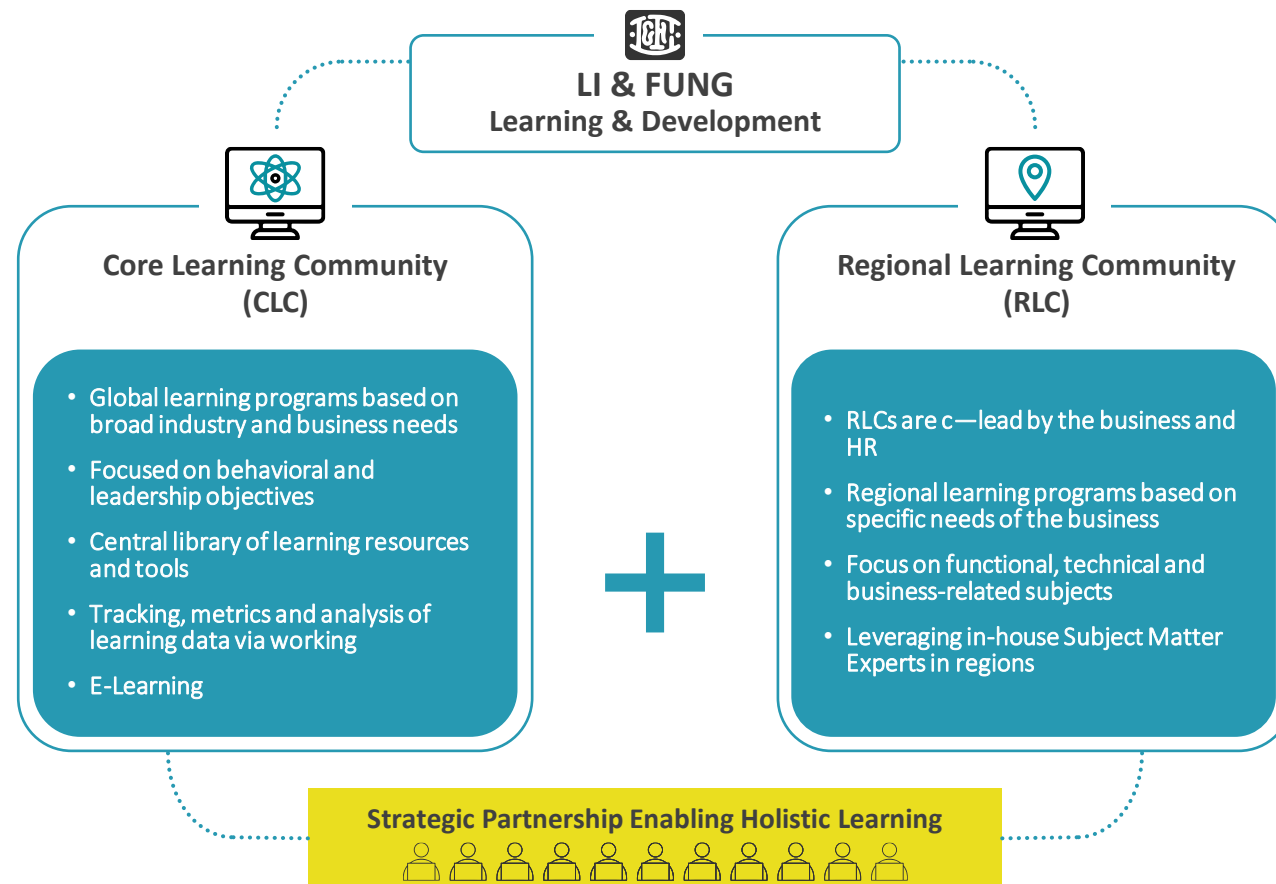
### 10.3 EMPOWERING OUR PEOPLE

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 offer programs that focus on leadership, building business skills and professional knowledge. Our approach to building a multi-channel range of learning resources is based on the need for flexible, efficient, targeted, and effective learning options. We use a combination of e-learning, virtual workshops/webinars, microlearning, in-person workshops, and social learning platforms.

Total  
training hours:  
**24,343**  
Average training  
hours per employee:  
**6.3**

We must 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 team constantly re-evaluates the company's needs by partnering directly with our business leaders to identify areas of improvement. In 2023, we continued our RLC (Regional Learning Communities), focused on the business and people needs in our respective regional locations including China, Hong Kong, Greater ASEAN, Indian Subcontinent, United Kingdom & Europe, and Americas (US & Latin America). In addition, the CLC (Core Learning Communities) offer global learning programs to keep our people up to date with core business knowledge, new industry developments and market trends. Topics include:

- AI & Chat GPT in Business
- Presentation Skills
- Communication & Listening Skills
- Financial Acumen & Business Analytics
- Product Knowledge
- Product Costing & Sampling
- Quality Assurance
- Change Management
- Technical Applications Trainings
- And more



Our methodology to learning encompasses training workshops, mentorships, experiential learning, and self-advocacy. In 2023, with the emphasis on regional programs, internal Subject Matter Experts emerged as key trainers. Several significant programs include - Product Costing, Product Knowledge, Sustainability in Apparel, Business Analytics, Finance for Non-Financial Roles, Leadership Skills, Making Impactful Presentations and more. The Learning Needs Analysis Survey conducted in 2022 and findings from the survey have offered data to support the development of the below 2023 L&D Strategy for the company to ensure the needs of the business are our primary focus. Inclusivity for all is paramount to everything we do and therefore, all workshops are available virtually as well as in-person in some locations globally. Our e-learning platform is accessible 24/7 and updated on a regular basis by our CLC, Core Learning Community.





### DEVELOPING OUR PEOPLE

The 360-feedback process identifies high performers by reviewing current performance and future potential. The 360-degree feedback enables our colleagues to understand their behavior and performance from diverse perspectives, and hone-in on strengths and areas of enhancement. Our Company encourages ongoing feedback, two-way communication, and development for continued growth by utilizing tools such as the 360 assessments. In 2023, we completed the 360-feedback assessment process for all Grade 3 colleagues (over 490) and, to date, we have completed over 725 360-feedback assessments with feedback provided by over 4,000 colleagues. This feedback provides further insight for the Individual Development Plan for each employee.

In 2023, the performance management process emphasized setting meaningful business-related goals along with Personal Development Goals for everyone. All employees are assessed on 6 behavioral and leadership competencies in addition to their KPI driven goals. We encourage frequent check-in meetings and ongoing communication between manager and employees with timely exchange of feedback and coaching to drive performance and improve employee morale. We believe that performance management and employee development should be a year-round process and part of the company culture, rather than a one-off activity during the year-end performance review cycle.

### ENGAGING & REWARDING OUR PEOPLE

Each year, we hold various 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 have the opportunity to connect and 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.

The annual global Performance Management process allows for comprehensive review of past performance with a focus of looking forward with ongoing communication between managers and associates throughout the year. Annual review and implementation of merit increases and bonuses reward performance.

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

## LONG SERVICE AWARDS

Each year, we also recognize our people's work anniversaries with Li & Fung, from 5 to 45 years, through our Long Service Awards ceremony, where awardees are presented with gold coins and gold pins for their years of service to the company in multiples of 5 years.



## LF GEM AWARDS

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 six months to each win a cash prize. Semi-annual 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. Those nominators are also then eligible to receive a cash prize if their nominee goes on to win a Semi-Annual Award.





#### 10.4 PROMOTING WELLBEING

When our people are happy, healthy and provided with a safe, inclusive workplace, we're enabling everyone to thrive in both their personal and professional life. Our strategy and programs are tailored to support our people's 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 integration:** to encourage healthier work-life integration, we have started to communicate the importance of utilizing one's holidays, vacations, and leaves.
- **Hybrid Working Arrangements:** a win-win hybrid working arrangement with more flexibility and efficiency to support our people and business needs.
- **Health education:** to support our people and raise awareness of healthy habits for good physical, emotional and mental health through education and awareness.

In 2023, Li & Fung continued to promote healthy work-life integration across our various office locations to ensure our people's wellbeing and sustainable growth for both our businesses and our people. Below is summary of key activities organized globally:

- A total of 144 health & wellbeing activities were held in 14 locations, consisting of 74 in-person events and 70 online sessions, with over 6,640 participants globally. The activities cover topics ranging from nutrition and heart health to mental health & emotional wellbeing. Topics include – Nutrition, Heart Health & Disease Prevention, Diabetes Awareness & Prevention, Mental Health Awareness, Stress Management, Men's Health Awareness, Cervical Cancer Awareness, Eye-Health Awareness, Free Health Check-up for Employees, Free Eye Check-up for Employees and more.
- A Wellness Employee Resource Group (ERG) was launched in Q1 2023; the ERG members are from various operating groups and different locations.
- A new virtual community "Living Wellness" launched via Viva Engage in Q3 2024.
- Annual Leave is a key benefit that impacts our people's wellbeing and allows them to rest and recharge. In 2022, we set a goal to encourage our people to better manage and utilize their annual leave days. Unused annual leave balance reduced by 2% in 2022, and further reduced by 1% to 50% at the end of 2023.



### DISCOVER WELLNESS PROGRAM

Discover Wellness is aimed at promoting a culture of wellness and wellbeing for our employees by sharing best practices in nutrition, physical activity, mental and emotional health. It is driven by our desire to look after and take care of our employees, who are our greatest asset. Through various channels and initiatives, we conduct awareness-raising activities to encourage the incorporation of these practices into our daily lives. These include:

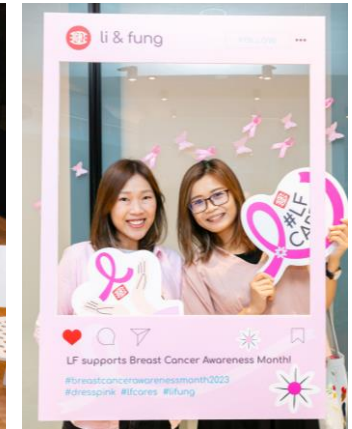
- The creation of an Employee Resource Group named Circle of Wellness, with monthly meetings for a total of 8 sessions in 2023.
- “Discover Wellness” monthly article series on the company intranet OneFamily with a total of 11 articles with 585 reads published in 2023.
- Annual global breast cancer awareness campaign, including educational talks by doctors and health professionals, awareness events and team building activities.

A few snapshots of the “Discover Wellness” articles published in 2023 are below:



### BREAST CANCER AWARENESS CAMPAIGN

Every year, we dedicate October to supporting the health of our colleagues and communities around the world and raise awareness on the topic of breast cancer and prevention. At our headquarters in Hong Kong, we partnered with the Hong Kong Breast Cancer Foundation to host a wellness talk and share knowledge.





## COMMUNITY ENGAGEMENT

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.



# 11

## Community Engagement



Li & Fung's long-term success is interdependent with the local communities. 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.

Our unwavering commitment is to effect positive change within society, leveraging our resources to fulfill our social responsibility. We are dedicated to maximizing our contributions to make a meaningful and lasting impact on the communities we serve. In 2023, our colleagues organized and participated in over 33 community engagement activities, including – Blood Donation Camps, Warm Clothing Distribution Drives, Volunteering at Old Age Homes & Orphanages, Fundraising for Earthquake in Turkey and more. A snapshot of some of our initiatives are shared here.

Li & Fung Korea partnered with Gonggam Green Story, a non-profit organization, to transform discarded clothing and fabric into tote bags for people in need.



Li & Fung Cambodia has a long-standing relationship with the Aloha Learning Center Orphanage. It is a registered local NGO recognized by the Royal Government of Cambodia via Prakas of the Ministry of Interior. Aloha Learning aims to upgrade the quality of lives for children and youth in Cambodia with structural education program (formal and informal), via the Aloha Scholarship Program for further education at universities and vocational training centres. In November, a group of Li & Fung colleagues visited the centre to spend time with the children and donated several school supplies.







Our colleagues in the Korea office partnered with Gangnam Green Story, a non-profit at the Gangnam-gu government office, on a 'sustainable zero-waste' themed activity to remind colleagues of the importance of practicing sustainable habits in everyday life. The activity involved turning used bottle caps into toothpaste squeezers.

Li & Fung partnered with the Hong Kong Red Cross Blood Transfusion Service to host a blood drive in our Hong Kong office.



On March 17, the LF Corporate Services team in Hong Kong hosted the #LFCares Spring Charity Bazaar. The team partnered with five local charities in Hong Kong to raise awareness of different groups of people in need, and provide a space for them to sell snacks, beverages, handmade products and accessories. A charity soup sale was also held, with all proceeds going to the charities. It was heartwarming to see so many of our colleagues gathered together to connect and give back to our local communities.







Before

Li & Fung Hong Kong office started the [Fabric Upcycle Network \(FUN\)](#) in July 2023, an impactful initiative to collect and then donate our unused office fabrics to give them a second life while also supporting those in need. The collected fabrics are then upcycled into various craft items and accessories by schools and other non-profit organizations.



After

Fabric Upcycle Network



In October, our colleagues in India took part in the prestigious annual [Delhi Half Marathon](#) by participating in the 4.5 kilometre Great Delhi Run category. Established in 2005, the Delhi Half Marathon has cemented itself as one of India's largest sporting events. Every year, the city joins together to share their love for running and inspire others to challenge themselves.

In January, Li & Fung sponsored 23 Li & Fung colleagues as runners to take part in the [2024 Hong Kong Standard Chartered Marathon](#). The annual race is the largest participatory sporting event in Hong Kong and a great source of pride for our community.



## APPENDIX - I

### ESG Performance Indicators

ENVIRONMENT PERFORMANCE TABLE				
	UNIT	FY2021	FY2022	FY2023
GHG Emissions				
Direct Emission (Scope 1)	Tonnes of carbon dioxide equivalent ("tCO <sub>2</sub> e")	924.73	855.85 <sup>9</sup>	549.93
Indirect Emission (Scope 2-location based)	tCO <sub>2</sub> e	6,629.02	5,533.72 <sup>10</sup>	4,276.36
Indirect Emission (Scope 2 -market-based)	tCO <sub>2</sub> e	6,629.02	5,269.62 <sup>11</sup>	4,130.18
Total GHG Emissions (location-based)	tCO <sub>2</sub> e	7,553.76	6,389.57	4,826.29
Total GHG emissions (market-based)	tCO <sub>2</sub> e	7,553.76	6,125.47	4,680.12
Energy Consumption				
Electricity	Megawatt hours ("MWh")	13,519.74	12,639.63 <sup>12</sup>	9,345.92
Natural gas	Megawatt hours ("MWh")	2,805.14	2,998.13	1,553.02
Petrol	Litre ("L")	9,896.60	5,091.77 <sup>13</sup>	5,483.10
Petrol	Megawatt hours ("MWh")	140.36	72.21 <sup>14</sup>	77.76
Diesel	Litre ("L")	99,185.56	108,950.36	96,182.49
Diesel	Megawatt hours ("MWh")	939.80	1,032.32	911.35
Purchased green electricity	Megawatt hours ("MWh")	-	766.26	422.36
Solar power	Megawatt hours ("MWh")	-	237.36	155.67
Total Energy Consumption	Megawatt hours ("MWh")	17,415.39	16,742.30 <sup>15</sup>	11,888.05
Resource Consumption				
Water	m <sup>3</sup>	57,840.40	38,654.04	22,463.21

<sup>9</sup> 2022 Scope 1 figure was modified due to the reporting boundary change.

<sup>10</sup> 2022 Scope 2 figure was modified due to the reporting boundary change.

<sup>11</sup> 2022 Scope 2 figure was modified due to the reporting boundary change.

<sup>12</sup> 2022 Electricity figure was modified due to the reporting boundary change.

<sup>13</sup> 2022 Petrol consumption figure was modified due to the reporting boundary change.

<sup>14</sup> 2022 Petrol consumption figure was modified due to the reporting boundary change.

<sup>15</sup> 2022 Energy consumption figure was modified due to the reporting boundary change.



## APPENDIX - I

### ESG Performance Indicators

SOCIAL PERFORMANCE			
TOTAL WORKFORCE	FY2021	FY2022	FY2023
Total number of existing employees	4,578	4,248	3,892
By Gender			
Female	2,716 (59%)	2,461 (58%)	2,247 (58%)
Male	1,861 (41%)	1,785 (42%)	1,632 (42%)
Prefer not to say	1	2	13
By Age			
Under 30 years old	564 (12%)	482 (11%)	381 (10%)
30-50 years old	3,253 (71%)	2,982 (70%)	2,728 (70%)
Over 50 years old	760 (17%)	782 (18%)	770 (20%)
Unknown	1	2	13
By Geographical Region			
Asia Pacific	3,768 (82%)	3,485 (82%)	3,189 (82%)
Americas	187 (4%)	171 (4%)	158 (4%)
Europe, Middle East, and Africa (EMEA)	623 (14%)	592 (14%)	545 (14%)
By Employment Type			
Full-Time	4,500 (98%)	4,168 (98%)	3,808 (98%)
<i>Permanent</i>	3,527	3,297	3,035
<i>Contract</i>	931	835	727
<i>Temporary</i>	21	17	22
<i>Others</i>	21	19	24
Part time	78 (2%)	80 (2%)	84 (2%)
<i>Permanent</i>	68	73	69
<i>Contract</i>	4	4	5
<i>Temporary</i>	4	2	2
<i>Others</i>	2	1	8

## APPENDIX - I

### ESG Performance Indicators

EMPLOYEE TURNOVER RATE	FY2021	FY2022	FY2023
By Gender			
Female	36%	25%	19%
Male	29%	25%	18%
Prefer not to say	—	50%	62%
By Age			
Under 30 years old	65%	41%	46%
30-50 years old	29%	24%	16%
Over 50 years old	29%	16%	16%
Prefer not to say	—	50%	54%
By Geographical Region			
Asia Pacific	33%	25%	17%
Americas	40%	28%	29%
Europe, Middle East, and Africa (EMEA)	31%	23%	28%
Employee Voluntary Turnover Rate	19%	13%	10%
By Gender			
Female	22%	14%	10%
Male	16%	13%	10%
Overall	19%	0%	19%
EMPLOYEE TRAINING	FY2021	FY2022	FY2023
Total number of training hours received by employees	3,258.4	17,713.3	24,342.56
Total number of employees who participated in training programs	2,847	3,886	3,947
By Gender			
Female	63%	91%	58%
Male	37%	92%	42%
Prefer not to say	—	—	—
By Employee Category			
Management	2%	75%	2%
Supervisor	17%	89%	18%
General staff	81%	92%	81%

# APPENDIX - I

## ESG Performance Indicators

SUPPLY CHAIN			
NUMBER OF SUPPLIES BY GEOGRAPHIC REGIONS	FY2022	FY2022	FY2023
TOTAL	5,120	4,864	4,380
Greater China	3,919 (77%)	3,767 (77%)	3,407 (78%)
India subcontinent	533 (10%)	501 (10%)	454 (10%)
Greater ASEAN	485 (9%)	431 (9%)	370 (8%)
Europe & Turkey	126 (2%)	118 (2%)	101 (2%)
LATAM	29 (1%)	18 (1%)	23 (1%)
Rest of the World	28 (1%)	29 (1%)	25 (1%)



## APPENDIX - II

### GRI STANDARDS 2021

DISCLOSURE ITEM	DISCLOSURE TITLE	SECTIONS
Universal Standards		
GRI 1: Foundation 2021		
GRI 2: General Disclosures 2021		
The organization and its reporting practices		
2-1	Organizational details	Chapter 1 – About this Report
2-2	Entities included in the organization’s sustainability reporting	
2-3	Reporting period, frequency and contact point	
Governance		
2-9	Governance structure and composition	Chapter 6 – Our approach to ESG
2-14	Role of the highest governance body in sustainability reporting	
2-17	Collective knowledge of the highest governance body	
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Chapter 6 – Our approach to ESG
2-23	Policy commitments	
2-24	Embedding policy commitments	
2-25	Processes to remediate negative impacts	
2-26	Mechanisms for seeking advice and raising concerns	
2-27	Compliance with laws and regulations	
Stakeholder engagement		
2-29	Approach to stakeholder engagement	Chapter 6.5 – Materiality assessment
GRI 3 : Material Topics 2021		
3-1	Process to determine material topics	Chapter 6.5 – Materiality assessment
3-2	List of material topics	
3-3	Management of material topics	

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	Chapter 7.1 – Business ethics and anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	
<b>GRI 302 : Energy 2016</b>		
302-1	Energy consumption within the organization	Chapter 9.2 – Combatting climate change
302-3	Energy intensity	
302-4	Reduction of energy consumption	
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	Chapter 9.3 – Reducing water consumption
303-2	Management of water discharge-related impacts	
303-3	Water withdrawal	
303-4	Water discharge	
303-5	Water consumption	
<b>GRI 305 : Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	Chapter 9.2 – Combatting climate change
305-2	energy indirect/Scope 2 GHG emissions	
305-3	Other indirect/Scope 3 GHG emissions	
305-4	GHG emissions intensity	
305-5	Reduction of GHG emissions	
<b>GRI 308: Supplier Environmental Assessment 2016</b>		
308-1	New suppliers that were screened using environmental criteria	Chapter 8 – Responsible sourcing
308-2	Negative environmental impacts in the supply chain and actions taken	

DISCLOSURE ITEM	DISCLOSURE TITLE	SECTIONS
GRI 401 : Employment2016		
401-1	New employee hires and employee Turnover	Appendix I – ESG performance indicators
401-3	Parental leave	
GRI 403: Occupational Health and safety 2018		
403-3	Guidance for Disclosure	Chapter 10.4 – Promoting wellbeing
403-6	Promotion of worker health	
403-9	Work-related injuries	
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Chapter 10.3 Empowering our people and Appendix I – ESG performance indicators
404-2	Programs for upgrading employee skills and transition assistance programs	
404-3	Percentage of employees receiving regular performance and career development reviews	
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Disclosure 405-1 Diversity of governance bodies and employees	Appendix I – ESG performance indicators
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Chapter 8 – Responsible sourcing
GRI 408 : Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	Chapter 8.3 – Respecting children’s rights and eliminating child labor
GRI 409 : Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Chapter 8.4 – Ending modern slavery and promoting responsible recruitment
GRI 414 : Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	Chapter 8.1 – Our approach
414-2	Negative social impacts in the supply chain and actions taken	
GRI 416 : Customer Health and Safety 2016		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Chapter 7.2 – Customer service