

# SUSTAINABILITY

## OVERVIEW

2013 marks the close of our latest Three-year Plan and the fourth year of implementing our holistic Sustainability Strategy, which was first formalized in 2009 within our Trading Network. We have also been progressively integrating our Logistics and Distribution Networks into our strategy and this year we have expanded our reporting disclosures in this section to our three Networks of Trading, Distribution and Logistics. Globally, our sustainability initiatives focus on improving social, environmental and economic conditions in our supply, logistics and distribution chains, enhancing the health and wellbeing of our people, reducing the environmental footprint of our operations, and contributing to the sustainable development of the diverse communities where we operate. We have focused our efforts on achieving our 10 Commitments, which help us to address all the areas of our strategy and meet quantitative targets that motivate and enable us to measure our progress.

As we look to our next Three-year Plan and expanding our strategy going forward, we also look back on our performance, which includes what we have achieved, the challenges we have faced and the learning that comes along this journey. We have made progress in implementing our strategy and an important part of this is minimizing risk, effecting change and taking action to address global, sustainable development challenges. These range from climate change, water and resource scarcity and environmental degradation, to the fair treatment, access to education and income distribution of our global citizens. We also reflect on both our responsibility to our employees, to our customers and to our vendors and the workers in our supply chain, and our ability to influence and support positive change in our industry. We recognize that our business is well positioned to improve both working conditions and the livelihoods of workers and their families in our sourcing communities.

While we have always worked to uphold and improve workplace standards, the need for concerted, wide-scale industry action sadly came to the forefront with the tragic death of workers at the Tazreen garment factory in Bangladesh in November 2012 and at the Rana Plaza factory building in March 2013. 2013 has been a significant year for the apparel industry in that these events have galvanized companies to collaborate to implement common standards for safety and to provide practical support for factories to improve conditions in Bangladesh. Actions we have taken to support the victims of the fire at the Tazreen factory and the leading multistakeholder initiatives, such as the *Alliance for Bangladesh Worker Safety* and the *Accord on Fire and Building Safety* that have been organized by industry and non-governmental organizations (NGOs), are provided below. We see these initiatives as standard setters for improvements in safety and workplace conditions globally that will bring increased development and competitive benefits to emerging economies.

Our progress in implementing our Sustainability Strategy and our performance are reviewed quarterly by the Risk Management and Sustainability Committee of the Li & Fung Board. Highlights of sustainability initiatives and achievements in 2013 are shared below.

## ENVIRONMENT

In today's world, the physical and financial challenges arising from climate change, population growth, resource scarcity and environmental degradation are real and impact on business growth and people in communities around the world. We recognize that economic development and quality of life in the developing countries where we operate are even more significantly impacted by these challenges. Furthermore, changes in weather patterns and the increasing severity of storm events are real risks that are already demonstrating impacts to the sourcing, distribution and delivery of goods and services. Addressing these risks and challenges is integral to our Sustainability Strategy and requires us to be more

efficient and to source and use environmentally-responsible resources, materials, equipment, building materials, services, etc. This motivates us to responsibly manage our environmental footprint for what we can control within our own operations and to influence those involved in the sourcing, distribution and logistics aspects of our activities.

Key actions taken within our own operations are shared in this section and those to support our vendors are outlined in the next. Previously, disclosures regarding our environmental performance primarily focussed on implemented initiatives within our Trading Network to reduce the intensity of our carbon footprint and of our water and paper consumption as our global operations expanded, and to adopt sustainability elements in the design, construction and renovation of our facilities. As we have progressively integrated our Logistics and Distribution Networks into our overall Sustainability Strategy, we are able to also expand our reporting; key environmental performance results are provided below for Li & Fung as a whole, and for each of our three Networks. As previously reported, 2010 is the baseline year for measuring Trading's performance results. Going forward, we will set 2013 as the baseline for the Company and each Network, under our new Three-year Plan.

In addition to specific initiatives outlined below, it is worth noting that since early 2011, LF Asia's manufacturing plant in Thailand, which provides an example within our Distribution Network, has been implementing a comprehensive program to raise employee awareness and engagement on sustainability. The program focuses on three areas: greening the facility with vegetation; adopting an approach of "reduce, reuse and recycle" in the implementation of its purchasing, consumption, recycling and disposal systems; and investing in energy-efficient air conditioning, lighting in parking and entrance areas and air compressor systems. These, and other efforts, have resulted in the facility being awarded the Good Environmental Governance Certificate by the Ministry of Industry for the second consecutive year.

## ENERGY AND CARBON

Energy consumption and the nature of our carbon footprint globally are characterized by our Trading Network being dominated by offices, Logistics by distribution centres and warehouses (DCs) and Distribution by manufacturing facilities.

Based on the findings of the Investment Grade Audit that was conducted of our Hong Kong headquarters in 2010, we have been implementing best practices throughout our global offices since then and taking specific actions in our DCs and manufacturing plants to review consumption and invest in energy-efficient building systems, equipment and lighting, and fuel-efficient transport. Year on year, our absolute consumption and emissions have increased as our operations have expanded globally. However and in 2013, the intensity of our electricity consumption over our baseline of 2010 has decreased by 27% by area and of our carbon emissions by 28% by area (m<sup>2</sup>) within our Trading Network. The investments we have progressively made since 2010 in energy-efficient systems, equipment and lighting have also enabled our Trading Network to reduce the intensity of our carbon footprint and collectively, from 2013 onward, to save over US\$600,000 in avoided energy costs each year.

In 2013, we continued to expand energy-saving initiatives throughout our global Networks, which involved both capital investment and behavioral change, including:

- Progressively retrofitting T-8 and halogen lighting with energy-efficient LED, T-5 and CFL alternatives and maintaining appropriate lux levels;
- Optimising performance and energy-efficient retrofits of chillers;
- Turning off lights, computers, monitors and printers when not in use;

## SUSTAINABILITY (CONTINUED)

- Implementing an automatic computer and lighting shutdown policy outside of working hours;
- Consolidating and installing energy-efficient servers, photocopiers, printers and other equipment;
- Maintaining office and server room temperatures at levels that minimise energy use;
- Using renewable energy where feasible; photovoltaic panels generate a portion of our Istanbul office's electricity demand;
- Continuing to implement Logistics' Lean Transport initiative that includes: improving route planning to reduce fuel consumption and carbon emissions; maximising vehicle loads, minimizing truck mileage and consolidating customer deliveries; and optimizing the proximity of DC facilities to supplier and customer locations;
- Sharing and implementing the energy-saving opportunities within our Networks that were identified by our *Energy-efficiency Program* (see Supply Chain section below for details);
- Implementing our *Green Meeting Guidelines* to reduce energy use, consumption and wastage during internal and external meetings, and increasing our use of video conferencing to reduce face-to-face meetings; and
- Implementing our *Sustainable Design, Construction and Renovation Guidelines for New Construction, Major Renovation and Commercial Interiors*, as outlined below. A tailored version for our DCs was also launched in 2013.

Our energy consumption metrics and our Scope 1 and 2 greenhouse (GHG) emissions are provided in the tables below. Data is provided for the years 2010 to 2013 for our Trading Network and on both a consolidated and separate basis for our three Networks in 2013. This data also comprises part of our annual disclosure through the Carbon Disclosure Project.

### WATER AND WASTE

Water conservation is a significant issue for all businesses. Not only is water essential for life, it is an important input to economic activity. In addition to factoring water supply risk into our sourcing, logistics and distribution activities, and supporting our vendors to be water efficient, doing what we can within our own operations is critical. As we have previously reported, we have extensively installed water-efficient faucets, fixtures and fittings in our offices and facilities, including, for example, our facility in Thailand that operates a deionizing water treatment plant that reduces water consumption and brings a net cost saving of US\$6,500 per year. We also encourage our employees to conserve water in their daily lives. In 2013 and as reported in the table below, the Company's water consumption increased in absolute terms as our operations expanded. However, consumption intensity reduced by 5% per person over our 2010 baseline for our Trading Network.

In 2013 and in comparison with our 2010 baseline, we have reduced our absolute paper use by over 20,000 reams and per person consumption has reduced by 28% for our Trading Network. Our offices in Hong Kong use paper that is certified by the Forest Stewardship Council TM (FSC™)<sup>1</sup> as being from mixed, responsible sources. For our Hong Kong offices, we continue to maintain our "Class of Excellent" recognition under the local government's Wastewi\$e scheme. We also reviewed our recycling program and enhanced the capture of our recyclables, including used paper, packaging, aluminum cans and plastic bottles, for recycling by both a local company and social enterprises. Globally and as previously reported, all of our offices and facilities seek to maximise waste reduction, reuse and recycling.

<sup>1</sup> FSC license number FSC-C022427.

A summary of our environmental metrics is provided in the tables below.

#### TRADING NETWORK – ENVIRONMENTAL METRICS COMPARISON FOR 2010–2013<sup>2</sup>

	2010	2011	2012	2013	2013 compared against 2010 baseline	
	Actual Consumption tons CO <sub>2</sub>				Actual Change tons CO <sub>2</sub> equivalent (+/-)	Intensity Reduction CO <sub>2</sub> /m <sup>2</sup>
<b>Carbon (Scope 1 &amp; 2)</b>	35,630	32,120	34,795	36,032	402	-28%
	kWh				kWh (+/-)	kWh/m <sup>2</sup>
<b>Electricity</b>	47,504,489	45,405,947	48,671,935	48,963,692	1,459,203	-27%
	m <sup>3</sup>				m <sup>3</sup> (+/-)	m <sup>3</sup> /headcount
<b>Water</b>	105,310	124,064	125,834	117,928	12,618	-5%
	reams				reams (+/-)	reams/headcount
<b>Paper</b>	136,678	149,072	133,686	116,128	-20,550	-28%

#### TRADING, LOGISTICS AND DISTRIBUTION NETWORKS – ENVIRONMENTAL METRICS BASELINE FOR 2013<sup>3</sup>

	Networks			
	Trading <sup>4</sup>	Logistics	Distribution	Li & Fung
	Actual Consumption			
	tons CO <sub>2</sub>			
<b>Carbon (Scope 1 &amp; 2)</b>	33,198	25,597	42,412	101,207
	kWh			
<b>Electricity</b>	43,745,719	41,687,487	65,857,384	151,290,590
	m <sup>3</sup>			
<b>Water</b>	212,639	332,577	1,014,976	1,560,192
	reams			
<b>Paper</b>	95,280	104,158	72,479	271,917

2 To provide comparability with our reporting since 2010, the environmental metrics include data for our Trading Network, which has office-based operations in Bangkok, Central America, Hong Kong, India, Indonesia, Istanbul, Korea, Shanghai, Shenzhen and Taiwan, and those of our Distribution Network based in Europe and the USA.

3 2013 marks the first year of disclosing data for our combined Trading, Logistics and Distribution Networks. 2013 therefore establishes the baseline year for reporting on Li & Fung going forward.

4 Environmental data for this baseline includes our global offices, six factories in Shanghai and Shenzhen and one warehouse in Hong Kong that are part of the Trading Network. Data for our operations in Europe and the USA, which was previously included in the Trading Network, is now reported as part of the Distribution Network for 2013.

## SUSTAINABILITY (CONTINUED)

### SUSTAINABLE BUILDING AND RENOVATION

Since our first environmental certifications for properties in Hong Kong in 2011, we have continued to integrate sustainability features into how we design, build and renovate our offices, DCs and manufacturing facilities across our Networks. In 2013, two of our office floors in the Empire State Building, which has been refurbished to maximize energy efficiency, were certified to LEED<sup>5</sup> Platinum and one to LEED Gold for commercial interiors. These three new floors, which will be progressively joined by others as the fit out of our premises is completed, feature daylight harvesting with sensors and automatic controls, high-efficiency lighting, optimized heating, ventilation and air conditioning (HVAC) units, demand-controlled ventilation with CO<sub>2</sub> sensors to monitor occupancy and adjust outside air intake and plug load management. Also in New York, our Frye flagship store in SoHo achieved LEED Platinum for retail commercial interiors and features FSC-certified materials, recycled steel and aluminum, as well as an HVAC system that cleans air emissions prior to their discharge. As of 2013, we now have 13 LEED and BREEAM<sup>6</sup> certifications within our Networks, as well as one, Silver Class Green Building certification for our Rui Fang DC in Taiwan.

### SUPPLY CHAIN RESPONSIBILITY AND OUR PARTNERSHIPS

At Li & Fung we recognize that through our business we contribute to economic development in emerging economies around the world and to the wellbeing of workers in our supply chain, as well as their families and communities. Conducting our business transparently and sourcing responsibly provides a powerful opportunity for change and, given the scale of our operations and our presence on the ground and local knowledge, for us to effect sustained industry change.

As we reported previously, 2012 began with the launch of our updated *Code of Conduct for Suppliers* and *Supplier Compliance Manual*. In addition to the training that we previously conducted, in 2013 we held over 500 training sessions for over 18,000 factory representatives as well as 3,000 of our employees. We also updated our compliance rating system and our screening, auditing, assessment, reporting and support tools. In 2013, we significantly expanded the implementation of our updated compliance standards and processes, which are in line with industry requirements, and our offering of capacity-building tools and resources for vendors and factories. These resources, which are outlined below, cover issues and risks associated with business operations and labor, health and safety, environmental and security practices.

- The *Sustainability Resource Center* website, which provides our vendors with access to our compliance resources and tools, updated industry information, training schedules around the world and a suite of resources to assist them to improve performance, has been expanded and enhanced in 5 major languages.
- The *Supplier Compliance Manual*, which outlines how to meet our *Code of Conduct for Suppliers*, has now been translated into 7 languages.
- The *Critical and Major Issues Tutorial* and *Zero Tolerance Issues Tutorials*, which provide detailed guidance to vendors and factories on how to address issues and what is required to demonstrate compliance with LF standards, have also been translated into local languages.
- The comprehensive *Occupational Safety & Health Toolkit*, which assists vendors and factories to adopt safe and healthy systems and practices in their workplaces, is now available in 11 languages and tailored to local requirements.
- Training modules on the prevention of human trafficking, improving workplace conditions, human resources management, meeting local legal standards and export security requirements are available for vendors and factories.

<sup>5</sup> *Leadership in Energy and Environmental Design (LEED)*.

<sup>6</sup> *Building Research Establishment Environmental Assessment Method (BREEAM)*.

- *Sustainable Suggestions for our Partners* provide “how to get started” modules on energy and water efficiency, GHG reduction, sustainable buildings, waste management, lean manufacturing, human resource management and occupational health and safety.
- *Digital Learning Units for Managers and Workers* are a series of short, user-friendly and practical videos developed with the support of the Fung Academy. The first in the series, on fire safety, was launched in 2012 and is now complemented with modules on electrical safety, managing working hours and manufacturing excellence, with more to come.

In addition to our collaboration in Bangladesh, which is described below, we continued to deepen our involvement with several key industry initiatives that bring our customers and industry partners and associations together to work collectively to set standards and effect change. We also collaborate with our customers and NGOs to implement focused programs that address the particular challenges of our industry and the specific countries where we operate. Key examples are provided below.

- In 2013 we were recognized as an International Labour Organization’s Better Work Partner and for which we continue to support factories to improve labor conditions in Cambodia, Haiti, Indonesia, Jordan and Vietnam.
- Recognizing that healthy employees contribute to the health of a business, we work with Business for Social Responsibility (BSR), the Fung (1906) Foundation Limited and our customers to implement the *HER Project* in 14 factories in Bangladesh, China, India, Indonesia, Pakistan and Vietnam. The project empowers women with the knowledge and skills to improve their health, living conditions and livelihoods.
- Working with Care International in four factories on the three-year *Hemaya Project* to empower Jordanian women who work in the Jordanian garment sector, improve workplace relations, reduce poverty and improve livelihood options for local women and families.
- As a signatory to *As You Sow* we engage with our vendors to not knowingly source cotton from Uzbekistan where forced and child labor is a significant concern.
- As a founding member of the Sustainable Apparel Coalition (SAC) we have been actively involved in the development of the Higg Index, with the Higg Index 2.0 being launched in November 2013. In addition to participating in various module working groups, LF assisted in the pilot testing of the footwear and the social and labour modules at three factories in China and collaborated with key customers to develop related training materials.
- We are also members of the Global Social Compliance Programme (GSCP), supporting its efforts to improve working and environmental conditions in the global supply chain through a Code equivalency program.

We also implemented focused initiatives, some in collaboration with customers, which continue to be expanded and replicated in our supply chain. Examples include:

- Raising awareness and training our employees and vendors on the requirements of new legislation, such as the *California Transparency in Supply Chains Act* to combat human trafficking and tracing conflict minerals.

## SUSTAINABILITY (CONTINUED)

- Supported by the Fung Academy, implementing a bespoke *Energy-efficiency Program* for logistics warehouses/ distribution centers, manufacturing plants and apparel and footwear factories. Each participating operation received an energy consumption assessment, an onsite audit and training and support to develop and implement initiatives to reduce energy consumption and improve efficiency. As a result of the program, it was identified that collectively the 15 participating facilities could leverage over 200 opportunities to reduce energy consumption and save up to US\$2.1 million per year.
- Supporting factories to implement an online sustainability assessment tool to review performance against five key sustainability categories of policy and management, energy and emissions, waste and recycling, water and supply chain.
- Conducting comprehensive environmental and carbon footprint measurements for 29 apparel factories in Cambodia, China, Bangladesh, India, Indonesia, Malaysia, Nicaragua and Vietnam. Resources are also provided to improve performance, implement actions and regularly report on environmental and carbon metrics.
- Sourcing environmentally-responsible products, including garments made from organic cotton and recycled yarn, picture frames and furniture made from FSC-certified wood and beauty products that are biodegradable, not tested on animals and free of silicones, sulphates, parabens and colorants.
- Investigating new technologies that provide environmentally-responsible solutions for the worlds' unrecycled apparel, footwear and other products, such as BluePel, which is a 100% organic additive that enhances the biodegradability of synthetic materials (e.g. synthetic fabrics, yarns, zippers, threads, soles and other plastics) in actively-managed landfills.

As always, the safety of workers in our supply chain is a priority for Li & Fung and this is embedded in our approach to sourcing and is integral to our compliance and sustainability program. We have long recognized that significant efforts, in collaboration and in partnership with our stakeholders, are required to improve labor practices and working conditions, and to reduce environmental impacts, in the global supply chain.

In 2013, we continued to be actively engaged in Bangladesh, working with governmental and non-governmental organizations, our industry partners and our vendors to improve safety in factories. As stated earlier, this need was sadly reinforced by the tragic fire in November 2011 at the Tazreen garment factory in Bangladesh. We participated in aid efforts for immediate relief and matched the Bangladesh Garment Manufacturers and Exporters Association's financial assistance to each family of every victim.

Following the collapse of the Rana Plaza building in April 2013 that resulted in the tragic loss of over 1,100 workers in Bangladesh, concerns over safe working conditions in factories further heightened. As a result, the industry has come together to implement a coordinated response to improve safety conditions in Bangladesh. Li & Fung supports this response as a member of the Board of Advisors of the North American-based *Alliance for Bangladesh Worker Safety*. We also support the work of the European-based *Bangladesh Accord on Fire and Building Safety* and that of the ILO and the Bangladeshi Government to implement the *National Tripartite Plan of Action on Fire Safety and Structural Integrity* in the garment sector.

## OUR PEOPLE

As of the end of 2013, Li & Fung had a total workforce of 28,210. Globally, 4,153 of our employees are based in Hong Kong, 9,428 in the Chinese Mainland and 14,629 overseas, with 13,073 in Trading, 9,619 in Distribution and 5,518 in Logistics. By gender, women represented 54% and men 46% of our employees. 98% of our female employees work in full-time positions with 86% and 14% on permanent and other contracts, respectively. For our male employees, 99% work full time with 87% and 13% on permanent and other contracts, respectively. Total manpower costs for 2013 were US\$1,281 million, compared with US\$1,324 million for 2012.

## LEARNING AND DEVELOPMENT

Li & Fung has a clear vision and people strategy for long-term business sustainability. The focus is on building employee competencies and strengthening organizational capabilities. We determine which skill sets will enable us to achieve our business strategy and then align our recruitment, retention, learning and development initiatives to foster those skill sets. This includes building our core expertise in supply chain solutions, leadership development at different management levels and productivity improvement interventions.

In 2013, over 19,023 employees in 32 locations participated in 1,285 in-house learning programs and collectively over 2.6 training hours per person were provided. Our core expertise curriculum covers over 106 topics on product and production knowledge, productivity improvement in processes and practices, and performance enhancement skills. The delivery format includes both formal classroom training and online learning. We offered 190 face-to-face, formal learning sessions and 17 e-modules, with 7,597 of our Merchandisers participating throughout the year.

We foster leadership at all levels. In developing our leaders, we believe in networking, experiential learning and creating on-the-job experiences. This includes challenging job assignments, working on real-life projects and supporting our people to be “teachers”, transferring their knowledge in different work contexts. At Li & Fung, they are known as “Learning Champions” and we have over 211 of these leaders around the world. These developmental opportunities are a critical part of our overall leadership development philosophy.

In 2013, we continued to partner with the MIT Sloan School of Management and The University of Hong Kong to deliver the Executive Leadership Program for our global leaders. Our Advanced Leadership Program, targeting senior business leaders, has completed its second year of running in partnership with Stanford University. Over the year, more than 300 of our top business leaders from across the globe came together to network, share and learn, which also created a more collaborative culture conducive to our business growth.

For middle-level managers who transition into a new leadership role, we have the New Managers Program. The Program for Management Development (PMD) ran for the fourth successive year with the aim of developing future business leaders. In 2013, 15 Management Associates representing ten nationalities participated in the nine-month structured and intensive development program comprising corporate orientation and business rotational assignments in the Company's core businesses.



## SUSTAINABILITY (CONTINUED)

Besides structured and formalized learning and development activities, we also incorporated informal opportunities such as online and mobile learning into our programs. Our employees can learn through a robust learning platform of performance support resources, which includes job-aids, checklists, access to subject matter experts, online information search engine and peer collaboration. This platform provides a global connection and employees benefit from real-time, self-paced learning. In 2013, we had a record of over 13,350 active users of this online platform, representing a 535% increase over the 2,102 users in the previous year.

At Li & Fung we know how important it is to create an environment where our employees are able to develop their skills and are inspired to be the best they can be. Supporting our people to develop and thrive remains a key business imperative. We will continue to support career development by providing clear career roadmaps and offering development opportunities to our employees through enhanced on-the-job, social and informal learning opportunities. Recognizing the importance of feedback and direct engagement in career development, we enhanced our existing, biannual performance review management system with the rollout of an online interactive module in 2013. As in previous years, performance reviews were offered to all of our global colleagues and, in 2013, 86% of our employees completed reviews.

### EMPLOYEE ENGAGEMENT

In 2013, over 45 programs were organized around the globe, led by our senior executives taking on the role of “Engagement Champions”. They spearheaded activities in their respective businesses and shared examples of employee engagement in action. This included hosting a variety of communication and engagement activities, such as town hall meetings and events, as well as sports tournament, health and safety weeks and lunch-and-learn sessions to enhance the health and wellbeing of our employees. For example, our office in Shenzhen organized “how to” lunchtime sessions on yoga and karate. To demonstrate our C.A.R.E. values and behaviors, which are around the themes of *Connect, Appreciate, Respond and Encourage*, different kinds of appreciation and social networking events were held throughout the year. These ranged from birthday parties, happy hour get-togethers, inter-departmental competitions, special days for parents and kids, and appreciation and Long-Service Award presentations with over 7,000 employees and family members participating.

Li & Fung will continue its engagement efforts because we believe that high levels of employee engagement and satisfaction are linked to superior business performance, including increased productivity, profitability and customer satisfaction.

### OCCUPATIONAL HEALTH AND SAFETY, WELLBEING AND HUMAN RIGHTS

In 2013, we continued to implement initiatives to support the health and wellbeing of our people by providing safe, healthy and respectful workplaces throughout our global operations. Our daily *Useful Tips* emails continued to feature a range of topics on occupational health (e.g. stretching exercises, ergonomics) and wellbeing (e.g. healthy eating, stress management). Examples range from our office in Cambodia organizing training on how to handle conflict and think creatively, to employees in Guatemala having the flexibility to leave early on the Friday if they arrived early during the week, to flexible working hours for selected employee with challenging needs in Singapore.

We also continued regular safety talks and training on topics such as workplace hazards, safe working practices and chemical management, as well as regular emergency preparedness training and drills. Formalized occupational health and safety systems are implemented throughout our Logistics and Distribution Networks and our manufacturing facilities in Indonesia, Malaysia and Thailand are also certified to the Occupational Health and Safety Management System (OHSAS) 18001 standard. Additionally, LF Asia's operations in Thailand, which are part of our Distribution Network, received the *Outstanding Establishment on Labor Relations and Welfare Award*, from the Thai Labor Protection and Welfare Department, for the 6th consecutive year. The award was established by the Thai government in an effort to improve workplace conditions and employee welfare, and also recognizes leading companies for implementing outstanding employee engagement strategies.

As always, we continued to support human and labor rights and ethical practices in our workplace, as guided by our *Code of Conduct and Business Ethics* that was updated in 2012. The Code confirms our commitment to uphold the International Labor Organization's *Declaration on Fundamental Principles and Rights at Work*, the UN Global Compact's *10 Principles* and the UN *Declaration of Human Rights*. Its implementation is supported by policies and guidelines for addressing the Code elements in the acquisition of new businesses and in our ongoing recruitment, training, performance assessment, disciplinary and grievance processes. Compliance with our Code is reported quarterly to both the Audit Committee and the Risk Management and Sustainability Committee of the Board and reviewed by our Corporate Compliance Group, which reports any material non-compliance independently to the Board through the Committees.

### COMMUNITY ENGAGEMENT

In 2013, community engagement gained even more traction globally at Li & Fung. We implemented more programs, together with our employees and their personal networks, to support communities where we live and work. Around the globe, we maximized impact through activities which were aligned to our business, and to specific needs in each of our markets. Key areas of focus continued to be building sustainable communities, caring for the environment and building human capital.

We deepened relationships with community partners to leverage and extend positive outcomes. Employees were encouraged to share their activities with their families and friends and to invite them to join us in learning and in action. Partners we worked with around the globe included NGOs, governmental agencies, social enterprises, community groups, customers, industry peers, Fung Group companies and families and friends.

Resources were strengthened once again this year to direct and leverage activities initiated by our people around the globe. Ten updates of our Community Engagement Newsletter shared stories about the impact of our activities throughout 2013, inspiring more to connect with their communities and take action. Community engagement features were also regularly shared on "One Family", our internal, online communication platform. Toolkits for campaigns were developed, communication materials shared, and an enhanced process for reporting activities throughout our Networks was instituted. These steps helped to enhance our work in communities and ensure our results were captured.

## SUSTAINABILITY (CONTINUED)

In 2013, we gained even more leverage from the global campaigns that were initiated in previous years, thanks to our global team of ambassadors in all our markets, and with support from the Fung (1906) Foundation Limited (Fung Foundation). Our global campaigns, which raised awareness and financial support, included: a year-long “clean up our world” campaign of coastal cleaning, tree planting and action to protect turtle and elephant populations; Red Décor Day (dress in red) and blood drives (annually, semi-annually or quarterly) to support humanitarian causes; Breast Cancer Awareness Month; and Movember (during the month of November) to support men’s health awareness. Highlighting but a few of our many activities in 2013, we also:

- Transformed the lives of students and youth by sharing our skills, experience and expertise through job shadowing, career workshops, speaking engagements, mentorships and internships.
- Provided disaster relief funding, essential goods and hands-on support in response to global calamities that included flooding in China, Germany, India, Indonesia and Thailand, typhoons in the Philippines and Vietnam and an earthquake in China.
- Empowered community members by supporting vocational training and skill-enhancement in Germany, India and the USA.
- Improved schools, children’s homes and elderly care homes in Guatemala, Malaysia, Pakistan and Portugal. Helped repair and build homes in China, Hong Kong and India.
- Provided refurbished computers and new supplies to school children in various parts of rural China and Turkey.
- Supplied food and essential items to homeless and disadvantaged community members in Indonesia, Malaysia, the Philippines, the United Kingdom and the United States directly and through community organizations. Shared mooncakes and time with people in need in Hong Kong and Taiwan.
- Donated goods, books, clothes, toys and scarves (lovingly knitted by our people) to the elderly, refugee families, children in need, the homeless, orphans, victims of natural disasters and rural communities in Bangladesh, China, Hong Kong, India, the Philippines, the United Kingdom, the USA and Vietnam.
- Joined seminars, community-building activities and sporting events to raise awareness and funds for causes around the globe, including cancer care, learning disabilities, literacy, medical needs, disadvantaged children, elderly in need, families, accident victims, and other community members needing support.
- Taught children in rural communities and informal settlements in Cambodia to say no to drugs, as well as providing them with dental hygiene lessons and kits.
- Joined a mission in the Philippines to serve communities in need by distributing food, medicine and toiletries.

Participants reported positive team-building experiences while taking part in community activities. These events and projects provided an opportunity to connect outside of the workplace, to strengthen bonds with customers, and to share knowledge and inspiration with family and friends, thus extending what we do deeply into our networks and communities.

Our community engagement activities go hand-in-hand with our employee engagement “C.A.R.E.” program, both of which enhance our experiences and contribute to the transformation of our workplaces. We focus on community engagement not only to benefit communities, but also to support the health and wellbeing of our employees and our communities, add value to our personal and professional development, help attract and retain talent, and reiterate Li & Fung’s core values. To reinforce how, together, we can create positive, long-term change in the world, we developed our community engagement signature for our initiatives, featuring an infinity sign and the phrase “In It Together”.

In 2013, our employees volunteered over 20,100 times, giving over 32,000 hours to support 290 environmental and social initiatives around the world. Corporate donations from Li & Fung to support charitable organizations and activities around the world totaled US\$1.49 million. Our employees also raised over US\$346,000 to support communities, with the Fung Foundation providing over US\$332,000 to further support some of these projects. Of our 290 initiatives spearheaded in the markets where we live and work, over 100 involved hands-on activities supporting communities, 40 involved working with or caring for youth, 21 had an environmental focus, and 15 were for providing basic needs or disaster relief.

## RECOGNITION

As a signatory to United Nations’ Global Compact (UNGC) since 2002 we have been publically disclosing our continual progress to implement the UNGC’s 10 Principles into our business. We also share information on a range of other dimensions of our sustainability performance and continue to be included in the Dow Jones Asia-Pacific Sustainability Index for the Textiles, Clothing, Accessories and Footwear sector, the FTSE4Good ESG Ratings for Asia excluding Japan and the Hang Seng Corporate Sustainability Index. Locally, we are also recognized as a Caring Company under the Hong Kong Council of Social Services’ recognition scheme.