

# Our Footprint

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Raising awareness and taking action to reduce our environmental footprint is essential for the sustainable evolution of our business.



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2017 marks the eighth year of implementing our holistic Sustainability Strategy, which guides us in responsibly managing our operations. Supporting our people to reduce environmental impact enables us to make progress in achieving our targets.

We are committed to managing our environmental footprint responsibly and we leverage our resources and engage our people to make a difference. As part of our Sustainability Strategy, we focus our actions on:

- Raising the environmental awareness of our people and supporting them to take action
- Designing sustainable workplaces
- Managing our resources responsibly

Over the years we have conducted investment grade and other audits, implemented energy- and water-efficiency upgrades and retrofits, and surveyed our global operations to identify what they are implementing and encourage them to do more to help reduce our environmental footprint. We implement best

practices in how we operate, maintain, retrofit and fit out our global offices, distribution centers (DCs) and manufacturing facilities. This includes adopting measures to enhance the sustainability of our workplaces, reduce consumption and waste, promote recycling and expand our procurement of items with sustainable attributes, as well as investing in energy-efficient building systems, equipment and lighting, water-efficient equipment and fixtures and fuel-efficient transport.

We also conduct assessments as part of all capital expenditure upgrades and renovations to adopt sustainable options. In 2017, we expanded our recycling program across Hong Kong and began engaging our global locations to review their practices and further initiatives to reduce waste and increase the capture of recyclables.



We are proud to have received a Certificate of Excellence as one of the Hong Kong Management Association's Sustainability Award winners this year. The award recognizes organizations who integrate sustainability into their business to improve their economic, environmental, governance and social performance. We also have received the Hong Kong Award for Environmental Excellence – Gold Award for the Servicing and Trading sector and the Hong Kong Green Organization Certificate<sup>1</sup> from the Hong Kong SAR Government's Environmental Campaign Committee.

Our commitment to the environment is also exemplified by our manufacturing facility in Trowbridge, the UK, being recognized as a Marks & Spencer ECO Factory since 2011 and our facility in Bangkok, Thailand that continues to build upon its comprehensive sustainability program. As a result of its environmental achievements, the facility has been awarded a number of awards and certificates from the Thai government, including the Good Environmental Governance Award and the Green Industry Certificate by the Ministry of Industry for the sixth consecutive year. In 2017, the facility was again awarded the top honor of Level 5 for the Green Industry Certificate in recognition of its initiatives to engage suppliers, industry and community partners to improve overall environmental performance.

Systems to measure, track and manage our environmental performance have been implemented across our operations with a total of six facilities certified to the ISO 14001 environmental management system

(EMS) standard<sup>2</sup> and five audited to meet the requirements of the Sedex Members Ethical Trade Audit (SMETA)<sup>3</sup>.

## Environmental Awareness

We inspire and support our people to be mindful of how they can reduce environmental impact in their daily lives and we support them by taking action to reduce our consumption and waste and by expanding our procurement of items with sustainable attributes.

To support employee awareness and engagement, we encourage our colleagues to get involved in a variety of activities including efforts to conserve resources in our operations, plant trees, clean parks, river banks, beaches and coastlines, and protect coastal marine species.

Our over 21,000 people around the world share best practices on environmental protection through our internal communications platform, One Family, and its interactive features. Not only do we feature stories on environmental initiatives, colleagues can also generate and share content through a live feed, by commenting on articles, writing and following blogs and sharing videos around topics of interest.

Volunteer hours are logged by colleagues via our self-serve app, One Touch, and we continued to encourage colleagues to use the annual eight-hour volunteer leave policy to volunteer for activities they support in their communities. In 2017, 4,768 of our people volunteered 10,929 hours to support 71 beach cleaning and other environmental activities, as



<sup>1</sup> The certificate remains valid into 2018.

<sup>2</sup> Our manufacturing facilities in Bangkok, Dongguan and Jakarta, and three of our DCs in China, Singapore and Thailand, are certified to the ISO 14001 EMS standard.

<sup>3</sup> Our facilities in Bangkok, Dongguan, Jakarta, Tonawanda and Trowbridge are audited to meet SMETA requirements.

part of our sixth annual 'Clean Up our World' campaign. We also launched our 'Make Life Better Program' in recognition of colleagues who logged eight or more volunteering hours on One Touch. Since the launch, we have celebrated 108 of these 'Make Life Better Superheroes' and we are encouraging greater use of the app to log their hours.

### Sustainable Design

Integrating sustainability features into how we design, build and renovate our spaces – our offices, DCs and manufacturing facilities – is an integral part of our effort to reduce our footprint and maintain a healthy, safe and aesthetically-pleasing working environment for our people.

Under our Sustainable Design, Construction and Renovation Guidelines for New Construction, Major Renovation and Commercial Interiors, we maintain ergonomically-sound work areas along with resource-efficient equipment and fixtures, and select building and interior fit-out materials, furniture and other items that meet third-party certification requirements.

In 2017, we maintained a total of 13 LEED<sup>4</sup>/BREEAM<sup>5</sup> certifications, including one platinum, six gold and five silver LEED certifications. Our office in Paris is located in a BREEAM – certified building and our LEED Gold-certified DC in Singapore received the Green Mark Platinum rating from the Building and Construction Authority of the Government of Singapore.

Project WoW (Ways of Working), which was launched in 2016 and supports our Three-Year-Plan focus on transforming our business, involves the redesigning our office space globally to promote more collaboration, idea sharing, speed and the enhanced wellbeing of our colleagues. To help achieve this, we are creating working environments that facilitate speed in work processes and communication, drive decision making, spur innovation in spaces conducive to imagination and experimentation, adopt new technologies, and connect our people and customers through digital platforms. We have empowered our people to embrace and promote this cultural shift with local WoW change committees and advocates who consult and engage colleagues on not only the overall layout of the spaces but also on adapting to the new WoW open-office work environments.

Over the past two years, we have been expanding Project WoW to include a variety of spaces with minimal physical barriers to encourage collaboration, interaction and brainstorming. Project WoW seeks to also minimize environmental impact by reducing renovation works as well as converting and reusing furniture for modular, multi-purpose working areas that are flexible and mobile and using environmentally-responsible materials such as vinyl floor tiles which are low in volatile organic compound emissions and phthalate-free. These environments are also "binless", encouraging our colleagues to reduce waste and get up and move to centralized waste and recycling collection points.

4 Leadership in Energy and Environmental Design (LEED).

5 Building Research Establishment Environmental Assessment Method (BREEAM).

6 Our facilities that manufacture beauty and personal care products are located in Bangkok, Dongguan, Jakarta, Tonawanda and Trowbridge.

## Resource Management

### Our Reporting Scope and Baseline

2017 marks the first year of our current Three-Year Plan and of capturing environmental data more comprehensively across our businesses globally. Our reporting scope covers over 90 offices, five manufacturing facilities<sup>6</sup> and over 200 DCs.

In 2016, we rolled out a new tool to better capture our environmental data and we transitioned our offices, manufacturing facilities and DCs onto the new online platform across our global network. We previously reported on environmental data captured for the 2016 reporting year, the last year of our previous Three-Year Plan, in Annual Report 2016. As previously shared, it was our intention in 2017 to review our global operations and how we collect data, to make sure that we were capturing, tracking and monitoring our data comprehensively.

Over the course of 2017, we improved the functionality of our new data management system and worked to bring all locations across our operations that have the ability to capture environmental data, into the system. As a result, locations that did not capture data previously were added and additional consumption data was included for others that weren't fully capturing all their consumption items.

While we have reported absolute and intensity reductions in our environmental footprint over the years of implementing our Sustainability Strategy, in 2017, our absolute resource consumption and GHG emissions data increased, as did our intensity metrics, over data reported in 2016.

This is a result of capturing more consumption data in our system globally as outlined above, and the expansion of our logistics business in China, Taiwan and Thailand, and in new markets of Korea, Japan, India and Vietnam. Furthermore, our state-of-the-art, LEED-Gold certified distribution hub in Singapore, one of the largest bonded warehouses in Asia, which was opened in 2016, has achieved full utilization much earlier than anticipated.

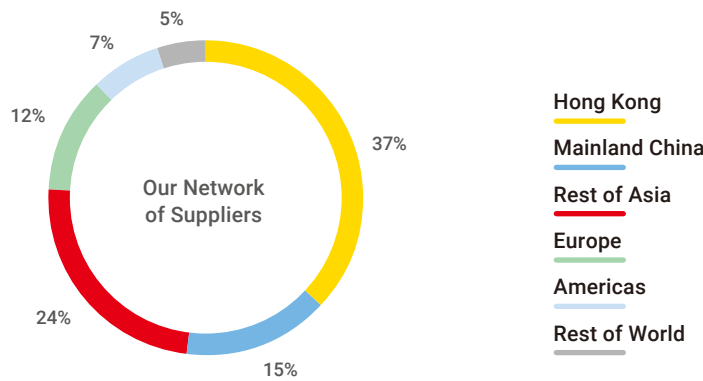
With the implementation of our improved data collection tools, the addition of new locations into our data capture and the expansion of our Logistics business, we are resetting our consumption and intensity baseline in 2017. This is a higher baseline than previously set but it reflects a more accurate state of our operations and our reporting scope. With this new baseline, we are not modifying our goal to reduce our overall footprint for our current Three-Year Plan and are working towards achieving the same intensity reduction targets that we previously set for 2019.

[Visit our website](#) for details of our performance in 2017, in comparison to our performance in 2015 and 2016, and to read about best practices we implement to reduce the environmental footprint of our operations.

## Responsible Procurement

Our global procurement team leverages the scale of our network of over 20,000 suppliers and focuses on implementing procurement best practices. Our suppliers are primarily based in Asia.

### Regional Distribution of Suppliers in 2017



In 2017, we continued to reinforce our Supplier Code of Conduct by assessing suppliers to our own operations against these requirements. These requirements are also formalized in our contracts with suppliers and included in our request for proposal and selection process. Please refer to the "Our supply chain" section to learn about our approach to managing supply chains and sourcing materials and products with sustainability attributes for our customers.

In 2017, we expanded our initiatives to assess our procurement practices and identify opportunities to both enhance our engagement with our suppliers and reduce the environmental impact of these activities. We also launched an initiative to examine systems and processes to deliver more robust supplier validation and onboarding. While not yet complete, this ongoing initiative aims to ensure our direct supplier base is increasingly compliant with our Supplier Code of Conduct's requirements.

The following efficiency measures introduced over the year positively impact our overall environmental footprint:

- As part of our Three-Year Plan digitization and virtual sampling initiatives, we are reducing our use of international courier

services. Not only is this reducing the volume of samples being air-freight couriered between Li & Fung, factories in our supply chain and customers, it is showing early signs of reducing waste and GHGs

- Enhancing our overall travel decision-making processes by tracking the efficiency and effectiveness of business air travel
- Removing and consolidating printers from our offices. In 2017, our offices in Shanghai and Shenzhen reduced their devices by 33% from 236 to 159 units. This is in addition to the 480 print devices that were removed in 2016 and donated for reuse
- Continuing to share paper consumption data, encouraging everyone to think before they print, and to print in black and white instead of color where possible. Also encouraging a switch to thinner paper weights. We are proud that our efforts have resulted in less printing. In Hong Kong we saw an 11% reduction in print volumes in 2017

We also continue to play an active role within the Hong Kong and global industry. In 2017, we collaborated with a working group of Hong

Kong businesses taking practical actions to reduce environmental impact.

We will continue to expand our efforts to reduce print devices and paper consumption, and to work with our suppliers to procure environmentally-responsible products.

### Improving Energy Efficiency and Reducing Emissions

The impact of climate change on our world and the resilience of ecosystems is becoming more pronounced and severe. We are seeing how changes in temperature and weather are affecting biodiversity, natural and built environments, food production, resource availability and transportation, among others. The physical and financial aspect of this means the sourcing and delivery of goods and services in our industry is also affected. We consider these risks in the procurement and consumption of resources, in material sourcing and product manufacturing, and in the transportation of products to our customers.

We are committed to responsibly managing our footprint within our operations as well. Our consumption of energy and the composition of our GHG and air emissions globally reflect that our business has offices and manufacturing facilities, and we operates vehicle fleets and DCs. In all of our facilities, systems are in place to monitor consumption and emissions and we met relevant regulatory requirements in 2017.

We calculate our GHG emissions according to international standards, appropriate national and local guidelines<sup>7</sup> and emission factors. Scope 1 comprises emissions from the consumption of diesel and petrol by Company-owned vehicles and natural gas and liquefied petroleum gas (LPG) by boilers, and of refrigerants by chillers. Scope 2 emissions arise from purchased electricity.

<sup>7</sup> Standards and guidelines adopted include the International Energy Agency's CO<sub>2</sub> Emission from Fuel Combustion, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, the Defra Voluntary Reporting Guidelines and the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings.

<sup>8</sup> Four of our five manufacturing facilities operate boilers with three of them consuming natural gas and the other liquid petroleum gas (LPG).

In 2017, our electricity consumption and our GHG emissions increased in absolute quantities and in intensity. As noted above, this is primarily due to the increased capture of consumption data across our global operations and an expansion of our Logistics business. We will continue to invest in efficient equipment, technologies, systems and vehicular fleets, to consolidate our offices and support our people to make behavioral changes to conserve energy.

Highlights of ongoing initiatives to reduce electricity, fuel consumption and GHG emissions include:

- Progressively retrofitting existing lighting with LED throughout our operations
- Deploying and optimizing the performance of energy-efficient building, air conditioning and production systems and equipment
- Consolidating equipment and installing energy-efficient blade servers and virtual machines in our server rooms
- Conserving energy by improving airflow and enclosing areas that have high-intensity cooling requirements
- Using video conference facilities, IP video phones, VidyoDesktop for online calls and Webex, to reduce overall travel
- Upgrading heating and cooling systems to improve efficiency and adopt cleaner energy sources, ranging from solar thermal and photovoltaics at our Bangkok facility to boilers<sup>8</sup> at manufacturing facilities consuming natural gas and/or LPG
- Operating electric delivery vans in Hong Kong and Mainland China, with plans to expand our electric vehicle fleets



- Operating forklift vehicles that have rechargeable electric batteries, and safely reusing fit-for-purpose parts from retired forklifts for vehicles in operation
- Using handheld monitoring devices with rechargeable batteries linked to centralized databases to monitor inventory, reducing paper consumption and improving the efficiency of warehouse operations

🔗 Visit our website for more examples and details of our 2017 electricity, fuel, LPG, natural gas and refrigerant consumption and GHG emission metrics as well as the composition of our Scope 1 and 2 GHG emissions.

### Efficiently Using Resources and Reducing Waste

We are committed to using resources wisely and efficiently and reducing waste generation. We have been progressively implementing water-efficiency measures throughout our operations, including the installation of water-efficient faucets, fixtures and fittings in our offices and equipment in our facilities, capturing rainwater for landscape irrigation to reduce water consumption and encouraging behavioral change in our people.

Our manufacturing facilities have systems in place to reduce consumption and also undertake measures to reduce waste generation in the production process, to treat and monitor wastewater discharges and to properly handle, store and dispose of chemical and solid materials and waste. In 2017, none of our facilities experienced any material non-compliance incidents<sup>9</sup>.

Our offices use paper certified by a Forest Stewardship Council™ (FSC™) accredited certification body to be FSC Mix Paper from responsible sources or has Programme for the

Endorsement of Forest Certification (PEFC). We also provide products that comprise materials, including wood, paper, cardboard and/or packaging that are verified to be from FSC<sup>10</sup> or PEFC certified sources.

Despite our ongoing efforts to consume resources efficiently, our global water and paper consumption increased in 2017, in both absolute quantity and intensity. As noted above, this is primarily due to the increased capture of consumption data across our global operations and an expansion of our Logistics business. As also noted above, our procurement team continues to implement a number of initiatives to reduce paper consumption and in Hong Kong, print volumes reduced by 11% in 2017 over the previous year. Globally, our absolute paper consumption increased in 2017 over 2016 with our intensity increasing by 3% with 10 reams of A4-equivalent paper consumed per person<sup>11</sup>.

🔗 Visit our website for details of our 2017 water and paper consumption metrics.

The need to reduce and better manage waste has become a significant global concern, heightened by China's restrictions on waste imports and widespread awareness of how plastic waste is damaging our natural environment and affecting the health and survival of living species. For many years, each of our offices and facilities have sought to minimize waste generation, reuse materials and collect paper, packaging, printer/copier toners, aluminum cans, plastic bottles, pallets and other materials for recycling. In Hong Kong, we have been recycling all of these materials through a variety of collectors over the years and we maintain 'Class of Excellence' certification under the Hong Kong government's WastewiSe scheme. We also ensure that our solid and hazardous waste is collected by licensed contractors



9 One of our manufacturing facilities experienced a temporary exceedance in the pH level of its wastewater discharge due to a mechanical issue that was promptly rectified.  
 10 FSC license numbers FSC-C016335, FSC-C113132, FSC-C114681, FSC-C116575 and FSC-C129309.  
 11 Normalized per person based on full-time equivalent employee statistics in 2017.



Implementing our enhanced recycling program across our offices in Hong Kong.

to guarantee the safe and proper disposal of this waste in compliance with applicable legal requirements.

In July 2017, we launched a focused program in our three buildings in Lai Chi Kok and our office in Sha Tin. We retained HKRecycles, a local social enterprise, to make sure all materials are collected, measured and sent to the appropriate recycling processing companies. To reinvigorate recycling in Hong Kong, we initiated a special campaign. First, we undertook a detailed study of where our existing recycling bins were located and how many more were needed to expand the collection to all floors in all of our buildings. After adding new recycling units, we created our own signage so all the bins would be consistently labeled with posters to explain what can and cannot be recycled. We also created our own video about the importance of recycling, how to recycle properly and to encourage everyone to do their bit.

🔗 Visit our website for our consumption quantity and intensity data for solid and hazardous waste, and recyclables, for our operations in Hong Kong in 2017.

We are also reaching out to all of our global locations to begin tracking recyclables and waste data so we can progressively move towards disclosure of global data.

At our manufacturing facilities, measures are adopted to better manage materials and minimize waste generation, ranging from flexible processing lines that adapt for multiple product runs to lean manufacturing projects to reduce consumption and waste, to the proper handling, storage and disposal of materials and chemicals to meet legal and REACH<sup>12</sup> requirements. Furthermore, our manufacturing and logistics facilities reuse and recycle pallets made from plastic and wood-based materials, recycle waste materials and minimize packaging for internal storage and delivery of finished goods.

Over the course of our previous Three-Year Plans, we have achieved absolute and intensity reductions in our consumption of resources and in our GHG emissions. Against our new 2017 baseline, we will review our operations to identify how we can further improve our environmental performance and work towards achieving the intensity reduction targets that we previously set for 2019.

12 European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.