

Disclosure statement on modern slavery

In compliance with the regulations of the California Transparency in Supply Chains Act (SB 657) and the UK Modern Slavery Act of 2015, the following document discloses Li & Fung's policies and actions relating to modern slavery and human trafficking in business and the supply chain.

Modern Slavery

Modern slavery is a broad term used to encompass the offences of slavery, servitude and forced or compulsory labour and human trafficking. The ILO's Forced Labour Convention (No. 29) of 1930 defines forced labor as, "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily." It is estimated that 45.8 million people are subject to some form of modern slavery in the world.

The UK Modern Slavery Act was passed into law in March 2015. The law requires companies operating in the United Kingdom to publicly disclose the steps taken to ensure modern slavery and human trafficking are not taking place in any of their supply chains or in any part of their business.

The California Transparency in Supply Chains Act (SB 657) went into effect in January 2012. It requires companies selling or manufacturing goods in California to report on their specific actions to eradicate slavery and human trafficking in their supply chains.

Li & Fung Disclosure Statement

1. Li & Fung is a leading consumer goods design, development, sourcing, and logistics company serving major retailers and brands around the world.

Li & Fung is a public company. We manage complex and unique supply chains in over 40 economies around the world for our customers. At present we work with 15,000+ suppliers throughout the world, with the largest sourcing countries being China, Vietnam and Bangladesh.

2. Li & Fung has set forth **internal policies** to address human trafficking and modern slavery in our supply chain. We have developed and issued a code of conduct to our direct suppliers that states "Forced, bonded, indentured, slave and prison labor are prohibited." The code of conduct supporting guidance document details the recruitment processes, financial payments as well as other key identifying factors of modern slavery.

Human trafficking is considered a zero tolerance issue for Li & Fung. If evidence of forced, bonded, indentured, slave and/or prison labor is found, Li & Fung reserves the right to examine the specific situation and develop the best possible strategy for resolution. If cases of non-compliance are not resolved within a timely manner, Li & Fung may terminate the business relationship.

3. At Li & Fung we practice **due diligence** to maintain and enforce internal accountability for our direct employees and agency employees, ensuring that company standards against human rights and modern slavery are met. Given the global nature of our business it is important that we are vigilant to modern slavery.

4. At Li & Fung we practice **risk assessment** in our supply chain. We assess suppliers via onsite audit or desktop review of an industry standard audit report to evaluate their compliance against our and our customers' standards in order to prevent and address human trafficking and modern slavery in supply chains. The audits are unannounced or announced and are performed by a qualified third party.

According to the Global Slavery Index published in 2016 the countries with the highest numbers of people living in modern slavery are China, India and Pakistan, and people working in garment factories notably in Bangladesh and Vietnam. Moving forward, as Li & Fung is operating in these markets, we will be correlating this information and other respected sources, with our sourcing data to make sure that we target where we have the most influence for change.

5. Li & Fung conducts **internal training** for employees who have responsibility for supply chain management on our code of conduct's anti-slavery and human trafficking policies to create awareness of the issues and indicators to look for amongst our various sourcing groups. We have been conducting such awareness sessions since 2015 and will continue to do conduct such training for Li & Fung employees across all of the countries that we source from, with adaptations for local context.
6. Li & Fung conducts **external training** for personnel of new factories on our code of conduct's anti-slavery and human trafficking policies, with a particular focus on mitigating risks and will continue to conduct such training every year.

For countries with a higher risk of modern slavery and/or human trafficking, Li & Fung additionally offers external capacity-building training programs. We guide and support factories to set up an effective infrastructure to prevent, detect and address modern slavery in their operations.

7. Li & Fung through **industry collaboration** continues to map trends and drive improvements to add to our anti-slavery and human trafficking actions.

In 2016 we joined Mekong Club, a Non-Governmental Organization working to eradicate modern slavery. We work in collaboration with other industry brands and retailers to further develop guidelines and tools to address modern slavery issues in our supply chains. We fully support our customers' initiatives to help drive out modern slavery, including the Fast Forward audit.

Li & Fung will continue to evaluate the effectiveness of our human trafficking and slavery eradication efforts, to look for new industry collaboration and to equip our factories with tools that help them identify and/or prevent human modern slavery in our and our customers' supply chains. We fully support our customers' initiatives and steps to help to eradicate modern slavery.

This statement has been approved and is fully supported by the Board of Directors.

Victor Fung
Honorary Chairman

William Fung
Group Chairman