

Our Footprint

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



Our Footprint

2018 marks the ninth year of implementing our holistic Sustainability Strategy, which guides us in responsibly managing our operations and supporting our people to reduce environmental impact.

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 on:

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

In so doing, we contribute to the UN Sustainable Development Goals of Affordable and Clean Energy and Responsible Consumption and Production.



Across our operations, we implement best practices in how we maintain, retrofit and fit out our global offices and distribution centers (DCs). This includes initiatives to reduce consumption and waste, promote recycling and expand our procurement of items with sustainability attributes. We also invest in energy-efficient building systems, equipment and lighting, water-efficient equipment and fixtures and fuel-efficient transport, and conduct assessments as part of all capital expenditure upgrades and renovations to adopt sustainable options. In 2018, we launched global campaigns to raise awareness of our global climate and waste crisis and shared tips on how to take action. Systems to measure, track and manage our environmental performance have been implemented across our operations with ISO 14001 environmental management system (EMS) standard¹ certifications covering five facilities in Hong Kong, one each in Shanghai, Singapore and Thailand, and five in Taiwan. In 2018, none of our facilities experienced any non-compliance incidents with applicable legal requirements.

¹ At total of nine ISO 14001 EMS standard certifications are held covering a total of 13 DCs. With the strategic divestment of our three product vertical businesses, Furniture, Beauty and Sweaters, certifications associated with the Beauty business' manufacturing facilities are no longer reported as part of Li & Fung's scope.

Environmental Awareness

We inspire and support our people to be mindful of how they can reduce environmental impact in their daily lives. Our 16,840 colleagues around the world share best practices on environmental protection through our internal communications platform, One Family. We feature stories on environmental initiatives, and our 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 continue to encourage colleagues to use the annual eight-hour volunteer leave policy to volunteer for activities they support in their communities. 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 in 2017, we have celebrated 450 of these 'Make Life Better Superheroes' and we are encouraging greater use of the app to log hours.

In 2018, 3,494 of our people volunteered 6,875 hours to support 49 beach cleaning and other environmental activities. Since 2012, our annual 'Clean Up Our World' campaign has brought together close to 18,000 colleagues, friends and family members in support of over 250 environmentally-beneficial activities.

This year, as part of our eighth campaign, we upped the ante to make it even more impactful by launching a RETHINK Challenge. We called on our colleagues to sign up for the challenge to RETHINK their lifestyles and live for a week without using single-use plastic and disposable items, to share photos and stories on One Family to inspire everyone to get involved, and to adopt these habits going forward.

A highlight of our efforts in 2018 was our Sustainability Expo. The expo featured a screening of 'Start Small, Start Now', a short documentary produced by Hong Kong non-profit organization, EcoDrive², to raise awareness about Hong Kong's ever-pressing plastic problem, an expert panel, educational booths and stalls. We also had a pledge board where people shared the steps they would take to reduce their consumption of single-use plastic.

The event was attended by over 220 people from Li & Fung and representatives of other companies and non-governmental organizations in Hong Kong. Participants were very excited to have opportunities to learn and share, and to purchase items that could help them avoid single-use plastic and/or had other environmental and social attributes. We also shared the movie, tips and inspirational messages with our colleagues globally through One Family.

In 2018, we also partnered with the environmental organization, One Earth – One Ocean³, to focus on the need to clean our oceans, and to celebrate the Asian tour of the SEEKUH ("sea cow") vessel, which collects oceanic plastic waste for recycling. A high-profile and engaging event, with healthy catering free of single-use disposable plastic, was held at the Hong Kong Maritime Museum to raise awareness and inspire action to address our plastic and ocean crisis and to showcase the SEEKUH in the Hong Kong harbor. In April, colleagues around the world honored Earth Day and in Taiwan an event was held to hear about how ocean pollution is affecting marine life and learn how we can take action.



"Clean Up Our World" is one of our environmental initiatives to raise awareness.

² <http://www.ecodrivehk.com/>

³ <https://oneearth-oneocean.com/en/>

Sustainable Design

Integrating sustainability features into how we design, build and renovate our offices and DCs helps us 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 2018, we maintained two gold and one silver Leadership in Energy and Environmental Design (LEED) certifications⁴, in Bangladesh, Hong Kong and Istanbul, respectively. 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), was launched in 2016 to support our Three-Year-Plan focus on transforming our business. It involves redesigning our office space globally to promote collaboration. In 2018, we transformed two and half floors in our largest office building in Hong Kong, which is in addition to previously converted WoW offices

in Jakarta, Qingdao, New Delhi, Seoul and Singapore. In 2019, we plan to roll out WoW to Dhaka, Ho Chi Minh and Shanghai. Project WoW also seeks to minimize environmental impact by reducing renovation work, 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.

Resource Management

Our Reporting Scope and Baseline

2018 marks the second year of our current Three-Year Plan and of capturing environmental data more comprehensively across our global business. Our reporting scope⁵ covers over 230 offices and 280 DCs.

We reset our environmental baseline in 2017 as a result of capturing more consumption data in our system globally and the expansion of our Logistics business. However, we did not modify our goal to reduce our overall footprint for our current Three-Year Plan and kept the same intensity reduction targets that we previously set for 2019.

🔗 Visit our website for details of our performance in 2018, in comparison to 2017, and of our environmental footprint initiatives.



Our Singapore office adopted sustainable design elements.

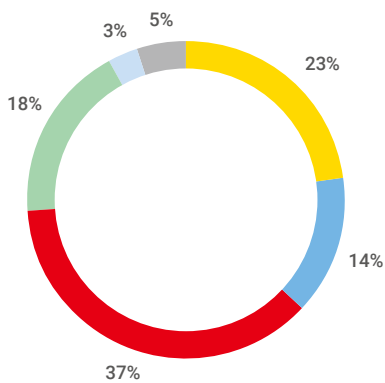
- 4 The reduced number of certifications in comparison to previous years is a result of the strategic divestment of Li & Fung's three product vertical businesses, Furniture, Beauty and Sweaters, and changes in property management within the Company.
- 5 With the strategic divestment of Li & Fung's three product vertical businesses, Furniture, Beauty and Sweaters as announced in December 2017 and completed in April 2018, the reporting scope now comprises our Continuing Operations only.

Responsible Procurement

Our global procurement team leverages the scale of our network of over 18,000 indirect goods and services suppliers to our own operations and focuses on implementing procurement best practices. Our suppliers are primarily based in Asia.

We assess the performance of suppliers to our own operations against our Supplier Code of Conduct and its requirements are formalized in our contracts with suppliers and in our request for proposal and selection process. Please refer to the "Our supply chain" section to learn about our approach to both managing supply chains and sourcing materials and products with sustainability attributes for our customers.

Regional Distribution of Indirect Goods and Services Suppliers in 2018



Hong Kong	4,389	23%
China	2,669	14%
Rest of Asia	6,876	37%
Europe	3,374	18%
America	610	3%
Rest of the World	935	5%

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 increasingly source goods from suppliers that operate energy-efficient factories and we continue to support factories to implement an online sustainability assessment tool to review

performance against five key sustainability categories, including energy and emissions, and to install energy sensors to better manage consumption. Refer to Our Supply Chain section for more information.

Consumption of energy for our own operations and the composition of our GHG and air emissions globally reflect that our business has offices and we operate vehicle fleets and DCs. In all of our facilities, systems are in place to monitor consumption and emissions and we met relevant environmental regulatory requirements in 2018.

We calculate our GHG emissions according to international standards, appropriate national and local guidelines and emission factors. Scope 1 comprises emissions from the consumption of diesel and petrol by Company-owned vehicles, natural gas for heating and of refrigerants by chillers. Scope 2 emissions arise from purchased electricity.



Our LF Logistics' colleague scans a QR code to enhance efficiency.

The nature of our consumption and emissions changed in 2018 with the restructuring of our data collection system to align with our Services and Products business segments. In 2018, our electricity consumption and our GHG emissions decreased in absolute quantities and intensities over 2017. Increases in consumption as result of the expansion of our Logistics business were offset by the consolidation of our trading business activities and the closure of some of our offices. Ongoing investments in efficient equipment, technologies, systems and vehicular fleets, as well as behavioral change, contribute to our energy conservation efforts. 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 and conserving energy by improving airflow and enclosing areas that have high-intensity cooling requirements
- Using video conference facilities, IP video phones, VidyDesktop for online calls and Webex, to reduce overall travel
- Upgrading heating and cooling systems to improve efficiency and adopt cleaner energy sources, including solar photovoltaic panels to generate electricity for our building in Istanbul and a planned installation at our DC in Hong Kong in 2019
- Operating three electric delivery vans in Hong Kong, and eleven through a third party in Mainland China, with plans to expand our electric vehicle fleets

- Operating forklift vehicles that have rechargeable electric batteries for the majority of our fleets in all our facilities, 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

In our DC in Bukit Raja, Malaysia, we realized environmental and safety benefits by deploying drones for stock taking and eliminating the need for warehouse colleagues to use very large, energy-consuming equipment and to work at height. As the drones can analyze 180 pallets per hour, which is twice as fast as traditional methods, we also benefited from productivity gains.

🔗 Visit our website for more examples and details of our 2018 electricity, fuel, 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

The need to consume resources responsibly and efficiently, and reduce waste, is a significant global concern.

We implement water-efficiency measures that include installing water-efficient faucets, fixtures and fittings in our offices and equipment in our facilities, capturing rainwater for landscape irrigation and encouraging behavioral change.

Our offices use paper certified by a Forest Stewardship Council™ (FSC™) accredited certification body to be FSC Mix Paper from responsible sources or that has Programme for the Endorsement of Forest Certification (PEFC). We implement initiatives to reduce paper consumption globally and in Hong Kong, print volumes reduced by 4.1 tonnes, a 10% reduction over 2017, with 37% of that resulting from a switch from 80 to 70gsm⁶. We continue to remove and consolidate printers in our offices, reducing overall volumes by ~25% to approximately 600 devices in 2018.

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. Our DCs have systems in place to reduce consumption and waste generation in the warehousing and distribution processes. All 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.

We ensure that our non-hazardous and hazardous waste is collected by licensed contractors to guarantee the safe and proper disposal of this waste. In 2018, we donated at total 809 items of electronic equipment to support the work of Caritas Hong Kong to help those in need.

A new, global initiative was to remove plastic bin liners and personal bins in office areas, as of October 2018. This is part of our WoW initiative but also our effort to reduce waste and single-use plastic. Each floor has a centralized waste area, encouraging people to get up, stretch and be more active. Our New York office and many others have removed single-use plastic, replacing them with reusables. In 2018, we undertook an analysis of what would be involved in banning single-use plastic items that have feasible alternatives in our catering, building

management and office operations. We will progressively phase out single-use plastic items and other disposables with reusables and alternatives that have a reduced environmental impact, such as plant-based, biodegradable items and non-petroleum-based products.

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. Despite our efforts to consume resources efficiently, our global water and paper consumption increased in 2018, in both absolute quantity and intensity. This is primarily due to the increased capture of consumption data across our global operations and an expansion of our Logistics business. In comparison with 2017, quantities of non-hazardous waste reduced with an increase in hazardous waste sent for proper disposal. While we increased the capture of glass for recycling, quantities of metal, paper and plastic reduced. Going forward, we will review our collection system and data capture and continue to raise awareness of the importance of reducing waste and ensuring recyclable materials are recycled.

🔗 Visit our website for our water and paper consumption data and our waste and recyclables metrics.



Recycling bins in our Hong Kong office.

6 GSM refers to grams per square meter.