

# Sustainable Sourcing

We work with our customers, suppliers and industry partners to further sustainable sourcing through a three-pronged approach that focuses on managing risk and improving performance in the supply chain, adopting standards and best practices<sup>1</sup>, and providing sustainable design, manufacturing, product and packaging options. We aim to meet customer requests for sustainably-sourced materials and products with reduced environmental impact from well-managed factories.

Accelerating the adoption of virtual design and sampling into our sourcing processes is a key step in our Three-Year Plan goal of transforming our supply chain to help our customers navigate the digital economy through greater speed, innovation and digitalization. With virtual design, we can share concepts, perfect designs, select materials and tweak product attributes quickly and collaboratively with our customers, reducing the product development cycle by months. This not only avoids environmental impacts arising from travelling to meetings and transporting samples back and forth between customers, our offices and factories, it reduces wastage from the sample and product production and excess inventory, by producing 'right the first time' products. We have introduced virtual design and sampling with key customers and look forward to expanding this innovative, effective and sustainable sourcing solution going forward.

Examples of products and packaging that we source with environmental and health and safety attributes are outlined below.

## Apparel

- Garments that comprise:
  - > Cotton from traceable, certified organic sources, including the Global Organic Textile Standard (GOTS) or the Organic Content Standard (OCS), or that meets the requirements of the Better Cotton Initiative (BCI) Standard
  - > Prepared for Dying (PFD) fabrics that avoid the impacts associated with the dying and printing process at fabric mills
  - > Denim processed in facilities that are bluesign®-certified and/or use robots to limit chemical exposure to workers with a more consistent spray execution that minimizes rework and reduces chemical and water usage
  - > Linen from certified organic sources
  - > Recycled yarn, polymers, leather and shearling
  - > Yarn comprised of a cotton/polyester blend with the polyester derived from recycled plastic bottles. For one customer alone and since 2017, we have sourced over seven million units of denim made from recycled materials comprising close to 20 million waste plastic bottles
  - > Wool from traceable sources that meet non-mulesing declaration requirements
  - > Fur-free materials and/or responsibly-sourced angora wool or down feathers
  - > EcoVero™ branded viscose fibers from traceable and sustainable wood sources (FSC® or PEFC® certified) and supply chains that generate significantly lower emissions and water impact than conventional viscose in the production process
  - > TENCEL®, a Lyocell fiber produced from sustainably-harvested wood in a closed loop, water-efficient process
  - > Teflon EcoElite™ water-repellent, a non-fluorinated fabric treatment that is manufactured with 60% renewably- sourced raw materials
  - > Hangtags made of recycled paper and care labels made of recycled tape
- Garments that are shipped in polybags from recycled materials and/or are shipped in a "flat pack" without the use of hangers
- Leather for clothing, shoes, wallets, covers and pouches produced from tanneries that are audited against the environmental responsibility practices of the Leather Working Group
- Low-impact finishing, including durable, water-repellant finishing that is free of perfluorinated chemicals (PFCs)

<sup>1</sup> Li & Fung supports its customers to meet relevant legal requirements related to product health and safety, advertising, labelling and privacy and to follow up on any matters of redress.

# Sustainable Sourcing

## Household and Other Items and Packaging

- Technical-knit footwear, made with natural and renewable merino wool fibre that reduces the amount of wastage compared to regular cut-and-sew techniques, that is independently certified for quality and traceability by The Woolmark Company<sup>2</sup>
- Footwear comprising microfibre and lining materials and knit uppers made from recycled PET and outsoles for footwear made of bio resin from corn, replacing polyurethane
- Wet processing facilities that are:
  - > certified to meet Appendix 6 of STANDARD 100 by OEKO-TEX®, are zero liquid discharge effluent treatment plants and/or meet the wastewater/sludge testing requirements in support of customers' commitments to Greenpeace's Detox campaign
  - > using ozone gas and water and reducing consumption of 30% in chemicals, 50% in water and 30-40% in energy over traditional wet processing methods
- Using industry-developed detox guidelines for our private label group's apparel and footwear suppliers, to systematically monitor, reduce and eliminate hazardous chemical substances
- Adopting environmental impact measuring software to assess to reduce energy, water and chemical consumption during garment processing with benefits to the environment and workers' health
- Using 3D sampling to reduce the production and shipping of physical samples by 50% for some customers, thereby reducing waste in the process and in the disposal of unsaleable products and improving customers' inventory control, as well as reducing the length of the production process by 20 to 25 days for accessories and 15 to 20 days for footwear
- Household items, furniture and packaging made from wooden/ paper materials that are recycled, Forest Stewardship Council™ (FSC™)<sup>3</sup> or PEFC-certified, and meet the chain-of-custody requirements of the European Timber Regulation where applicable
- Household items, utensils and furniture made from natural materials and fibres ranging from bamboo, roots and branches of organic teak wood and wood from spent rubber trees, to banana bark and water hyacinth
- Gadgets made of recycled plastic and photo frames comprising recycled polystyrene foam, with recyclable packaging
- Packaging, luggage and other items using polyethylene terephthalate (PET) instead of polyvinyl chloride (PVC), polypropylene (PP), polycarbonate (PC) or acrylonitrile butadiene styrene (ABS), as well as PVC-free packaging material for polybags, clips, gum tape, strings, collar inlays and zippers
- Low-impact finishing, including PFC-free, water-repellent agents, during fabric processing for camping tents and sleeping bags
- Reporting to customers on the processes in place and supplier compliance in meeting legislative requirements related to chain-of-custody requirements for wood products<sup>4</sup> and components containing reportable minerals<sup>5</sup> and required testing standards, such as BIFMA<sup>6</sup> for furniture. This includes conducting product risk and traceability assessments for customers by raw material categories

<sup>2</sup> The Woolmark Company is a not-for-profit enterprise that provides independent assurance of wool products to ensure high material quality, excellence and innovation from farm to finished product.

<sup>3</sup> FSC license number FSC-C016335. With the strategic divestment of the Furniture and Beauty product verticals, other previously-reported FSC license numbers are no longer attributed to Li & Fung.

<sup>4</sup> As per the United States' Lacey Act of 1900.

<sup>5</sup> As per the United States' Dodd – Frank Wall Street Reform and Consumer Protection Act of 2010.

<sup>6</sup> Business and Institutional Furniture Manufacturers Association (BIFMA).