



Our Footprint

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



Our Footprint

2019 marks the tenth 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 and 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.



In 2019, as part of Fung Group, we signed The Fashion Pact, committing us and 55 other signatories to improving sustainability standards in the fashion industry. The pact was spearheaded by the President of France, Emmanuel Macron, at the G7 summit and calls on signatories to commit to Science-based Targets to reduce greenhouse gas (GHG) emissions and other actions to address our climate emergency, restore biodiversity and protect the oceans. As a Fung Group company, we are part of this important action and are taking substantive action to reduce environmental impact in our own operations and supply chain through GHG measurement and reduction, sourcing items with sustainability attributes and phasing out the use of single-use plastic.

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 2019, we announced that we would phase in changes that would lead to a ban on single-use plastic by 2020. A detailed review was undertaken to identify:

- all the types, quantities, use and frequency of single-use plastic in our operations
- alternatives with reduced environmental impact, ranging from reusable serving ware, cups, glasses and cutlery to non-fossil fuel-based, biodegradable options
- a roadmap for replacing existing stock with preferred alternatives

A global campaign was launched to raise awareness of our global climate and plastic waste crisis, to share tips on how to take action and to inform colleagues of the ban on single-use disposable plastic.

Systems to measure, track and manage our environmental performance have been implemented across our operations with ISO 14001 environmental management system (EMS) standard certifications covering our office in Norderstedt, Germany and six DCs in Hong Kong, four in Taiwan, two in Mainland China and one in Singapore and in Thailand.

In 2019, none of our facilities experienced any non-compliance incidents with applicable legal requirements.

Environmental Awareness

We inspire and support our people to be mindful of how they can reduce environmental impact in their daily lives. Our colleagues share best practices through our internal communications platform, One Family and we feature stories on environmental initiatives, and colleagues generate and share content through a live feed, by commenting on articles, writing and following blogs or sharing videos.

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. Our 'Make Life Better Program' recognizes colleagues who log eight or more volunteering hours. Since 2017, we have funded 483 entrepreneurs, 85% of whom are female, across 40 countries. Many of their enterprises are along the supply chain where we live and work, including in Cambodia, Guatemala, Indonesia, the Philippines and Vietnam.

In 2019, our people spent over 5,100 hours on environmental activities, including collecting waste from coastlines and cityscapes, building firebreaks in national parks, and holding workshops to raise awareness about our environmental impact as part of our annual "Clean Up Our World" campaign, which we have been running since 2012. Since its launch, the campaign has brought together over 18,500 colleagues, friends and family members in support of almost 300 activities.

This year, as part of our ninth campaign and second RETHINK Challenge, we again partnered with Hong Kong-based, non-profit organization, EcoDrive¹, bringing to the fore the issue of single-use plastic and exploring what can be done to address this problem. This year, colleagues worldwide participated in a campaign to avoid using single-use plastic items in daily life. Our colleagues proactively shared photos and stories on One Family to inspire everyone to make these habits part of their daily lives. We also organized a "Lunch & Learn" for our Logistics' colleagues to hear from our Hong Kong environmental, health and safety team and representatives from the Fung Group, HK Recycles² and EcoDrive on the importance of sustainability to our Company and to everyone as individuals in the community. A highlight of the Hong Kong event was the screening of 'Start Small, Start Now!' by EcoDrive, a movie on single-use plastic reduction in Hong Kong.



LF Logistics team hosted a Lunch & Learn session to raise sustainability awareness and encourage recycling initiatives in Hong Kong.

1 <http://www.ecodrivehk.com/>

2 HKRecycles collects recyclables from our buildings in Lai Chi Kok and Sha Tin, Hong Kong.

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 2019, we maintained one Platinum Leadership in Energy and Environmental Design (LEED) certification in New York, a Gold and Silver in Hong Kong, and another Silver in Istanbul. Our office in Paris is located in a BREEAM³ – 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 2019, we transformed offices in Ho Chi Minh and Shanghai, with London and Dhaka under renovation and targeted for completion in the first and second quarters of 2020. This is in addition to previously converted offices in Hong Kong, Jakarta, Qingdao, New Delhi, Seoul and Singapore. 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 that are low in volatile organic compound emissions and phthalate-free.

In 2020 and as part of our action to support the Fashion Pact, we are reviewing the environmental performance of our buildings and operations to identify opportunities to further reduce our GHG emissions, resource consumption and environmental impact.



Project Wow seeks to minimize environmental impact by reducing renovation work, converting and reusing furniture for modular, multi-purpose working areas and using environmentally-responsible materials.

Resource Management

Our Reporting Scope and Baseline

2019 marks the third and final year of our current Three-Year Plan. Our reporting scope covers over 230 offices and 270 DCs in 2019 with comparative data provided for the year 2018 and our baseline year of 2017. Over these past three years, we have made a concerted effort to capture environmental data more comprehensively across our global business and we have seen a substantive expansion of our Logistics' business. Our 2019 environmental data forms the baseline for 2020 and beyond.

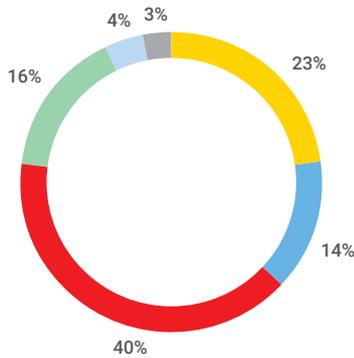
[Visit our website](#) for details of our performance in 2019, in comparison to both 2018 and our baseline of 2017, and of our environmental footprint initiatives.

Responsible Procurement

Our global procurement team leverages our scale in negotiating with our network of 16,000 indirect goods and services suppliers to our operations and assesses performance against our Supplier Code of Conduct.

In 2019, we reviewed our process to identify how we could encourage suppliers to provide items or services with sustainability attributes. We plan to progressively integrate these changes going forward. 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 2019



Hong Kong	3,658	23%
China	2,292	14%
Rest of Asia	6,391	40%
Europe	2,515	16%
America	600	4%
Rest of the World	544	3%

Improving Energy Efficiency and Reducing Emissions

The impact of climate change on the resilience of ecosystems is becoming more pronounced and severe – we are now in a state of climate emergency. Changes in temperature and extreme weather are affecting biodiversity, human health, 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.

We don't operate factories but work in office towers and operate DCs and vehicle fleets, and our energy use and the composition of our GHG and air emissions reflect this. In all of our facilities, systems are in place to monitor consumption and emissions and we met relevant environmental regulatory requirements in 2019.

We calculate our GHG emissions according to international standards, appropriate national and local guidelines and emission factors⁴. 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. As part of our action to support the Fashion Pact, we are working towards measuring Scope 3 GHG emissions and being able to set Science-based Targets. It is critically important to contribute to the solution to our climate crisis, and we are in the process of planning how to best engage

4 Standards and guidelines adopted include the International Energy Agency's CO₂ 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.

with our customers and suppliers to develop a coordinated approach. Our Logistics business joined Green Freight Asia⁵ in 2019 to learn from and collaborate with industry peers to adopt logistics' practices with reduced environmental impact, including fuel efficiency and reductions in GHG emissions.

We installed a solar photovoltaic (PV) system on the rooftop of LF Logistics' headquarters, generating 24,017 kWh of electricity to the grid during its first two months of operation in November and December, 2019. In addition, we operate

DCs in Japan and Mainland China that have renewable energy installations. In 2019, 40% of the energy consumption at two of these DCs, one in Ping Gu, near Beijing, and the other in Suzhou, comes from their rooftop solar systems. Our Logistics business also became a signatory to the Hong Government's Energy Saving Charter in 2019, reaffirming ongoing commitments to reduce energy consumption, improve efficiency and be transparent in performance monitoring.

LF LOGISTICS' ROOFTOP SOLAR SYSTEM SUPPORTS A BETTER FUTURE WITH RENEWABLE ENERGY

In 2019, LF Logistics formed a 15-year strategic partnership with leading bespoke solar developer and asset management company, NEFIN⁶, to set a new benchmark for sustainability. NEFIN has over a decade of expertise in solar development and is currently developing artificial intelligence solutions to monitor and manage renewable energy assets more efficiently and effectively.

This collaboration with NEFIN involves the installation of a solar photovoltaic (PV) system on the rooftop of LF Logistics' headquarters, the LiFung Centre in Shatin, showcasing 336 pieces of shingled modules together with monitoring and control systems. It will produce an estimated 145,000 kWh per annum of electricity to the grid, which will avoid approximately 86.6 tonnes of carbon dioxide equivalent per year that would have been emitted from local energy generation. This is equivalent to planting 4,165 trees a year! This is a big step towards creating a positive environmental impact.

"We are glad to partner with NEFIN on this pilot program," said Jay Lengel, Senior Vice President of Operations Excellence, LF Logistics, "the project echoes our ongoing initiatives in creating a positive environmental impact and furthering our sustainability performance across the supply chain. We look forward to expanding this cutting-edge solar coverage to more of our facilities in Asia."



Our solar PV system contributes to our ongoing initiatives to create positive environmental impact and further sustainability performance across the supply chain.

⁵ <https://www.greenfreightasia.org/>

⁶ <http://nefinco.com/en/home-en/>

For the forklifts and material handling equipment in DCs at our ten major geographic locations, we have been progressively moving towards using 100% battery-powered equipment. We made good progress with 60% of our DCs fully using battery power, and 40% using between 97-99% battery-powered forklifts. This helps reduce air and GHG emissions and contributes to improved indoor air quality. Our DCs in the Philippines use bio-diesel⁷ in their forklifts and onsite gensets.

Other highlights include:

- Progressively retrofitting existing lighting with LED throughout our operations with all renovations and new facilities using only LED. Our DCs in Malaysia and Taiwan have reduced energy consumption between 60% to 70% with LED lighting retrofits
- Adopting infrared sensors as well as lamps that are movable, have acoustic control and/or are solar-powered, as well as time control switches for hot water equipment to reduce energy consumption
- Adopting handheld monitoring devices with rechargeable batteries linked to centralized databases to monitor inventory, reducing paper consumption and improving the efficiency of warehouse operations
- Continuing to expand our use of electric vehicles in our fleet, including a mid-sized electric car and three delivery vans in Hong Kong and over 50 through a third party in Mainland China
- Reducing the impact of shuttle bus services at our Dongguan, Panyu and Shenzhen locations with optimized route planning and 21 third-party operated shuttle buses

In 2019, our electricity consumption and our GHG emissions increased in absolute quantities and intensities over 2018 and our baseline year of 2017. The increases are primarily a result of the substantive expansion of our Logistics' business and an overall increase in both the number of locations entering data into our online environmental management system and the capture of resource consumption data. We did not achieve our Three-Year Plan intensity reduction targets of 10% for both electricity consumption and GHGs emissions, despite ongoing investments in efficient equipment, technologies, systems and vehicular fleets, and initiatives to support behavioral change. In 2019, we undertook an initial review of our offices and DCs to determine which properties to focus on for conducting more detailed reviews to identify opportunities to reduce our environmental footprint.

[Visit our website](#) for more examples and details of our 2019 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 and we implement water-efficiency measures including water-efficient faucets, fixtures and fittings, rainwater capture for landscape irrigation and promote behavioral change. While the majority of our facilities do not generate wastewater requiring onsite treatment, our DCs in Mainland China, Malaysia and Thailand met all relevant legal requirements for wastewater discharges.

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 also provide products that comprise materials, including wood, paper, cardboard and/or packaging that are verified to be from FSC⁸ or PEFC certified sources.

⁷ The fuel comprises 95% diesel 5% biodiesel derived from vegetable oil, animal fats and other biomass-derived oils approved by the Department of Environment for use in diesel engines, with quality specifications in accordance with the Philippine National Standards.

⁸ FSC license number FSC-C016335.

To increase efficiency and reduce paper consumption, our DCs in Thailand use a hands-free voice picking solution that enables colleagues to identify items to be picked in the warehouse using spoken commands. Printed picking lists or remote data terminals are no longer needed and are replaced with wired or wireless Bluetooth headsets.

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. In Singapore, our DC is reducing the use of disposable packaging by reusing metal storage crates. We are using over 5,500 zero-waste, recycled pallets⁹ in our DCs in Indonesia and will look to expand their use across our operations. Aligning with circular economy principles, the pallets are made from 100% waste plastic and are designed to be recycled into new pallets at the end of their useful life.

Our DC in Singapore has adopted a mechanical system, which includes a conveyor, chute and compactor, to move and substantively reduce the volume of recyclable materials, requiring fewer resources to handle these materials within our DC and reducing the number of trips required to collect these materials for recycling. Overall, operational productivity efficiency has increased by 5% with annual cost savings of over US\$36,000, which represents a two-year payback for the investment.

We ensure that our non-hazardous and hazardous waste is collected by licensed contractors to guarantee safe and proper disposal. In Hong Kong, a total of 1,135 items of electronic equipment, including desktop and laptop computers, monitors and printers, were collected for reuse, recycling and safe processing by a licensed contractor. Our

Logistics business also collected 77 kilograms of metal mooncake tins for recycling following the Mid-autumn Festival from Li & Fung offices across Hong Kong.



Voice picking solution in our Logistics' facilities in Thailand reduces paper usage and enhances efficiency.

Following our initiative in 2018 to remove plastic bin liners and personal bins, in 2019, we undertook an in-depth analysis of what would be involved in banning single-use plastic items in our offices. We then began phasing 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. This initiative was widely promoted internally with tips on how to avoid single-use plastic and initially has focused on:

- No longer purchasing items through catering and procurement services with single-use disposable plastic, and not providing water in plastic bottles
- Providing drink and food service with reusable serving ware and crockery

- Proactively engaging with external providers who provide delivery items in reusable or recyclable packaging and prioritizing providers with responsible packaging options on delivery order forms
- Providing disposable options, with reduced environmental impact, only when necessitated by the sheer volume of attendees at large events
- Replacing plastic storage bands and wrap in our DCs with reusable alternatives such as reusable and/or recycled belts, covers and wrap, and engaging suppliers to reuse carton packaging

Over the course of our previous three-year plans, we have achieved absolute and intensity reductions in our consumption of resources. Despite our efforts to consume resources efficiently, our global water consumption increased in 2019, in both absolute quantity and intensity¹⁰. This is primarily due to the increased capture of consumption data across our global operations and an expansion of our Logistics business.

In 2019, global paper consumption reduced in absolute quantity in comparison to 2018 by 64% due to concerted efforts to encourage paperless operations and to reduce the number of print machines available by locating machines in centralized locations. In Hong Kong, paper volumes reduced by more than 10 tonnes to approximately 27.3 tonnes, which is more than a 27% reduction over 2018. Over our Three-Year Plan we did not meet our intensity reduction target of 5% but we did reduce our absolute paper consumption by 20% in comparison to our 2017 baseline.

Across our global operations we ensure that non-hazardous waste and hazardous waste are sent for proper processing, treatment and disposal, and that materials are collected for recycling wherever possible in local markets. For our Hong Kong operations, we installed weigh scales to more accurately measure our waste generation. In 2019, we reduced our absolute waste generation by 46%, and increased our capture of recyclables by 10%. Going forward, we will continue to enhance our collection system and data capture and to raise awareness of the importance of reducing waste and ensuring recyclable materials are collected properly for recycling.

[Visit our website for our water and paper consumption data and our waste and recyclables metrics.](#)



Phasing out single-use plastics in catering and building services is part of our effort to reduce our environmental footprint.

¹⁰ Normalized per person based on full-time equivalent employee statistics in 2019.