



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT 2021

Li & Fung Limited

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1 ABOUT OUR ESG REPORT

This report provides an overview of the ESG approach and performance of Li & Fung in 2021. It demonstrates our commitment our core values, environmental, social, and governance ("ESG") strategies, and the progress made over the past twelve months. We welcome your comments on the report or any feedback related to our ESG practices and performance. Please send your comments to:

Corporate Communications Team

Address: 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong

Email: media@lifung.com

1.1 SCOPE

This report covers the ESG related activities of Li & Fung from 1 January 2021 to 31 December 2021. This includes its headquarters in Hong Kong, and 84 entities¹ of the Company's trading and distribution businesses and 41 offices across the world, including wholly-owned subsidiaries.

1.2 REPORTING STANDARD

This report was compiled in accordance with the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1.3 REPORTING PRINCIPLES

The preparation of this report follows materiality, quantitative, balance, and consistency reporting principles.

I. Materiality

The disclosed information in the Report was carefully gathered, evaluated, and presented based on its materiality to the Company's business and its stakeholders. The reporting scope is defined based on the significance of operations in terms of revenue contribution and ESG impact.

II. Quantitative

All the disclosed information and key performance indicators ("KPIs") were calculated according to standardized methodologies which are illustrated in the relevant sessions.

III. Balance

This report compares key environment data with previous years to show our progress and areas for improvement.

1.4 APPROVAL

The report was approved by the Group CEO on 26 August 2022, following the confirmation review by the Board of Directors.

¹ Details refer to Annex 1 – Reporting Scope entities

2 MESSAGE FROM GROUP CEO

Dear Stakeholders,

I am pleased to share Li & Fung's Environmental, Governance and Social ("ESG") Report for 2021. This is the first year that we have published our ESG Report as a private company following our privatization in May 2020. We believe it is vital that we continue to share the progress of our sustainability journey with our stakeholders.

As an orchestrator of global supply chains, we are committed to developing and operating responsible, sustainable, and agile solutions while safeguarding and enhancing the lives of all those who are part of our ecosystem. Our aspiration is to deliver value in global supply chains by living our values around people, partners, and planet.

Last year, we continued to witness logistics disruptions, pandemic lockdowns, manufacturing delays and natural disasters. Despite these challenges, we remained committed to helping our customers, suppliers and other supply chain partners navigate the crises and prioritize ESG across our global supply chains. Looking ahead, we expect the global trading environment to continue facing an uncertain economic outlook, which is reflected in rising inflation and depressed consumer sentiment. Amidst these uncertainties, we are committed to embed sustainability into our operations strategically and systematically. We will continue to leverage our global network and work alongside industry partners to address challenges and build resilience, help our customers mitigate risk and navigate the ever-changing global trading landscape.

As a 116-year-old company, we have been evolving our holistic sustainability strategy for many years. With this report, we have identified opportunities for improvement and set goals to develop sustainability sustainably along our supply chains. I would like to invite all our colleagues, customers, suppliers, and partners to join us in this journey.

Yours sincerely,

Joseph Phi
Group CEO
Li & Fung Limited



OUR COMMITMENT



42%
Carbon reduction
by 2030



33%
Water reduction
by 2030



**Carbon
neutral**
by 2045

OUR 2021 ACHIEVEMENTS



0%
Product recalls



17.5%
Global improvement of
Higg FEM results across
supported factories ^a



**10,567
interviews**
Apprise audit for workers



547 hours
of training for our people



188 sessions
Training for our suppliers



186 sessions
4,555 suppliers
Compliance training



**7,349
equivalency**
Reduced audit fatigue



1,688 hours
Voluntary work

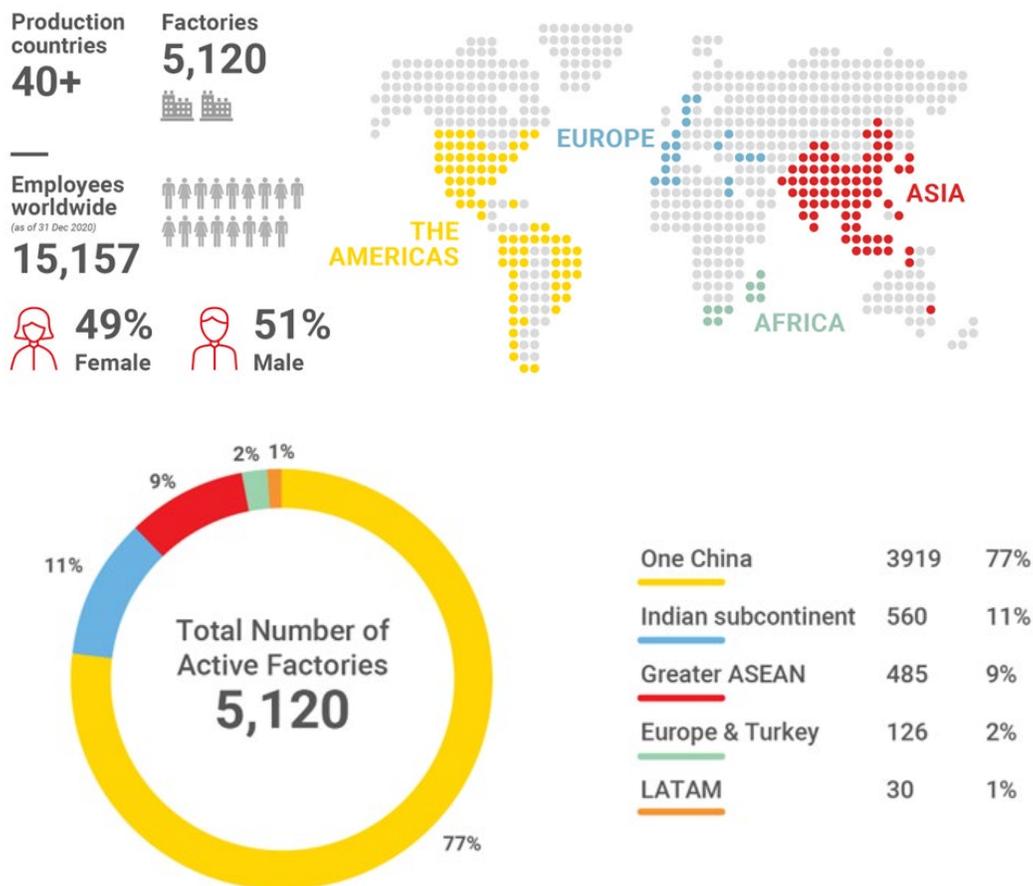
^a The Higg FEM, developed by Sustainable Apparel Coalition (SAC), assesses Environmental Management Systems, Energy Use and Greenhouse Gas Emissions, Water Use, Wastewater, Air Emissions (if applicable), Waste Management and Chemical Management in participating manufacturing sites.

4 ABOUT LI & FUNG

Li & Fung specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. Formerly publicly-traded company, Li & Fung was privatized at the end of May 2020. It is headquartered in Hong Kong and is a member of the [Fung Group of Companies](#). Our Trading business consists of the Supply Chain Solutions and Onshore Wholesale business in the Americas, Europe, and Asia. We provide end-to-end supply chain solutions, from product design, raw material procurement, to production and quality control.

4.1 OUR SUPPLY CHAIN

We design, source and deliver a diverse range of products including apparel, footwear, accessories, and household products for global brands and retailers. In 2021, we sourced goods from 5,120 Tier 1 factories² in over 40 production markets, with 910 factories contributing 80% of the value of goods shipped to our customers. These 910 factories represent 18% of our total active factories.



² Li & Fung define Tier 1 factories as the facility that undertakes the final product assembly

4.2 OUR GOVERNANCE

Governance is the foundation of our sustainable business operations. At Li & Fung, we endeavor to uphold principles of good corporate governance with an emphasis on independence, transparency, and accountability. We strictly abide by all laws and regulations in our operations, and in accordance with those of the countries in which we operate.

Corporate governance

To ensure the efficient functioning of our Board, four board committees have been established – Audit Committee, Risk Management and Sustainability Committee, Remuneration Committee and Nomination Committee – each with defined terms of reference to discharge their respective functions.

Our Board of Directors comprises executive directors and non-executive directors. In 2021, the Board had at least one-third of the directors taking a non-executive role to ensure the board composition remains balanced and able to reinforce a strong independent review and monitoring function of overall management practices. Our directors have diverse professional experience, skills, ethnicity and culture to ensure a diversity of perspectives and backgrounds.

Our Audit Committee, together with the Risk Management and Sustainability Committee, provides oversight of corporate governance, financial reporting, risk management, and internal control system of the Company's subsidiaries that constitute the Trading business. The Audit Committee engages with the external auditor, PricewaterhouseCoopers (PwC), to perform independent financial audits to assure compliance with applicable reporting standards. PwC also reports to the Audit Committee any significant weaknesses in our internal control procedures, fraud or illegal acts, or any non-compliance with laws and regulations.

BOD and Board Committee members

		Board of Directors	Audit Committee and Risk Management & Sustainability Committee	Nomination Committee	Remuneration Committee
Mr. Spencer Fung	Executive	Yes*	Yes*	Yes*	Yes
Mr. Joseph Phi	Executive	Yes	Yes	Yes	Yes
Mr. Ed Lam	Executive	Yes	Yes	No	No
Mr. Ming Mei	Non-executive	Yes	Yes	Yes	Yes*
Mr. Michihiro Higashi	Non-executive	Yes	Yes	No	No

* Being Chairman of the BOD or the corresponding committee

Risk management and internal control

Risk management is the culture, capabilities and practices that Li & Fung integrates into our strategy, while internal control is the process effected by Li & Fung's board, management and staff to provide reasonable assurance of the Company achieving its financial, operational and compliance objectives. Both risk management and internal control are integral parts of our approach to good corporate governance. The Corporate Governance Division, which is independent of management, is empowered to regularly review operations to ensure compliance with Li & Fung's policies and Key Operating Guidelines (KOGs), and local laws and regulations.

Our policies and KOGs are tailored to the needs of the respective operating groups in the markets in which we operate. These policies and KOGs cover the key risk management and control standards for our operations worldwide, including key business processes, credit control, procurement and payment, trade compliance, capital expenditure, commitments, business travel, and staff expense claim. They also cover relevant administrative processes in key support functions of information technology and human resources.

Importantly, our [Code of Conduct and Business Ethics](#) conveys our values and guides all directors' and employees' practices of respectful and ethical conduct. It provides the general principles of how we serve our customers and what we expect from our suppliers.

Moving forward, we will continue to improve our governance structure in line with evolving requirements and expectations.

4.3 OUR STAKEHOLDERS

At Li & Fung, we recognize the importance of listening to the interests and expectations of our stakeholders. We regularly engage with internal and external stakeholders to provide updates on our latest developments to improve our strategy, management and performance.

We are committed to maintaining continuous and transparent communication with stakeholders through various channels.

Stakeholder groups	Communication channels
 <p>Investors, shareholders, analysts, and creditors</p>	<ul style="list-style-type: none"> • Investor relationship and company website • Meetings, briefings, and investor conferences. • Company announcements • Annual general meeting
 <p>Customers</p>	<ul style="list-style-type: none"> • Company website • Customer direct communication and meetings • Customer feedback and complaints
 <p>Employees</p>	<ul style="list-style-type: none"> • Annual conference, town halls, workshops • Regular meetings and employee emails • Employee engagement activities • One Family intranet • Annual engagement surveys • Employee training and sharing sessions • New joiner orientation and feedback survey • Employee performance evaluation
 <p>Suppliers and business partners</p>	<ul style="list-style-type: none"> • Communication, meetings, and training • Capacity building programs • Online vendor portal • Supplier Code of Conduct • Selection assessment • Performance assessment
 <p>Communities (Non-governmental organizations, trade organizations, government, academia, and media)</p>	<ul style="list-style-type: none"> • Dialogue and meetings • Collaboration or partnership initiatives • Engagement with industry groups and academics • Company website • Community activities

4.4 MATERIALITY ASSESSMENT

We continued to identify and prioritize sustainability topics that address relevant business risks and opportunities in our industry, as well as meet the evolving expectations of our stakeholders.

This year, we invited key stakeholders to take part in a stakeholder engagement survey. Each topic was scored according to the requirements of the Hong Kong Exchanges and Clearing Limited. The survey was conducted by an external independent agency.

Identification



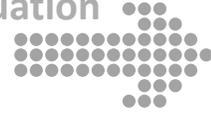
- Identify and map a list of ESG issues
- Identify key stakeholder groups

Engagement

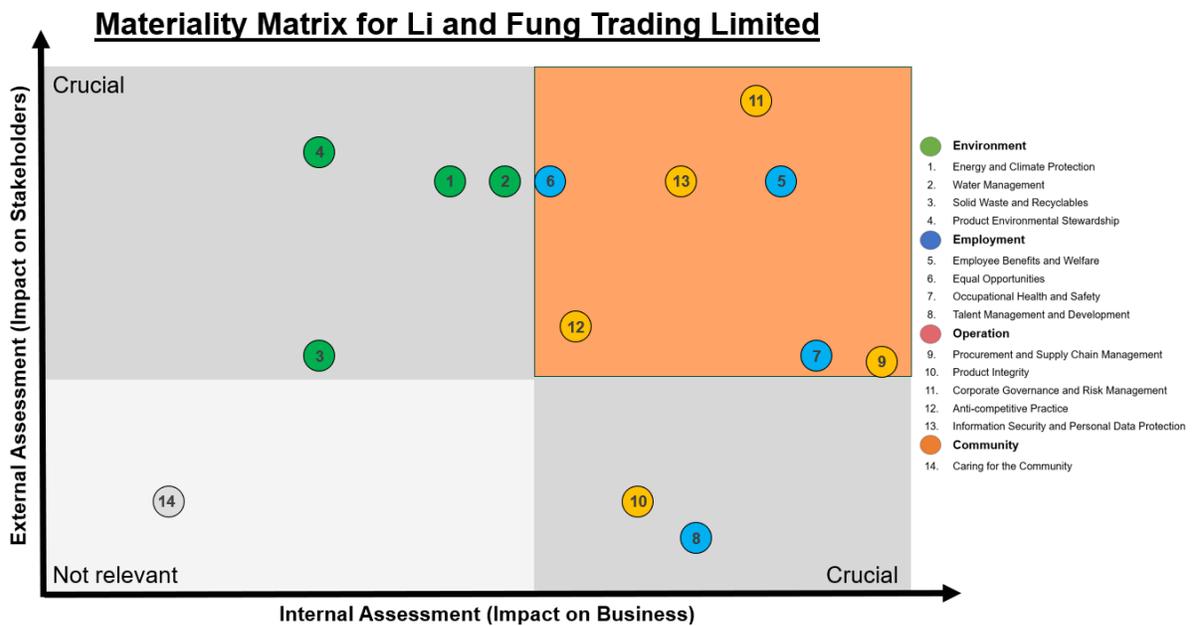


- Conduct stakeholder engagement exercise

Analysis & Evaluation



- Prioritize ESG issues by materiality assessment
- Review its result for ESG report disclosure and performance improvement



Based on the materiality of each issue, as expressed by stakeholders, the ESG priorities are shown in the materiality matrix above. The issues identified as crucial in terms of their impact of the business and the impact on our stakeholders are shown in the upper right quadrant. Accordingly, we have identified the most material ESG issues as:

1. Corporate governance and risk management
2. Employee benefits and welfare
3. Information security and personal data protection
4. Health and safety
5. Equal Opportunities

These topics identified as material are not the only issues that we are focusing on, but they serve as an important reminder of our key priorities.

Using our global reach, we will continue to convene and collaborate with our stakeholders to ensure our businesses operates responsibly.

5 ESG STRATEGY

The challenges of the future – including climate change, biodiversity loss, human rights and poverty – are severe. We strive for the sustainable development that our stakeholders, customers, and community expect. Our ESG strategy is aligned with the [United Nations' Sustainable Development Goals \(SDGs\) with three key pillars of environment, society and governance](#). Our key priorities and commitments are included in the diagram below.



We believe in trust, openness, and transparency. These are the fundamental values to maintain a long-term relationship with our internal and external stakeholders. This ESG report aims to provide our various stakeholders, including investors, business partners, and others, with a deep understanding of our sustainability policies, targets, and undertakings.

5.1 BOARD STATEMENT

Integrating sustainability into our operations and along our value chain is central to our business success.

Our Board of Directors recognizes the importance of ESG practices, supports the Company's ESG journey, and provides guidance on our ESG efforts. The Board and the Risk Management and Sustainability Committee (RMSC) oversee the Company's management strategy, material ESG-related topics in response to stakeholder expectations, and the Company's risk management and performance. At a corporate level, we have a dedicated ESG team and working groups driving our sustainability strategy to ensure we achieve our targets and make steady progress. The ESG governance and

management initiative is an essential undertaking to identify and measure the impact of our organization.

This year, we continue our pathway towards greater transparency to our stakeholders with our strategies, measures, and performance disclosure. We will continuously strengthen our strategy on responsible and sustainable sourcing. The strategy applies to our own operations and our supply chain to create shared value that draws on our corporate capabilities. We have set clear metrics to measure and manage various ESG topics, and we subsequently set science-based targets.

We plan to strengthen our assessment and disclosure of climate-related impacts in this reporting period. We expanded our risk assessment process to incorporate a preliminary consideration of climate-related risk assessment while seeking to overcome underlying challenges and opportunities to demonstrate our commitment to sustainability.

Going forward, Li & Fung will continue to take a proactive approach to ensure sustainable growth and collaborate with our stakeholders along the value chain to create systemic changes in our industry.

6 BEING A RESPONSIBLE BUSINESS

6.1 BUSINESS ETHICS AND ANTI-CORRUPTION

Our company reputation is built on the daily actions of our people. Each of us has the responsibility to uphold our reputation and values and our success is based on this consistent standard of conduct.

We are committed to managing our business responsibly and in compliance with the statutory requirements and regulations of the countries in which it operates. Our Code of Conduct and Business Ethics prohibits any forms of corruption, bribery, extortion, fraud, money laundering, and unfair competition. Our initiatives taken on zero-tolerance to bribery and corruption and promoting the highest standards of ethical conduct amongst our employees include:

Code of Conduct and Business Ethics

- The Code of Conduct and Business Ethics, available on our intranet (One Family) and company website (www.lifung.com), provides a guideline for our employees on how to conduct themselves and our business, how we serve our customers, and how we work with our suppliers. All new joiners undertake training and sign-off on their adherence to the Code.

Anti-Bribery Policy

- A zero-tolerance approach affirms our commitment to upholding our values as they pertain to bribery and corruption
- The policy provides a clear definition and concrete examples of bribery, in addition to setting the rules which apply to all employees

Guidelines on Gifts, Entertainment and Hospitality

- The Guidelines outline principles that provide guidance on giving or receiving gifts, entertainment and hospitality; stricter rules apply to expenses incurred with public officials

Guidelines on Whistleblowing and Reporting of Concerns

- Whistleblowing guidelines provide dedicated and independent channels of reporting and stakeholders can also report to senior management or our Group Chief Compliance & Risk Management Officer
- No retaliation of any kind against employees who raise genuine concerns or who participate in the investigation

Independent investigations

- Independent investigations are undertaken by our Corporate Governance Division or independent management
- All reported concerns are handled in confidence

Anti-money laundering

- To protect the interest of the Company and vendors from paying to fraudulent bank accounts, the Company has established a KOG in relation to third party payments.
- The Company makes payments directly to vendors who have genuine business transactions with Li & Fung to avoid unknown cash flows. Payments to other parties that we are not contracted with are strictly prohibited.

Regular ethics training

- Employees are required to revisit and complete an e-learning module to refresh their knowledge and stay up to date with any changes in our Code of Conduct and other policies
- Case studies and quizzes are covered in the online training to help employees understand and put the principles into practice
- In 2021, there were a total of 547 hours of ethics training completed by management and general staff

During the reporting period, there were no concluded legal cases regarding corrupt practices brought against the Company and the employees. We are in compliance with relevant laws and regulations that have a significant impact on the company relating to bribe, extortion, fraud and money laundering.

6.2 DATA PRIVACY PROTECTION

We recognize that maintaining the trust of various stakeholders is crucial, including in relation to data protection. The confidentiality, integrity, and availability of information and its processing facilities are essential to the successful operations of Li & Fung. This topic is also the third most ranked material topic according to our stakeholder engagement materiality assessment questionnaire during this reporting period.

We understand that data security is an ongoing process. Our data protection team ensures our policies and tools are implemented and our data is managed in an ethical manner. Our data handling approach is to specify data ownership and accessibility as part of the contract signing process with each customer.

We strictly abide by the applicable regulations of the regions where we have business operations, including Personal Data (Privacy) Ordinance in Hong Kong, Personal Information Protection Law (PIPL) in Mainland China, General Data Protection Regulation (GDPR) in Europe, and California Consumer Privacy Act (CCPA) in the United States.

As part of our continuous effort to manage information security risk in this complex environment, we established our *Key Operational Guidelines on information security*. Documented policies and procedures are in place for managing customer privacy, employee personal information, human resources security, etc.

We have detailed policies on what information can, and cannot, be shared, including with third-parties we work with. For example, our employee user profile houses information about each employee's data access. Each profile lists who owns the data, who can edit it, and how much data can be accessed from the system. We manage users with access to specific customer data or limit it to specific geographical regions only. If any employee needs to have visibility beyond their current setting, approval from management is required. This measure helps us control data access and protect intellectual property.

No complaint or breach of any related regulation was identified during the reporting year.

6.3 INTELLECTUAL PROPERTY RIGHTS PROTECTION

Intellectual property is considered one of the priorities of our ESG agenda.

The intellectual property portfolio of Li & Fung, including trademarks, copyrights, and trade secrets, is vital to its business success. We pledge to protect intellectual property rights by complying with all laws and regulations in the countries where we operate, including those relating to intellectual property. Our people are legally bound to comply with global and local country statutes governing copyrights and all proprietary software license agreements. Our Enterprise Risk Management (ERM) function was established to centrally manage the Company's data privacy and intellectual property protection. In the Company's *Information Security Policy*, we define and properly apply internal rules for all employees to properly manage and handle intellectual property, consumer data, and personal data to avoid any infringement of the right held by other business partners or our Company.

We have a dedicated team designated to different accounts if intellectual property rights are related to product creation. We make sure that information is not shared with other clients. We require and arrange non-disclosure agreements with our customers to make sure the sensitive information remains strictly confidential. Any infringement, violation, or misuse in any form of aforesaid right is strictly prohibited.

6.4 TECHNOLOGY & INNOVATION

We believe that technology and innovation are key to transforming the industry and our customers and enhancing the overall ESG performance. At Li & Fung, innovation is an important part of our core values.

With the rapid evolution of the retail industry shaped by digital technologies and complex consumer demands, LFX was launched in April 2021 as an offshoot of Li & Fung to capitalize on new digital opportunities transforming the retail industry and enabling supply chain sustainability. Together, we are working to identify, invest, and experiment in end-to-end digital transformation related to apparel or general goods supply chain. We lay the groundwork from design, manufacturing, and financing to ESG performance.

Working with technology and innovation means collaboration. We have collaborated with two LFX ventures:

1. **AIR8** – A supply chain fintech company to serve the financing needs of small-to-medium enterprise (SME) consumer goods suppliers.
2. **UNIFI3D** – A 3D-as a-Service company that helps brands accelerate their digital transformation. With their 3D solutions, brands can minimize wastage by eliminating or reducing physical samples while increasing sell-through.

This year Li & Fung also formed **Strategic data unit** team – a team of specialists covering data infrastructure and engineering, data science and governance.

As a global leading sourcing company, we are in a unique position to have an understanding of where the products are coming from, to identify what are the risks and credit scores internally and externally, develop a centralized ESG data hub, and to offer 360 degrees views and insights related to ESG impact, national and regulators requirements for sourcing operations. We are committed to informing and improving ESG performance across the whole value chain.

6.5 CUSTOMER SERVICE

Retaining loyal customers and growing our customer base is essential to a successful business. Customer service is always at the heart of our business and we are committed to providing safe and high-quality products and services.

We communicate regularly with our customers, through informal discussions, scheduled meetings, and ad-hoc meetings. We continuously work to improve our operations and business processes to achieve operational excellence for our customers.

If there are concerns about product quality, we do our utmost to resolve this in a timely and efficient manner. We first review the comments and collect all the facts in detail to holistically understand the issues. Our quality team will first assess potential variations in our operating procedures. We will then involve our supply chain partners to understand their process and initiate an investigation with the manufacturer when it is needed to identify any inaccuracy, oversight, or error during the whole production or quality assurance. We will then plan and take measures to address the incidence, such as repair, replacement, or offer a discount. We finally follow up with customers to ensure they are satisfied with the solutions offered.

In 2021, we focused on efficiency and additional services to enhance customer satisfaction. A particular focus was using predictive analysis to prevent manufacturing and raw material defects. We examined key raw materials and used predictive analysis to identify potential risk areas during the manufacturing stages as part of preventative measures. This two-pronged approach helps us avoid defective inputs into production, reducing the number of defects, and enhancing customer and supplier satisfaction.

7 BUILDING SUSTAINABLE SUPPLY CHAINS

Global supply chains are complex, considering both the business environment and the flow of goods.

As a global supply chain solution company, we have relationships with thousands of suppliers around the world. Achieving meaningful change and promoting sustainable development together with our suppliers is, therefore, an area of key focus. We are committed to proactively sourcing sustainable products and services to create positive social and environmental impacts. We have four focal areas, aligned with the UN SDGs, to enact meaningful change: sustainable products, safe workplaces, human rights, and environmental impact.



7.1 SUPPLY CHAIN MANAGEMENT

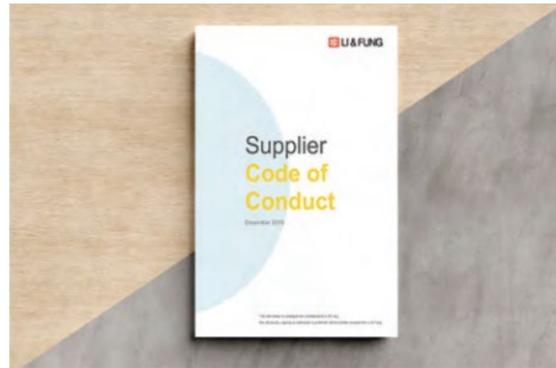
In 2021, Li & Fung sourced from 5120 tier 1 factories in over 40 production markets. We are determined to develop long-term relationships with suppliers to enhance ESG performance and drive responsible practices across our operations and supply chain. While the trade landscape continues to change, we make every effort to strengthen relationships with existing factories rather than onboard new ones. In 2021, we maintained long-term relationships (five years or more) with almost half of the Tier 1 factories in our supply chain.



Our Approach

We embed responsible business conduct into our company policy and management systems to foster continuous improvement and to identify actual and potential harms across the supply chain. Our management system consists of a series of policies and mechanisms including the supplier code of conduct, audits and rating system, worker-led due diligence, remediation and tailored capacity-building programs.

A. Supplier Code of Conduct



Managing supply chain risk starts with Li & Fung's **Supplier Code of Conduct** ("[Supplier Code](#)"). The principles enshrined in the Supplier Code are grounded in the United Nations Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work, as well as local law.

The Supplier Code is available in multiple languages and incorporates guidelines on social, environmental, ethical business practices and security standards as well as practical resources for implementing standards within factory operations. All suppliers must commit to adhering to these minimum standards as a condition of doing business with us. Suppliers must also do their utmost to ensure standards contained in the Supplier Code are communicated to and respected by next-tier suppliers that produce parts or materials for Li & Fung and its customers. The Supplier Code was fundamentally updated in 2019, with an increased focus on responsible recruitment and combatting violence and harassment at work, due to the adoption of new international guidelines and standards.³

To continue supporting suppliers to understand and comply with the Supplier Code, we hosted 48 training sessions in key sourcing countries for colleagues and suppliers in 2021 (56 sessions were held in 2020 when the updated policy was first implemented). The training highlights all key changes, their potential impact and requirements for adherence. 99.6% of factories (5,099) have signed their acceptance of the new Code.

B. Responsible Recruitment Policy

Li & Fung, along with 132 other brands, retailers and suppliers, became a signatory to the [AAFA and FLA Commitment to Responsible Recruitment in 2019](#).

In 2020 Li & Fung developed and rolled out a Responsible Recruitment Policy, key highlights of which include:

³ See below section on Responsible Recruitment for details.

- **Employer Pays Principle:** Suppliers shall take steps to ensure that workers do not pay recruitment fees or related costs to get a job. Suppliers shall ensure that where employees have paid recruitment fees or related costs, workers are reimbursed.
- **Due Diligence:** Prior to the selection, suppliers shall undertake a formal screening of labor recruiters to assess commitment and capacity to meet the requirements outlined in the policy.

84% (4300) of Li & Fung’s business partners have agreed to implement the Responsible Recruitment Policy.

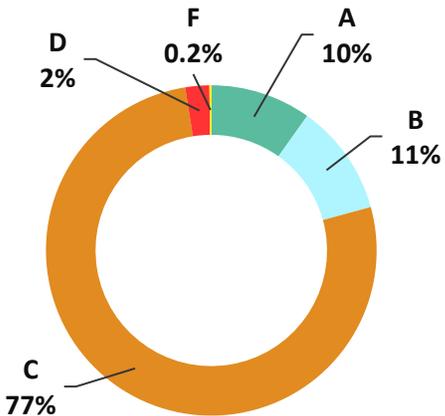
C. Combatting Forced Labor Policy

Our Combatting Forced Labor Policy was introduced due to the heightened risk of forced labor and human trafficking seen across global supply chains, and in recognition that more effort is needed to combat this serious issue through targeted due diligence and mitigation by all actors along the supply chain.

Since its adoption, almost 90% (4581) of factories have signed the policy.

D. Supplier Rating System

Li & Fung measures factory performance of environmental and social impact in accordance with our internal rating system. We connect our supply base to recognized industry programs and their platforms including amfori and Sedex. Factory approval is linked to ratings, with higher performing factories approved for longer periods. When non-compliances are identified, this negatively impacts factory approval periods and factories must commit to remediating the issue with a time-bound corrective action plan. Li & Fung’s 2021 factory rating distribution is shown below.



E. Monitoring and Due Diligence

All our direct suppliers are audited based on their risk level, and we commission designated third-party audit firms to perform an independent audit. We also rotate the audit firms who conduct our onsite audits to maximize the strengths of each firm and to reduce the risk of collusion with factory management. All new and existing suppliers must meet the minimum standards to be eligible for onboarding and continue doing business with Li & Fung.

As an effort to reduce audit duplication, Li & Fung accepts audits from twelve recognized social and/or environmental compliance standards that meet our requirements as part of our audit "equivalency" program. We understand that suppliers encounter many audits annually and that there is a critical need to also support suppliers to make improvements. Therefore, we made a strategic decision to reduce duplicative audits and focus our resources and efforts on helping suppliers improve. In 2021, as a result, we accepted 7,349 industry audits under this audit recognition scheme.

In addition, we also accept audit reports from customer-specific audit programs. In 2021, a total of 1,360 supplier audits were conducted by 3rd party audit firms commissioned by our customers.

As part of our assurance program on factories audited against Li & Fung, industry and customer standards, our team also carries out unannounced spot checks based on our risk assessment to ensure there are no critical or zero-tolerance incidents, such as child labor, exploitation and/or abuse of vulnerable workers, imminent structural risk and harassment, etc. In 2021, we conducted a total of 511 spot checks, including 428 at Tier 1 factories and 83 at Tier 2 and beyond Tier 2 factories.

Our social compliance team is also responsible for handling and investigating complaints made by workers or internally related to any concern in factories. We take an end-to-end approach to all human rights, safety, or environmental issues by designating a responsible team, investigating root causes, collecting data and information, managing the remediation, working with the business team to resolve the issue as required, and rigorously documenting everything until project closure.

Using a risk profile approach, we have a strong centralized system to register all the information related to supply chain data to provide a real-time data that comprise of incidence type, frequency of the incidence, severity level, geographical information, suppliers' identification, and the status of the incidence. We understand the nature of risk levels may differ from country to country. The information in the system enables us to identify the common issue in various countries, develop and plan improvement programs, and generate risk profiling. We have adopted the objective data analysis using metrics that are measured and reported periodically throughout the process, our team will organize a regional-specific program that targets common issues that we would like to improve in human rights, safety, and compliance in the supply chain. Most of all, we evaluate the impact that we have made after we placed our program.

F. Continuous Improvement

Li & Fung continues to engage suppliers to improve performance through remediation and capacity building. Since launching our remediation program in 2017, we continue to observe improved performance in our supply chain. When non-compliance with our Supplier Code is identified through audits, incident reports or spot checks, the non-compliance is recorded into a standardized monitoring system and discussed with the factory. The factory then develops a corrective action plan with a root cause analysis and a focus on remediating negative impacts and preventing future reoccurrences. We monitor and support the factory improvement process and verify the remediation of issues. When critical or zero-tolerance issues are identified, the factory is required to remediate violations with progress monitored by Li & Fung or one of our partners such as Better Work.

Partnerships and Capacity Building

To educate new and existing suppliers on the Supplier Code, Li & Fung's Vendor Compliance and Sustainability team provide awareness training on a regular basis. In 2021, we conducted 188 training sessions and 4,555 suppliers were trained on the Supplier Code and various compliance topics, including Modern Slavery, Child Labor, Violence in Workplace, Covid-19 Safety requirements, and Occupational Health and Safety, etc. across countries.

Region	Supplier COC	Topic Specific	Grand Total
Americas	1	3	4
China	12	4	16
Europe	29	4	33
Greater ASEAN	41	37	78
Indian Subcontinent	25	30	55
Grand Total	108	78	186

The Company is involved in major industry initiatives as part of our journey toward a more sustainable and responsible supply chain. Our collaborative efforts are focused on implementing programs that address the challenges in our industry and in specific production countries where we operate and support our suppliers for continuous improvements.

ILO/IFC Better Work



We engage closely with Better Work, a partnership between the ILO and the International Finance Corporation (IFC), to support improved social impact in our supply chain. Better Work offers a comprehensive program for its member factories that includes an in-depth social compliance assessment with regular advisory services to support the sustainable improvement of key findings. Better Work's program engages closely with workers throughout its assessment and advisory process. A total of 214 factories in our supply chain engaged with the Better Work program in 2021. We have offered various types of training to those factories.

In addition, 57 factories in Bangladesh, Cambodia and Vietnam have taken part in the Better Work Ambassador program and shared positive feedback. Better Work Ambassador program aims to accelerate improvements at the factories by building the capacity and accountability of the factory management staff and worker representatives to bring changes to the workplace.

Testimonial:

**Mr. Imran Khan – Compliance Manager
Needle Craft for Clothing Industry (Jordan)**

"Our main objective to participate such type of project for long term sustainability in workplace, improvement in labor compliance, strengthen our acknowledge according to global compliance & standards and improve our skills."

**Ms. Hala Jaradat - Compliance Officer
Century Miracle Apparel Manufacturing Co., Ltd.(Jordan)**

"We feel the program will be very useful since it includes social dialogue, sustain factory business performance and enhance collaboration with national partners as well as training about solving problems & confidentiality and integrity."

Case Study: Worker Sentiment Survey



Improving working conditions is a core value for Li & Fung and our customers. In 2021, Li & Fung supported a customer to implement the Worker Sentiment Survey (WSS), which is a beyond audit activity intended to gather quantitative insight on key issues for workers via a standardized tool and representative sampling. Questions related to Demographics, Work Atmosphere, Grievance Mechanism, Wages and Working Hours, and Health and Safety are answered directly by workers on their mobile devices.

This short and anonymous survey yielded deeper insights directly from workers to better understand the issues that matter most to workers about their working conditions. The WSS also helps factory management better understand and address worker needs more effectively, leading to reduced turnover and absenteeism, increased employee morale, and even positive effects on productivity and product quality.

In 2021, 2,159 workers completed the survey from 7 factories. The key results of the WSS were summarized in a report, and members of Li & Fung's Vendor Compliance team reviewed the survey results with the factory highlighting the major findings and provided recommendations for the factory to improve management systems and enhance engagement with workers to promote a better working environment.

A positive impact has been seen when the workers of 3 factories repeated the survey after 6 months: when compared, scores increased in Work Atmosphere, Grievance Mechanism, Wages and Working Hours, Production Efficiency / Safety & Productivity, Workforce Stability. The conclusion was a well-cared-for workforce is more engaged and more productive.

Grievance Mechanisms

Grievance mechanisms are essential processes that provide access to remedy for workers and are a critical component of ensuring factories achieve sustainable improvement.

In 2021, we worked towards building more efficient and effective grievance mechanisms in our supply chain through our industry partnerships. For example, Better Work Bangladesh (BWB) continue to provide training to workers and management of factory employees to build their capacity, strengthen existing grievance mechanisms and ensure that all local laws are followed in the process. In 2021, 16 female Welfare Officers from eight Li & Fung factories participated in BWB's training programme that helps strengthen the capacity of welfare officers and equip them with useful skills that help create a culture of social dialogue and promote a harmonious and productive working environment in the factory.

Additionally, in 2021, Better Work Jordan (BWJ) conducted their training course on workplace communication, which includes a focus on grievance mechanisms. This training session aims to improve

both the factory management and workers' understanding of dialogue-based problem-solving. It focuses on understanding the importance of communication in the workplace, assessing the communications systems at the factory level and ways of improvement. By attending this training course, participants develop more knowledge on grievance procedures in the workplace and receive tips for effective communication. The sexual harassment prevention training, also run by BWJ, includes a focus on grievance mechanisms. Workers are provided information on how to prevent and address sexual harassment, as well as how to seek help via grievance mechanisms should they experience any form of sexual harassment.

We will continue to engage with industry initiatives that encourage workers to report on critical fire and safety risks, along with other grievances, through industry hotlines.

7.2 SAFE AND HEALTHY WORKPLACES

A safe and healthy workplace is a basic human right and a fundamental building block of responsible sourcing. Workplace health and safety in the supply chain is the central pillar of building sustainable supply chains. We are determined to ensure no worker is injured or harmed in the making of our products or providing services to us.

The Supplier Code's section on Safe Workplaces covers responsible fire safety precaution and emergency practices, responsible first aid and OH&S policies and practices, safe and clean dormitory, childcare and canteen facilities, responsible handling of chemicals and hazardous materials, special equipment and facility safety management, and responsible electrical, building and construction permits, policies and practices. Suppliers are required to meet all requirements and be compliant with the Code for onboarding.

Li & Fung works closely with suppliers, industry peers and external partners to maintain safe workplaces for the people who work in our supply chain. In Jordan, the Covid-19 pandemic has had a major impact on garment workers, and workers' mental health. Migrant workers face many stressors during the pre-migration process, the process of relocation to another country, and the post-migration phase. Such stressors include working and living conditions in the destination country – long working hours, pressures to meet production targets, violence and harassment including verbal abuse in the workplace, limited opportunities for career advancement and poor dormitory conditions, a lack of support networks, and barriers to accessing services: including language barriers, marginalization, and discrimination in the host country. Better Work Jordan launched a mental health project in January 2021 that aims to improve the mental health of garment workers who face many physical and psychological stressors. The project focuses on building the garment workers' resilience against mental health risks, ensuring that factory-level support exists, and developing mental health referral systems that are accessible to all workers. Li & Fung will continue to support Better Work and our factories to focus on this important topic.

In Bangladesh, Li & Fung has worked with Nirapon, the Accord, and the helpline, Amader Kotha, which encourages workers to engage outside help for critical fire and safety risks. The results achieved by the Accord and The Alliance for Bangladesh Worker Safety (Alliance) (listed below), demonstrate the value of collective action, which has driven measurable improvements in safety through in-depth assessment and remediation of findings, supplemented with worker empowerment and worker safety training programs.

Ready-made garment Sustainability Council (RSC) and Nirapon Results

A total of 222 factories were inspected, of which:

- 140 were inspected by Accord / RSC, safety inspection covering 290,955 workers
- 82 were inspected by Alliance / Nirapon, safety inspection covering 192,515 workers
- 90% average remediation progress – with follow-up by LF engineers

Li & Fung continues to partner with critical stakeholders including Better Work and AMFORI to promote workplace safety. In Bangladesh, 86 out of the 222 Li & Fung factories are affiliated with the program, covering over 225,254 workers.

Education

Li & Fung also continues to engage suppliers to improve performance through high-quality capacity building. We acknowledged most fire cases are attributed to unsafe electrical situations. In 2019, we developed and launched an electrical fire safety program. As of December 2021, 457 factories, located in five countries, have participated - China, Cambodia, India, Indonesia, and Vietnam. All 31 factories that were identified as high-risk have been remediated to low-risk.

7.3 HUMAN AND LABOR RIGHTS

In 2011, the OECD Guidelines on Multinational Enterprises and UN Guiding Principles on Business and Human Rights set out a company's responsibility to respect human rights in their operations and supply chain. These instruments serve as the compass for companies to evaluate their impacts on human beings as holders of rights and translate human rights responsibilities into actionable due diligence requirements. They thus provide the indispensable map that allows businesses to navigate responsibly.

We will continue to meet or exceed labor and human rights standards set out in international frameworks such as the International Labour Organization's (ILO) Fundamental Principles and Rights at Work (FPRW) and those set out in the United Nations Global Compact. In 2022, a safe and healthy working environment became part of the ILO's FPRW Framework further affirming our strong commitment to this issue. All the above frameworks are part of our Supplier Code. Our Vendor Compliance & Sustainability Team has a process to review and revise our Supplier Code regularly when needed, to reflect current changes. It was reviewed two years ago and no further change was required during the reporting period.

We implemented comprehensive human rights protection measures and conducted a Supplier Code of Conduct annual training for internal employees and our suppliers. Over the past year, we continued to work closely with our industry partners to provide training for our employees, suppliers and workers on how to respect and access rights outlined in the Supplier Code. Some examples of work, which have been done in the garment industry via our industry partners are illustrated below.

Ending Modern Slavery

Li & Fung is taking a proactive approach to combatting all forms and enablers of modern slavery, including abusive recruitment practices.

- We publish an annual statement on our [website](#) on our efforts to address and eliminate modern slavery and human trafficking in compliance with the regulations of the California Transparency

in Supply Chain Acts (SB 657) and the UK Modern Slavery Act of 2015. Key highlights from our work in 2021 include: Continuing launch and roll-out of the Li & Fung Responsible Recruitment Policy (see above section on Policy for details)

- In 2021, we hosted 19 three-hour training sessions on modern slavery, which included in-person and online sessions for our suppliers across 10 sourcing countries: Bangladesh, Cambodia, China, Guatemala, India, Malaysia, the Philippines, Taiwan, Thailand, Turkey and Vietnam. The training was delivered to 494 factories, with 1,357 participants and covered key areas on how suppliers can prevent modern slavery including: Recruitment, Wages, Working Hours, Freedom of Movement Harassment, Abuse and Threats, Grievance Handling, and Remediation.
- 57% of core Tier 1 factories participated in training on modern slavery (with materials shared with those who were not able to participate)
- Unannounced spot checks at 511 sites (428 at Tier 1 and 83 at Tier 2 and beyond)
- 530 factories using Apprise Audit tool for worker feedback
- Human Rights Due Diligence training for the VCS team

Refer to our website for more [detail on our activities in 2021](#) to work towards the eradication of modern slavery.

The Mekong Club



We participate in the **Mekong Club**'s regular Business Association working group meetings. These sessions bring together member companies spanning across industries including financial services, hospitality, retailing, and manufacturing with the shared goal of combatting modern slavery and improving industry-wide and cross-sector responses. We are regular participants in these sessions, where companies share best practices, discuss the challenges facing their operations and industry, and help to shape the Mekong Club's tool and technology development.

As a member of the Mekong Club's Manufacturing & Retail Working Group, we leverage its expertise and tools to improve our due diligence and risk assessment practices (including our audit and spot check program) and to educate key stakeholders on how to address the root causes of modern slavery.

The Apprise Audit platform, which was developed by the Mekong Club and the United Nations University Institute in Macau is an innovative platform that enables more workers to be engaged during an audit in a safe, effective, and anonymous way. During a typical factory audit, the auditor has limited time to interview workers. There may also be confidentiality concerns from workers, or there may be language barriers between workers and auditors. This is even more challenging in the engagement of migrant workers, who are often more vulnerable to exploitation and coercion and are therefore at an increased risk of being trapped in forced labor. Apprise Audit is a mobile app specifically designed for workers to help uncover hidden risks of forced labor in line with the ILO indicators.

In 2021, Li & Fung used Apprise Audit to interview 10,567 workers, from 530 factories, across 12 key sourcing markets (Bangladesh, Cambodia, China, Guatemala, India, Indonesia, Malaysia, Taiwan, Thailand, Turkey, Philippines, and Vietnam).

Eradicating Child Labor

Li & Fung is committed to eliminating child labor in the supply chain. Our [Supplier Code of Conduct](#) reflects our commitment to act ethically in our business relationships and to enforce controls and systems to eliminate any form of child labor in the supply chain.

Li & Fung's child labor remediation policy ensures children are removed from the workplace and that their families are provided with the equivalent of the child's wage until they reach legal employment age. For non-compliances that involve underage workers, we work in partnership with the Centre for Child Rights and Business ("the Centre") to:

- Assess the situation of the child within the context of the concerned production site
- Defining possible remediation solutions based on the initial suggestions such as vocational schools, or other training options including a budget for enrolment and a monthly living stipend
- Supporting the child, the company and the supplier throughout the entire remediation process

Partnering for Change: The Centre of Child Rights for Business



Advocating for the rights of the child and ending child labor, including child forced labor, is of critical importance to Li & Fung, which is why we are working with The Centre for Child Rights and Business (The Centre) to embed child rights throughout our business and to prevent and remediate child labor in the supply chain. As a member of The Centre's Child Rights in Business Working Group, we work with other members to discuss and identify common challenges, share resources and implement best practices for prevention of underage labor, working condition improvement for juvenile workers, and treatment of migrant workers in the supply chain.

For non-compliances involving underage workers, we work in close partnership with The Centre to develop responsible remediation plans that are in the child's best long-term interests, and which consider the educational, social, and economic needs of any child concerned. Child labor remediation is usually accompanied by in-factory responsible recruitment training for factory management. Training increases factories' awareness of, and ability to prevent child labor from occurring. Through this multi-layered approach, we support sustainable management practices to prevent underage recruitment.

Education

In 2021, over 900 factories and 2,557 participants took part in virtual, or in-person training sessions conducted by Li & Fung, that included a focus on modern slavery, forced labor, responsible recruitment, and child labor.

7.4 ENVIRONMENTAL IMPACTS

Responsibly managing our environmental footprint as we work to mitigate global climate change is central to our sustainability strategy. We work with our customers, suppliers and industry partners to further sustainability by focusing on managing risk and improving performance in the supply chain, adopting standards and best practices, and providing sustainable design, manufacturing, product and packaging options. Over the years, we have been exploring and using a variety of tools and methods to better understand, quantify and identify solutions designed to reduce the impacts generated by supply chains and the production of consumer good to help make our industry more environmentally and socially responsible, and sustainable.

Our focus

Water, Chemicals, and Carbon Emissions

We focus on the development and implementation of tools and programs designed to reduce greenhouse gas emissions, and freshwater intake, increase the ratio of recycled water, and ensure the use of safe chemicals. Our primary scope is the laundries and fabric mills, as these have the largest environmental impact across the supply chain. From an initial impact assessment, a baseline is created, short and long-term roadmaps are set together with the factories and the production teams, and the results are then used in vendor scorecards. These scorecards guide the business strategy and allow us to recommend the allocation of orders to the facilities that perform best.

Our approach

Products

Our first step when looking at a brand's environmental footprint is to quantify the current impacts of the raw materials. The type and volume of raw material used, linked with Life Cycle Assessment data, allows to quantify the current effects and identify areas for improvement. From the sustainability priorities and the sourcing strategies of our customers, we can guide them through programs, certifications, and technologies to identify impactful and meaningful solutions to improve the environmental performance metrics of their business and turn ambitions into reality. In so doing, we work closely with industry partners, to identify and assess innovative solutions that are able to deliver quantifiable improvements on environmental metrics.

Our teams support our stakeholders by creating a series of Standard Operating Procedures, training, and regularly advising all relevant teams, from both the brand or retailer and the supplier, to ensure there is agreement on the workflows and specific requirements.

Our teams then analyze the data from regular reports and guide our partners to adjust and improve upon the effectiveness of the various initiatives. In addition to the technical services, we also help stakeholders to navigate the laws and regulations emerging from various regions, as the world demands more transparency and accountability. All the efforts of the environmental sustainability teams are done in collaboration with the production and sourcing teams to enhance the product without impacting or compromising cost, service, or quality.

Li & Fung is a member of the **Textile Exchange**, a leading global nonprofit overseeing certifications on recycled or organic raw materials such as the Global Recycled Standard, Recycled Claim Standard, or Organic Content Standard, and a partner of **Canopy**, an NGO dedicated to protecting the world's forests, species, and climate, and the organization behind the Green Button Report, that assesses and ranks viscose suppliers, as well as Pack4Good, that guides brands on better packaging. Li & Fung also uses a number of programs and certifications to offer an alternative to conventional raw materials, with benefits of reduced CO2e emissions, water consumption, and enhanced chemical safety.

Case study – Denim



Li & Fung has been using Jeanologica’s Environmental Impact Measure tool (EIM) to simulate denim’s washing and finishing impacts. Our supply chain partners virtually generate the product impacts through the platform, and the scores obtained are used by the sourcing and production team to benchmark and improve the impacts on the environment and workers by changing production methodologies by switching to innovative technologies like laser or O2 washes, or phasing out harmful practices.

Since 2019, our teams have been requesting the EIM scores for all developments designed for key customers and are using the EIM as a new KPI to make sourcing decisions. Over the past three years, the results have shown reductions in water needed per denim by approximately 49%, and energy by 55%.

	Intensity per Piece Produced	
	Water Liter / Piece	Energy kWh / Piece
2019	45.73	1.66
2020	26.01	1.63
2021	23.29	0.76

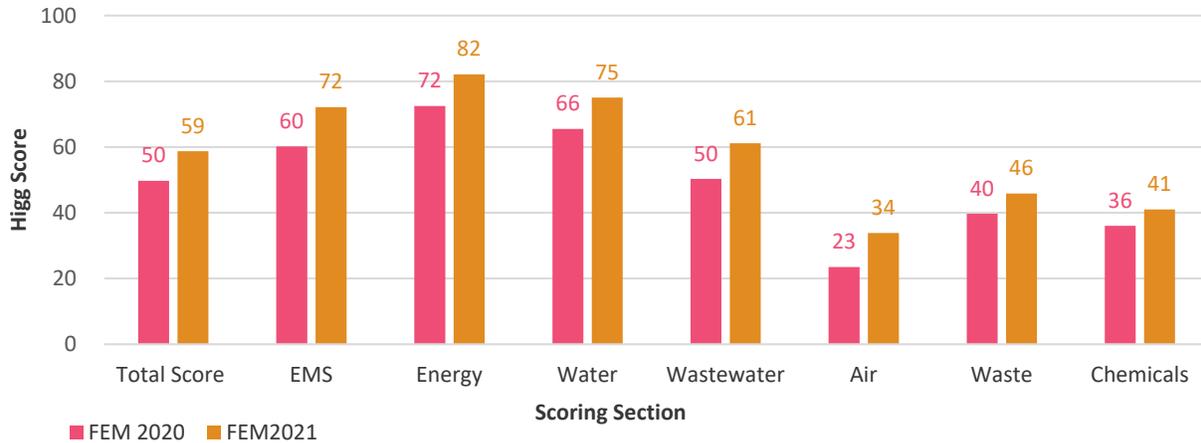
Since the beginning of 2021, we have encouraged more clients to deploy the EIM on a large scale to disrupt the conventional way of sourcing denim over the coming years, by including environmental and social metrics into product development considerations.

Manufacturing

The manufacturing process of turning raw materials into finished products can cause negative impacts on our environment including the use of resources and the emission of pollutants to the environment. Li & Fung strives to leverage its expertise, size, and global presence to disrupt conventional supply chains and improve environmental performance.

Li & Fung uses several tools to assess suppliers’ footprints such as the Higg Facility Environmental Module or BEPI by Amfori. These reporting tools are designed to capture and measure factories’ practices and performance in areas like environmental management system, energy, water, wastewater, air emissions, waste, and chemicals. By working with our suppliers, we can better understand which aspects are performing well, and which require more support so we can allocate resources appropriately. From 2019 to 2021, we have more than 1,000 factories enrolled in the Higg index and the overall Higg scores of the factories we engage with have improved.

Factory Higg Score Overview

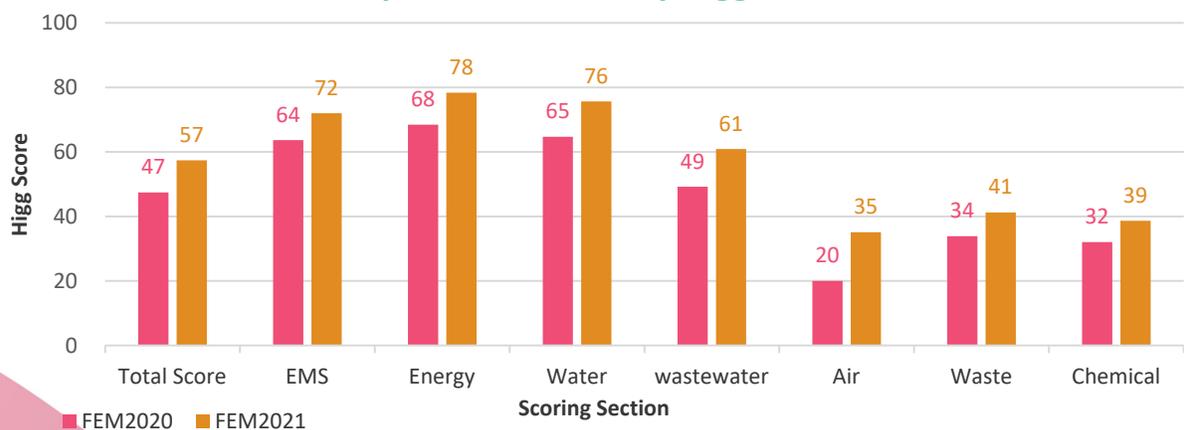


Li & Fung is a founding member of the **Sustainable Apparel Coalition (SAC)**, an industry group composed of 250 leading apparel, footwear and textile brands, retailers, suppliers, service providers, trade associations, non-profits, NGOs, and academic institutions working to reduce environmental impact and promote social justice throughout the global value chain. The SAC has developed the Higg Index, a suite of tools that standardizes value chain sustainability measurements for all industry participants.

The first layer of our support is about broad training, where technical guidance is provided to all active factories. Secondly, our teams in the countries will provide regular face-to-face or virtual discussions with the factories performing below the LF average, to better understand the reality, and help find and implement practical solutions to improve practices and performances, as reflected by the Higg or BEPI scores.

In 2021, our teams supported 145 factories across the world, which resulted in a global improvement of 17.5% of the overall Higg FEM results, as presented below.

Improvement Factory Higg Score



Moving forward

The appetite for a more sustainable supply chain has been growing over the past years and the global pandemic and its impact on supply chains has enhanced the needs for change. Li & Fung will continue our focus on helping our partners make the necessary steps to make supply chains more sustainable.

8 MANAGING ENVIRONMENTAL FOOTPRINT

8.1 CLIMATE CHANGE

Climate change is the critical challenge we face. According to the UN Intergovernmental Panel on Climate Change (IPCC)'s [special reports](#), the consequences of global warming above 1.5°C are will most certainly cause more frequent and extreme weather episodes across the globe, as well as the catastrophic and definitive impact on the environment, biodiversity, human livelihood and our communities. We aim to play an active role in reducing carbon footprint and limiting climate change.



Our commitment

We are committed to reducing our direct emissions and leveraging our unique position to help our customers and suppliers decarbonize their operations and products. We are in the process of developing science-based targets (SBTs) and we continue to enhance our energy efficiency and purchasing actions. We aim to reduce the absolute CO₂e emissions generated in our scopes 1 and 2 by 42% by 2030 from a 2021 base year. Our ultimate goal is to be carbon neutral by 2045. For scope 3, we commit that 80% of our suppliers by emissions covering purchased goods and services, will have science-based targets by 2026; 60% of our suppliers by emissions covering upstream transportation and distribution, will have science-based targets by 2026.

Our approach to climate change

1. Identifying and monitoring climate-related risks:

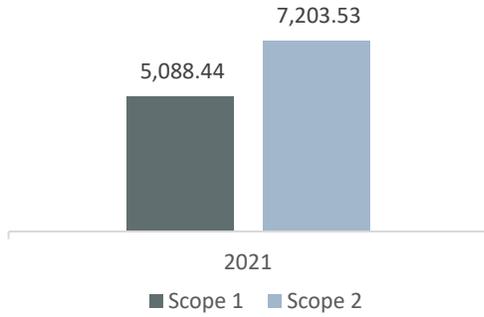
To understand the impact of climate change on our business, the management assesses the climate-related risks throughout our operations and value chains according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework. Increasing natural hazards and extreme weather conditions such as flooding, typhoons and strong winds in South and Southeast Asia may influence our operations and global supply chain. The growing demands and stricter requirements on low carbon products and/or operations posed potential risks on our business transition. To better incorporate climate-related risks into our strategy planning and future business portfolio, we are expanding our risk assessment portfolio to include climate-related risk assessment. In the meantime, we are working with our customers and industrial initiatives to explore innovate solutions to turn these risks into opportunities and identify other climate-related opportunities to make our business sustainable.

2. Managing our carbon footprint:

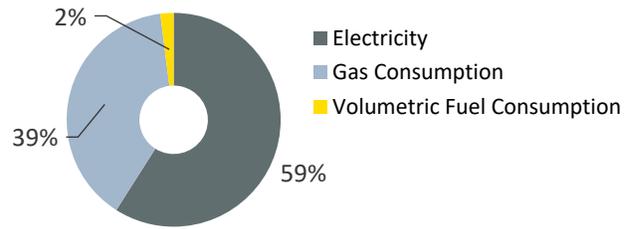
We aspire to manage and reduce our carbon footprint across our global sourcing operations and have established an internal system to collect, track and manage our energy data.

According to the Greenhouse Gas (GHG) Protocol, the GHG are categorized into two scopes expressed in metric tonnes of carbon dioxide equivalent (tCO₂e)), with disclosure of CO₂e emissions from Scopes 1 and 2. In the reporting period, we generated 12,291.97 tCO₂e across the Company. Emission from purchased electricity is the primary emission source accounting for 59% of our overall emissions. The remainder is from the stationary combustion of natural gas and volumetric fuel within our own operations.

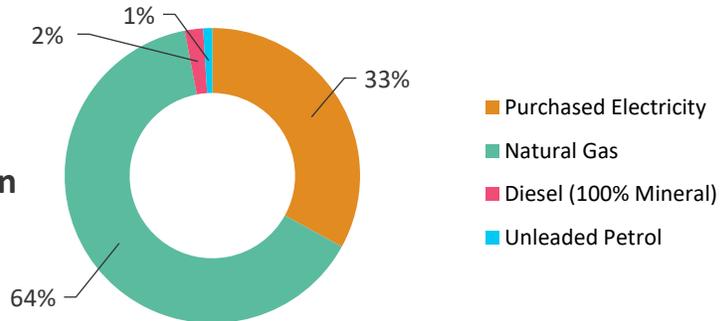
2021 Carbon emissions (tCO₂e)



Scope 1&2 emissions by consumption type

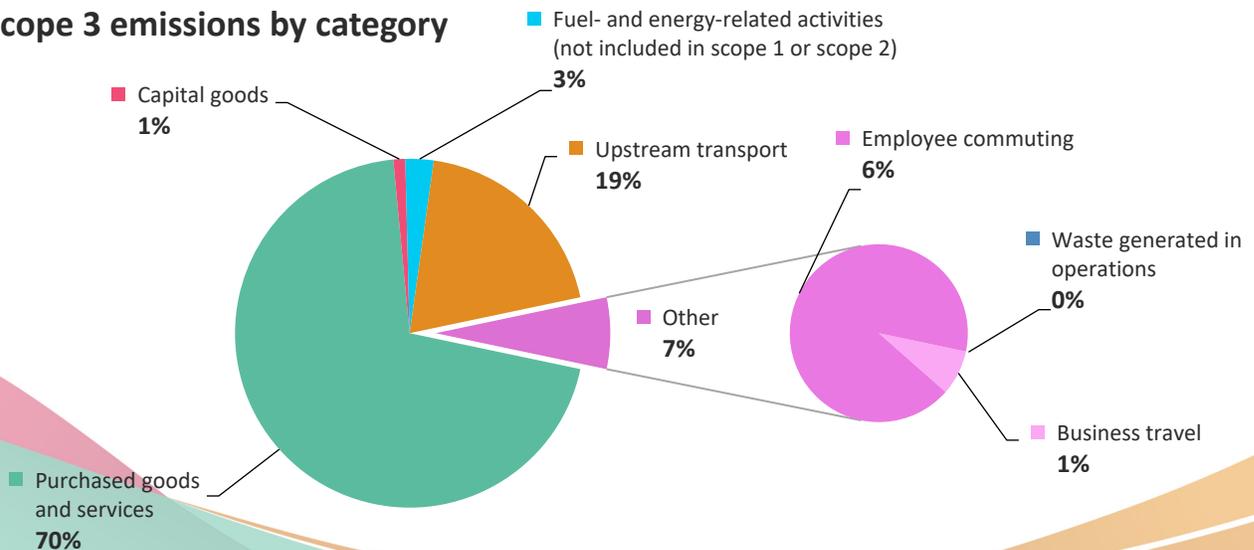


Total Energy Consumption



Scope 3 emissions are all other indirect emissions that arise as a result of Li & Fung's activity but are under the operational control of another entity. GHG protocol defines scope 3 emissions into 15 different categories such as purchased goods and service, transport-related activities in vehicles not owned or controlled by the reporting entity, fuel and energy-related activities not covered in scope 2, outsourced activities, business travels, employee commuting and waste disposal, etc. In 2021, we did a scope 3 stimulation and screening throughout our value chain. 7 relevant categories were identified in our scope 3 and our total scope 3 emissions was 103,652.40 tCO₂e. Moving forward, we will continue to expand our knowledge on scope 3 and carry out programs to support our suppliers to improve their energy efficiency and reduce their carbon emissions gradually.

Scope 3 emissions by category



We have established targets to reduce our operational footprint across our owned and operated facilities and have developed energy conservation initiatives and programs to reduce the carbon footprint and nurture the awareness of our employees. We purchased goods, such as machinery or equipment with Energy Star, or Forest Stewardship Council (FSC) certified paper and we source from suppliers that operate in energy-efficient factories and advocate using environmentally friendly. Additionally, we have been converting our light range to highly energy-efficient LED lighting throughout the years.

8.2 WATER

According to the United Nations, hydric stress is one of the most pressing environmental challenges we face. In the coming decades, water availability, quality and repartition across the world will negatively impact more than 50% of the world population by 2050, endangering our societies and life itself if the trend remains unchanged.

A large proportion of the environmental impact occurs over the different manufacturing operations, at various levels and impacts. Supply chain management today goes far beyond delivering on-time quality products, it's about ensuring the optimization of the process and raw materials involved to minimize the negative impacts on the people, the biodiversity, and the environment. Water is essential to life, therefore, we want to make sure we are using only the appropriate amount, and guarantee a safe level of wastewater released, as well as safety for workers and consumers of the goods.

Li & Fung is committed to reducing the volume of freshwater taken from the environment and improving the quality of the wastewater released across the supply chain. We believe there are two main areas where we can make a positive difference: domestic water usage, and the water footprint linked to the products manufactured.

Direct water usage - domestic water

Li & Fung's domestic water footprint reflects our employees' usage in our offices across the world, including drinking water, bathroom and shower usage. In 2021, the total consumption represented 57,777 m³ of water.

We are committed to reducing usage by 33% by 2030, compared to a 2021 baseline, while our near-term ambition is to achieve a water reduction of 10% by 2025.

Our teams receive regular communications on water-saving activities and are invited to specific events to raise awareness. Following the 2021 water consumption baseline, we will audit key and representative offices to identify opportunities for improvement and implement the most relevant findings. Moreover, we will deploy a water savings corporate guideline that will be managed by a team composed of local representatives in our offices, with the mission to bring water savings practices into our daily operations.

Indirect water usage – water in manufacturing

At the early stage of production, some raw materials require significantly lower water needs than others; across different raw materials - cotton vs polyester for example- and across similar materials within the same category - conventional viscose vs lyocell. We use industry-wide accepted life cycle assessment to quantify and identify low water usage alternatives while having similar technical qualities. If the life cycle assessment figures can sometimes be controversial, data will always be essential to measure impacts and identify solutions. More and more, we move away from simulations and work with raw material providers able to quantify actual water consumption.

On the manufacturing side, after identifying water consumption hot spots like fabric mills for example, we have a dedicated team to support factories and brands in their water savings journey. Using tailored tools, our team has the mission to create baselines, identify areas for water reduction, and set up goals and roadmaps. From this initial exercise, our teams work with production and merchandiser teams to implement the projects identified, whether it is on modifying the products slightly or taking measures on the facility's equipment. Since 2019, our teams have been able to reduce the absolute freshwater intake by an average of 20%, while the wastewater recycling rate ranges from 15% to 90%, in selected factories. For denim, the use of the EIM tool described in section 7.4 is also a fantastic tool that allows substantial water savings.

8.3 WASTE

Waste is accumulating at a speed beyond what our environment can handle. Li & Fung understands the importance of proper waste management and we have identified three fields as our main focus areas. These areas are: domestic waste, supply chain waste and products' end of life.

Domestic waste

Our office waste is categorized as non-hazardous municipal waste. Depending on the local regulations and capabilities, we separate the non-recyclable from the recyclable, as well as compostable waste. Waste volume is managed and tracked internally. We have a number of programs to raise staff awareness and introduce best practices on waste management.

Our offices organize “environmental clean-up” activities, to remove debris from natural environments, protecting habitats and species in waterways, wetlands, beaches and parks.



Waste in our supply chain

Raw Material



Li & Fung has been actively promoting the use of recycled material to our customers, as an efficient way to reduce the volume of waste sent to landfills.

Many of our customers are now using post-consumer recycled material such as polyester made from plastic bottles or recycled cotton made from discarded garments. The recycled raw material must be certified, either through Textile Exchange certifications GRS/RCS or by relying on a third party following ISO 14021.

Diverting fabric scraps and offcuts from waste streams



Despite efforts to maximize the cutting efficiency to avoid wastage, a significant amount of fabric offcuts and scraps can still be generated in the production process or during product delivery.

Li & Fung has participated in several pilot projects to give discarded materials a second life. Without centralized waste management service providers, recycling small scraps of different fibres from multiple factories can be very complicated.

Today, the development of technologies such as chemical recycling allows the industry to consider mixed fibres as a viable source of material, giving us new options to explore. We are now able to source 100% recycled synthetic fabrics, as well as 50% recycled cotton, allowing us to offer more sustainable options for our customers.

Packaging



Packaging is one of the biggest contributors of waste. Our teams have been working closely together with supply chain partners to identify more sustainable alternatives.

We are focusing our efforts on Raw Materials, Volume, and End of Life.

- **Raw Material:** Using recycled raw materials, whether plastic or paper based is a straightforward solution to prevent waste from being sent to landfills
- **Volume:** Using the right volume of material is key to making packaging more sustainable: the products must be properly protected to avoid quality issues, but finding the right balance is essential, as overprotection would eventually mean wasting material and generating unnecessary waste.
- **End of Life:** A proper understanding of the logistics stream, geography and good knowledge of the local capabilities are essential to proper management, as all regions and cities treat waste materials in different ways. Whether the packages will go to warehouses, shops, or directly to consumer homes through eCommerce are essential components to know when selecting the material, to ensure its proper handling.

In 2021, we supported our partners to better understand the risks and opportunities of packaging through analysis, and participation in the development of sustainable packaging policies, strategies and pilot programs. In 2022 we will strengthen our team by hiring a technical subject matter specialist to support us in the implementation and scalability of our programs.

9 EMPOWERING OUR PEOPLE

Our people are our greatest asset. We attract and retain entrepreneurial talent worldwide with in-depth supply chain professional expertise and offer development opportunities at all levels. We are committed to driving a culture where our people feel valued, have a sense of belonging, and are recognized and rewarded for their contributions. We support a high-performance and people-focus culture where our people are developed and motivated to deliver exceptional client service. From designers, merchandisers, quality assurance, and control experts to our operations professionals, our people are highly skilled and among the best in the world in their disciplines. They drive our growth and success.



Employees Worldwide: 4,578

Employee Nationalities: 50

Employees Worldwide by Gender: 41% Male | 59% Female

Management Team* by Gender: 55% Male | 45% Female (*employees with Grade 2 and higher)

Our People Strategy

The year 2021 marked the 115th Anniversary of Li & Fung, and like much of the world, we faced an era of exponential change. The impact of Covid-19 and accelerated adoption of the latest digital technologies have changed the way consumers, employees and businesses interact – perhaps forever.

Our people strategy focuses on four key areas: engaging our inclusive and diverse global workforce, enhancing the wellbeing of our people, attracting and developing talent, and developing a culture of learning.

We continue to focus on creating shared value for our customers, suppliers, colleagues, partners, and communities. In support of this, our people strategy also ensures we are making progress toward the UN Sustainable Development Goals (SDGs) of Good Health and Well-being, Gender Equality and Decent Work and Economic Growth.

Workday, our world-class human resource information system, allows for more transparency and efficiency for all employees and managers, supporting our initiative to align performance, feedback, personal development, and goals with easily accessible information all in one place. In 2021, a Workday Optimization initiative was successfully completed. The team gathered insights from user feedback surveys to roll out navigation enhancements for a new version of Learning About Workday.

9.1 ENGAGING OUR PEOPLE

Engaging our people to celebrate and support our inclusive and diverse global workforce, to connect, and to encourage each other to thrive, is a core initiative at Li & Fung. Doing so provides an environment that is entrepreneurial, rewarding, and respectful, fostering a long-term commitment to the Company.

The Li & Fung Diversity & Inclusion Statement and Anti-Harassment & Anti-Discrimination Policy are a testament to our commitment to fostering a diverse, equitable, and inclusive workplace based on equal opportunities and respect for all.

Our diversity is a source of strength and pride. Our 4,578 colleagues represent over 50 nationalities inspiring innovation and enriching every aspect of our business. We are committed to ensuring an inclusive workplace where diversity of gender, ethnicity, thought, generation, sexual orientation, and ability are valued. We proudly promote our Diversity & Inclusion initiative to raise awareness, change perceptions and empower our people to both celebrate our diversity and engage in conversations on what it means to foster an inclusive working environment for all.

Each year, we hold multiple events across our offices to share our strategy and encourage conversation. To ensure regular and transparent communication remains strong during and post the pandemic, we made all meetings accessible virtually to our people everywhere. Our events such as Executive Chairman and Group CEO town halls, senior management meetings, operating group meetings, and other events, bring our people together to hear and learn from thought leadership and collaborate on new business ideas. During the reporting period, we held monthly executive board meetings involving around 30 senior leaders and 4 global CEO and Group Chairman town halls with a cumulative total of over 9,550 colleagues joining by a live stream in multiple locations. Almost 650 middle and senior managers joined the Leadership Summit to share business updates and best practices.

Our One Family intranet remains central to connecting our people through daily stories, blogs, and a social feed. Our people freely share their thoughts and ideas instantly through the One Touch app by forming communities with colleagues who have the same interests and passions, or work in the same role. In 2021, over 300 colleagues accessed One Family daily. There were 929 new blog posts and over 610 million page views. We are currently revamping the One Family intranet to be made accessible via MS Teams; our default daily communication tool at Li & Fung by end of 2022.

Valuing our people extends to appreciation events and organization-wide recognition, which we regularly organize. Each year, we also recognize our peoples' work anniversaries with Li & Fung every 5 years through our Long Service Awards. This year, we introduced the LF GEM Awards, recognizing individuals and teams that have gone the extra mile to deliver extraordinary results for our Company, our customers, vendors or other stakeholders. The LF GEM Awards recently completed a highly successful year, witnessing our people coming together to collaborate and innovate in the most challenging industry environment to deliver exceptional results and value to our customers. In 2021, we received a total of 371 nominations representing 1,488 nominees globally.

Inclusion & Diversity

As a global business, it is critical to understand, embrace and operate in a multicultural world — both in our workplace and in the supply chain. Launched in July 2017, our global Inclusion and Diversity (I&D) initiative emphasizes our culture of respect for all individuals and of valuing our differences and similarities. Our objective is to educate and create awareness among our colleagues, creating a collaborative working and learning environment. As Li & Fung continues to learn and evolve on this journey, we recognize that an inclusive workplace is a precondition to furthering diversity.

We pledge to offer fair and equal opportunities for all our people in recruitment, compensation, access to training, promotion, termination, retirement or right to overtime hours. We shall consider all applicants regardless of gender, age, religion, marital status, race, sexual orientation, disability, disease, pregnancy, or trade union and/or political affiliation, and disregard all factors deemed inappropriate by local law, and the International Labour Organization's Declaration on Fundamental Principles, and Rights

at Work, including its core labor conventions for the elimination of forced, compulsory or child labor, elimination of discrimination in respect of employment and occupation, respect for freedom of association and collective bargaining. All employees are treated equally, with respect and dignity. Various events are organized and external speakers were invited to engage in virtual fire-side conversations on a host of I&D topics – Black Lives Matter, Asian Lives Matter, LGBTQ+ Inclusion, and Gender Diversity.

Gender Equality

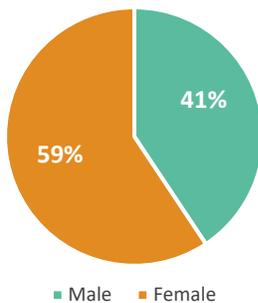
An important part of nurturing diverse talent is our belief in equal pay for work of equal value. This drives us to transparently address gender pay and to make progress in our support of the SDG for Gender Equality. We first reported gender pay gaps for our Company as a whole and by employee level in 2017.

In 2021, male employees earned 8% more than female employees overall, narrower than 11% in 2020. Among senior and middle management, women earned 18% less than men, compared to 17% less in 2020. For other employees, below middle management, women earned 25% more than men in 2021 which was the same in 2020.

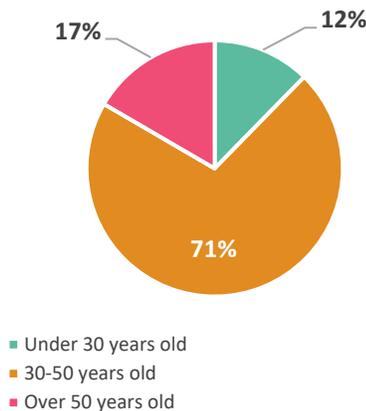
During the reporting period, the Company has complied with relevant regulations such as the Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China in the reporting scope, and other laws and regulations that we operate.

The following figures show the Company's number of employees by gender, age, and region.

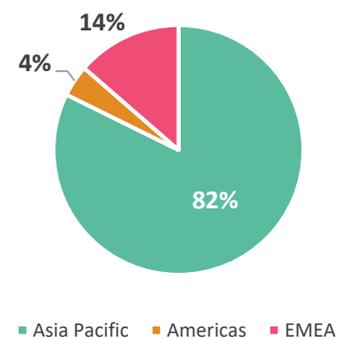
Total Number of Employees by Gender



Total Number of Employees by Age Group



Total Number of Employees by geographical region



9.2 CREATING A SAFE WORKPLACE

When our people are happy and healthy and provided with a safe, inclusive workplace, it improves our performance and brings benefits to our people, both personally and professionally.

Our strategy and programs are tailored to support the wellbeing of our people and to meet occupational health and safety requirements for our offices. To support local needs and meet local legal requirements, our working hours and benefits, and other terms of employment, are tailored to each

locality in our global network. Each location followed the local government guidelines on social isolation and quarantining during Covid-19, with our priority always being our people's health.

During the reporting period, there was no violation of relevant occupational health and safety legislation such as the Occupational Safety and Health Ordinance, Factories and Industrial Undertakings Ordinance, the Law of the People's Republic of China on Work Safety in the reporting scope of the Company, and other laws and regulations that we operate. The Company had zero work-related fatalities for three consecutive years. With the Company's safety measures, there were 312 (0.03% of total numbers of all employees' working days) lost working days during the reporting period. The Company will continue to develop improvement plans to achieve the zero occupational incident rate target.

9.3 ATTRACTING & DEVELOPING OUR PEOPLE

In today's fast-changing geopolitical and business environment, we need to have the best talent to drive growth across our global offices. Our senior management recognizes that having a healthy talent pipeline is key to our future success and the stability of the organization. We are proud to be an equal opportunity employer, guided by our *Code of Conduct & Business Ethics*, *Anti-Harassment and Anti-Discrimination Policy* and *Diversity & Inclusion Statement* at all stages of the employee lifecycle.

In 2021, the Li & Fung Talent Management Center of Excellence launched the 360-degree Feedback Process for our employees. This begins with the management team identifying opportunities for colleagues to become more successful in their career development. Aimed at enhancing objectivity and cultivating self-awareness, 353 feedback surveys, plus 50 self-assessment surveys were sent out with a 94.7% completion rate. Individual development plans for each leader have been finalized. Due to the success and positive feedback received on this initiative, the 360 Feedback Process will be rolled out to employees across more job levels in 2022.

In 2021, we evolved from a bi-annual performance review process to promoting more frequent Check-ins between managers and teams, keeping colleagues engaged and motivated especially when having to work remotely for extended periods due to the pandemic.

The Li & Fung Talent Network was launched in 2021 with the aim to connect with top talents around the world and keep them engaged for potential career opportunities with the company. This widens our candidate pool globally and enables us to proactively promote our employer brand in the talent market. To enhance internal talent and succession pipelines, we also continue to encourage transfer opportunities across the Company. We have been using LinkedIn as part of our recruitment strategy since 2015, and in 2021 we received more than 10,000 unique job applications via LinkedIn. In 2021, 773 professional staff were newly hired, representing an average new hire rate of 17.8% for the Company. The main channels for new hires included 17.2% from internal transfers or referrals, 36.2% from job postings, 5.3% from the company website, 3.1% from social media, 2.7% from recruitment agencies, and the remaining from ongoing connections with universities and other channels.

We continue to expand our brand beyond our corporate website through LinkedIn, Instagram, YouTube, and WeChat. We see this as a key part of telling our brand story, connecting our people, and attracting and retaining the best talent - especially during the extended period of remote or hybrid working in 2020-2021. In 2021, Li & Fung grew its social presence with our LinkedIn followers, increasing to 156,710 from 126,550 and Instagram to over 3000 from 2,638 in 2020.

In addition to attracting external talent, retaining existing talent is a priority, particularly within an industry that continues to experience systemic change. In 2021, our voluntary turnover rate among

professional staff was 19% moving towards the APQC Benchmark Industry Target of 15.1% for large, complex, multinational companies. We are proud to share that our retention rate after maternity leave is 86%.

9.4 A CULTURE OF LEARNING

We believe that building a strong culture of learning plays a vital role in staying relevant in this ever-changing environment. To leverage our people's talents and develop their skills, we provide programs that focus on leadership and building business skills and professional knowledge. Our approach to building our multi-channel range of learning resources is based on a need for flexible, efficient, targeted and effective learning options. We, therefore, use a combination of microlearning, in-person workshops, email quick-tips, webinars, mobile apps and social learning platforms.

Due to our heavy investment in the latest digital technology and communication tools for all employees – including cloud storage, Office365 and MS Teams, there was no down-time as we quickly transitioned from a combination of in-person and virtual learning options to mostly virtual learning due to the pandemic. Leveraging technology to promote continued learning, we partnered with external organizations and internal subject matter experts to ensure there is a continued focus on employee development during the pandemic and post-pandemic. For example – the Emerging Leaders Programme in the United Kingdom was run alongside Springfield College and interventions consultants. Our people were provided with access to a host of e-learning resources to ensure they are continuously upskilling and reskilling themselves with the latest in the market. Access to such training options also helped support mental health during the pandemic.

We closed 2021 with a detailed learning needs analysis, that was carried out globally. Based on the insights gathered, the learning and development strategy for 2022 was developed. The Core Learning Community (CLC) and Regional Learning Communities (RLC) was formed, with programs to be launched in 2022.

On average, 0.71 hours of training hours were received per colleague in 2021. In total, 3,258 hours of training were recorded. In 2021, a total of 2,847 colleagues received training, which is equivalent to 62% of Li & Fung's total workforce.

For those participating in training, on average, senior managers attended for 0.42 hours of training, middle managers attended for 0.86 hours and other employees attended for 0.69 hours.

9.5 CARING FOR OUR PEOPLE

At Li & Fung, we strictly abide by the local laws that regulate the relationship between employers and employees. The Company takes its labor practices - in support of international declarations on human and labor rights - seriously and is committed to ESG on the strength of its own belief. This topic is also the second most ranked material topic according to stakeholder engagement during this reporting period.

The Company is implementing various initiatives that aim to optimize labor practices, fair working conditions, and benefits. We set out our *Code of Conduct and Business Ethics* in our brief for all our colleagues, which states that the Company is committed to supporting the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, including its core labor

conventions to eliminate forced, compulsory or child labor; to eliminate discrimination in employment and occupation; and respect for freedom of association and collective bargaining. In 2019, to strengthen our zero-tolerance approach to violations of our Code related to discrimination and harassment, we introduced a new, detailed global *anti-harassment and anti-discrimination policy*, accompanied by specific training for our HR business partners to equip them with the knowledge and skills to handle and report any such cases that may arise and take the right recourse. All new joiners must complete virtual training on both topics, and all existing employees are required to complete a refresher training every year.

Employment contracts were signed by the Company and employees under mutual agreement, explaining and detailing the rights and responsibilities of both parties. We assure our employees of the appropriate work conditions, benefits and terms of employment. Apart from the above measures, trade unions were set up in China and Brazil in 2021.

We take measures to establish internal monitoring and reporting mechanism for child labor and forced labor. We will further strengthen our *responsible recruitment policy* to clearly state that the prevention, detection, and reporting of modern slavery in any part of our businesses or supply chain is the responsibility of all persons working for us or on our behalf in any capacity (including the Company employees, Recruiting Parties, suppliers, workers, directors, agents, distributors, and all third-party business partners).

We also provide employee welfare that is beyond national law and regulation during the reporting period, including the following:

- Hybrid work arrangement
- Transport allowance for business
- Post-natal nursing leave and paternity leave
- Tuition sponsorship
- Examination leave
- Compassionate leave
- Family planning leave
- Insurance covering business travel
- Medical Insurance covering Outpatient, Inpatient, Chinese Medicine and Dentist
- Festival leave
- Volunteer leave policy
- Mooncake sharing to all employees in the mid-autumn festival
- Invitation of annual corporate party to all employees
- Long service awards

the health and well-being of our people is the utmost priority. All colleagues were given 2-3 days of fully paid COVID-19 vaccination leave to get their vaccination shots and rest as they recover.

Vaccination Leave



Li & Fung takes the health of our employees and the safety of our working environment as our priority concern. In 2021, we launched a fully paid COVID-19 vaccination leave program to encourage our employees to get vaccinated as a measure to protect themselves as well as others at the workplace.

In addition, Employee Assistance Programs (EAP) were introduced in several locations like Hong Kong, United Kingdom, Europe and the United States. Flexible Working Arrangements were supported by regular health talks & seminars, on topics including stress management, managing our emotions, children's health, lung health & breathing, occupational health & safety, nutrition & diet, cancer awareness, yoga and meditation and more. A dedicated page called 'Discover Wellness' on our One Family intranet was used to stay engaged with our colleagues even while many of them were forced to work remotely, and share new articles, videos, and other official COVID-19-related resources.

10 CONTRIBUTING TO OUR COMMUNITY

Caring for and investing in our communities is a vital part of Li & Fung’s Sustainability Strategy. We leverage our essential roles in various global networks, local knowledge, and relationships to initiate and support activities that are beneficial to the communities and people therein. It is our objective to support the community through a diverse range of initiatives. We are committed to leading the change in our society through community engagement. We strived to enhance our partnership with various organizations that can maximize our contribution to fulfill our social responsibility.

In 2021, our global offices participated in various volunteering programs to serve the global communities.

One of our key highlights was supporting the Hong Kong Standard Chartered Marathon as a corporate sponsor. More than 100 of our employees participated in the corporate running team, and we donated to the Futuremakers’ First Job Programme, jointly presented by Standard Chartered and St. James’ Settlement to subsidize job opportunities for recent graduates who have been struggling to get their first job during the tough economic climate.

The year 2021 was a truly remarkable year and a historical milestone for us as we celebrated Li & Fung’s 115th anniversary with our colleagues, customers, and community. We partnered with Community Chest to support “The Community Chest Water World Park Charity Day”. Colleagues were encouraged to take part in a creative photo contest for a chance to win exclusive tickets to the newly opened Ocean Park Water World.

We also organized several workshops with NGOs and social enterprise partners, such as WWF, ADAM Arts Creation Limited, etc. Colleagues around the world showed their commitment to protecting the environment and supporting local communities. For example, in Bangladesh, we partnered with Eco-Social Development Organization (ESDO) to distribute winter clothing to the disadvantaged, donated food and non-food supplies in Vietnam and celebrated International Women's Day in various offices. Beach clean-ups and tree planting programs were also organized in some countries despite COVID-19 social distancing measures. We encouraged our people to enhance their well-being by embracing healthy lifestyle habits.

During the reporting period, the Company contributed 1,688 hours of voluntary work for social good and donated a total of HK\$550,000 to the community. We were awarded and recognized for our commitment to giving back to our communities by various organizations:

Issuing organization	Name of awards
World Wide Fund for Nature Hong Kong	Silver Member
Standard Chartered Hong Kong Marathon 2021	Corporate Sponsor
The Community Chest	Corporate Donor for The Community Chest Water World Ocean Park Charity Day
EcoDrive Hong Kong	Silver Sponsor for EcoDrive Enough Plastic Campaign 2021
HandsOn Hong Kong	Community Supporter
The Women's Foundation	Silver Sponsor for Annual Gala Dinner
Captivating International Foundation	Bronze Sponsor for Annual Charity Auction 2021
Hong Kong Council of Social Service	Caring Company

11 ANNEX I – ENVIRONMENTAL PERFORMANCES

	Unit	FY2021
GHG Emissions		
Direct Emission (Scope 1)	Tonne of carbon dioxide equivalent ("tCO ₂ e")	5,088.44
Energy Indirect Emission (Scope 2)	tCO ₂ e	7,203.53
Total GHG Emissions	tCO₂e	12,291.97
Intensity	g CO₂e per piece of product	4.11
Energy Consumption		
Electricity	Megawatt ("MWh")	13,519.74
Fuel	Megawatt ("MWh")	27,283.26
Natural gas for stationary combustion	Megawatt ("MWh")	26,210.84
• Diesel (100% Mineral)	Litre ("L")	92,896.21
	Megawatt ("MWh")	932.06
• Unleaded petrol (100% Mineral)	Litre ("L")	15,414.29
	Megawatt ("MWh")	140.36
Total Energy Consumption	Megawatt ("MWh")	40,803
Intensity	kWh per piece of product	0.0136
Resource Consumption		
Water	m ³	57,777.41
Intensity	L per piece of product	0.019

- The intensity of the production unit refers to the total number of products produced in the corresponding Reporting Period.
- Scope 1 refers to direct greenhouse gas emissions. Emission sources of the Company include gas consumption and volumetric fuel consumption. Data collected from Turnkey.
- Scope 2 refers to energy indirect emission which results only from the generation of the Company's purchased electricity. Data collected from Turnkey.
- The conversion factors from volumetric units of fuel consumption to energy units refer to the conversion of fuel data to MWh by CDP.
- The production of hazardous waste in office operations are considered insignificant and managed by facility management companies, hence no data was disclosed.

12 ANNEX II – SOCIAL PERFORMANCE

TOTAL WORKFORCE	FY 2021
Total number of existing employees	4,578
By gender	
Female	2,716 (59%)
Male	1,861 (41%)
By Age	
Under 30 years old	564 (12%)
30-50 years old	3,253 (71%)
Over 50 years old	760 (17%)
By Geographical Region	
Asia Pacific	3,768 (82%)
Americas	187 (4%)
Europe, Middle East, and Africa (EMEA)	623 (14%)
By Employment Type	
Full-Time	4,500 (98%)
<i>Permanent</i>	3,527
<i>Contract</i>	931
<i>Temporary</i>	21
<i>Others</i>	21
Part time	78 (2%)
<i>Permanent</i>	68
<i>Contract</i>	4
<i>Temporary</i>	4
<i>Others</i>	2

EMPLOYEE TURNOVER RATE	FY 2021
By Gender	
Female	36%
Male	29%
By Age	
Under 30 years old	65%
30-50 years old	29%
Over 50 years old	29%
By Geographical Region	
Asia Pacific	33%
Americas	40%
Europe, Middle East, and Africa (EMEA)	31%
Employee Voluntary Turnover Rate	
By Gender	
Female	22%
Male	16%
Overall	19%

TRAINING OF EMPLOYEE	FY 2021
Total number of training hours received by employees	3,258.4
Total number of employees who participated in training programs	2,847
By gender	
Female	63%
Male	37%
By Employee Category	
Management	2%
Supervisor	17%
General staff	81%

13 ANNEX III - HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
Environmental		
A1 Emission	Information on: <ul style="list-style-type: none"> the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & 8.2 WASTE
	The types of emissions and respective emissions data.	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & ANNEX I – ENVIRONMENTAL PERFORMANCE
	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & ANNEX I – ENVIRONMENTAL PERFORMANCE
	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	8.2 WASTE
	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	8.2 WASTE
	Description of measures to mitigate emissions and results achieved.	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT
	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	8.2 WASTE

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & ANNEX I – ENVIRONMENTAL PERFORMANCE
	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & ANNEX I – ENVIRONMENTAL PERFORMANCE
	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & ANNEX I – ENVIRONMENTAL PERFORMANCE
	Description of energy use efficiency initiatives and results achieved.	8.3. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT & ANNEX I – ENVIRONMENTAL PERFORMANCE
	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8.1 WATER
	The total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	7.4 ENVIRONMENTAL RESILIENCE
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	7.4 ENVIRONMENTAL RESILIENCE
	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.4 ENVIRONMENTAL RESILIENCE
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	8. REDUCING/MANAGING ENVIRONMENTAL FOOTPRINT
B1 Employment	<p>Information on:</p> <ul style="list-style-type: none"> the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	9. OUR PEOPLE & 9.1 ENGAGING OUR PEOPLE
	Total workforce by gender, employment type, age group and geographical region.	9.1 ENGAGING OUR PEOPLE & ANNEX II – SOCIAL PERFORMANCE
	Employee turnover rate by gender, age group and geographical region.	9.3 ATTRACTING & DEVELOPING TALENT & ANNEX II – SOCIAL PERFORMANCE
B2 Health and Safety	<p>Information on:</p> <ul style="list-style-type: none"> the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	7.2 SUPPLY CHAIN MANAGEMENT & 9.2 WELL-BEING OF OUR PEOPLE

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	9.2 WELL-BEING OF OUR PEOPLE
	Lost days due to work injury.	9.2 WELL-BEING OF OUR PEOPLE
	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	7.2 SUPPLY CHAIN MANAGEMENT & 9.2 WELL-BEING OF OUR PEOPLE
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	9.4 A CULTURE OF LEARNING
	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	9.4 A CULTURE OF LEARNING & ANNEX II – SOCIAL PERFORMANCE
	The average training hours completed per employee by gender and employee category	9.4 A CULTURE OF LEARNING & ANNEX II – SOCIAL PERFORMANCE
B4 Labor Standards	Information on: <ul style="list-style-type: none"> the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	7.1 RESPONSIBLE SOURCING, 7.2 SUPPLY CHAIN MANAGEMENT & 7.5 HUMAN RIGHTS
	Description of measures to review employment practices to avoid child and forced labor.	7.1 RESPONSIBLE SOURCING, 7.2 SUPPLY CHAIN MANAGEMENT
	Description of steps taken to eliminate such practices when discovered.	7.2 SUPPLY CHAIN MANAGEMENT
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	7.1 RESPONSIBLE SOURCING & 7.2 SUPPLY CHAIN MANAGEMENT

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS	Explanation / Reference Section
The number of suppliers by geographical region.	7.2 SUPPLY CHAIN MANAGEMENT
Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	7.2 SUPPLY CHAIN MANAGEMENT
Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7.2 SUPPLY CHAIN MANAGEMENT
Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.4 ENVIRONMENTAL RESILIENCE
<p>Information on:</p> <ul style="list-style-type: none"> • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.</p>	7.3 PRODUCT QUALITY
<p>B6 Product Responsibility</p> <p>Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p>	7.3 PRODUCT QUALITY
Number of products and service-related complaints received and how they are dealt with.	7.3 PRODUCT QUALITY
Description of practices relating to observing and protecting intellectual property rights.	6.3 INTELLECTUAL PROPERTY RIGHTS PROTECTION
Description of quality assurance process and recall procedures.	7.3 PRODUCT QUALITY

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		Explanation / Reference Section
	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.2 DATA PRIVACY PROTECTION
B7 Anti-corruption	Information on: <ul style="list-style-type: none"> the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6.1 BUSINESS ETHICS AND ANTI-CORRUPTION
	The number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.1 BUSINESS ETHICS AND ANTI-CORRUPTION
	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.1 BUSINESS ETHICS AND ANTI-CORRUPTION
	Description of anti-corruption training provided to directors and staff.	6.1 BUSINESS ETHICS AND ANTI-CORRUPTION
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	10. CONTRIBUTING/ENGAGING OUR COMMUNITY
	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	10. CONTRIBUTING/ENGAGING OUR COMMUNITY
	Resources contributed (e.g., money or time) to the focus area.	10. CONTRIBUTING/ENGAGING OUR COMMUNITY