

Child Labor Policy for Li & Fung's Supply Chain

At Li & Fung, we are committed to eradicating child labor and upholding internationally recognized human rights and labor standards in our operations and across our supply chain. Our commitment to children's rights is guided by the United Nations Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct, International Labour Organization (ILO) Core Conventions and other international standards, and is reflected in Li & Fung's [Supplier Code of Conduct](#) (Supplier Code).

Li & Fung's Child Labor Policy complements the requirements set out in the Supplier Code. The policy provides a comprehensive approach to preventing child labor in our supply chain, supporting suppliers to implement corrective action plans if child labor is identified, protecting children from hazardous work and working with key stakeholders to promote education and sustainable solutions to address the root causes of child labor.

Li & Fung will review and update this policy at regular intervals to ensure compliance with changing laws and regulations

OUR COMMITMENT

We are committed to working continuously towards the prevention, remediation, and ultimately the elimination of child labor in the supply chain. Our Supplier Code reflects our commitment to act ethically in our business relationships and to enforce controls and systems to identify and eliminate any form of child labor in the supply chain.

This policy will be clearly communicated to all employees, suppliers and supply chain partners in a manner which can be understood.

SCOPE

This policy applies to all companies and undertakings of Li & Fung and is mandatory for all supply chain suppliers involved in the production of merchandise or any materials for Li & Fung and our customers.

KEY TERMS & DEFINITIONS

Li & Fung defines child, child labor, hazardous work, and young worker in line with the UN Convention on the Rights of the Child (UNCRC) and a number of ILO Conventions.

Child

In accordance with the UNCRC, a child or children are every human being below the age of 18 (eighteen) years, unless under the law applicable to the child, the age of majority is attained earlier.

Child Labor

In accordance with the ILO, child labor refers to work that deprives children (any person under 18) of their childhood, their potential and their dignity, and that is harmful to their physical and/or mental development. It refers to work that is mentally or morally dangerous and harmful to children; and/or interferes with their schooling by:

1. Depriving them of the opportunity to attend school,
2. Obliging them to leave school prematurely, or
3. Requiring them to attempt to combine school attendance with excessively long and heavy work.

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The Worst Forms of Child Labor

ILO Convention No. 182 prohibits the worst forms of child labor, which comprises:

1. all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labor, including forced or compulsory recruitment of children for use in armed conflict.
2. the use, procuring, or offering of a child for prostitution, for the production of pornography, or for pornographic performances;
3. the use, procuring, or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
4. work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of children.

Hazardous Work

In ILO Convention No. 182, hazardous work is defined as any work that by its nature or the circumstances in which it is carried out is likely to harm the health, safety or morals of children. Normally each state will have a list of hazardous work that young workers (above the minimum legal working age but under 18) should avoid. Hazardous work is one of the worst forms of child labor.

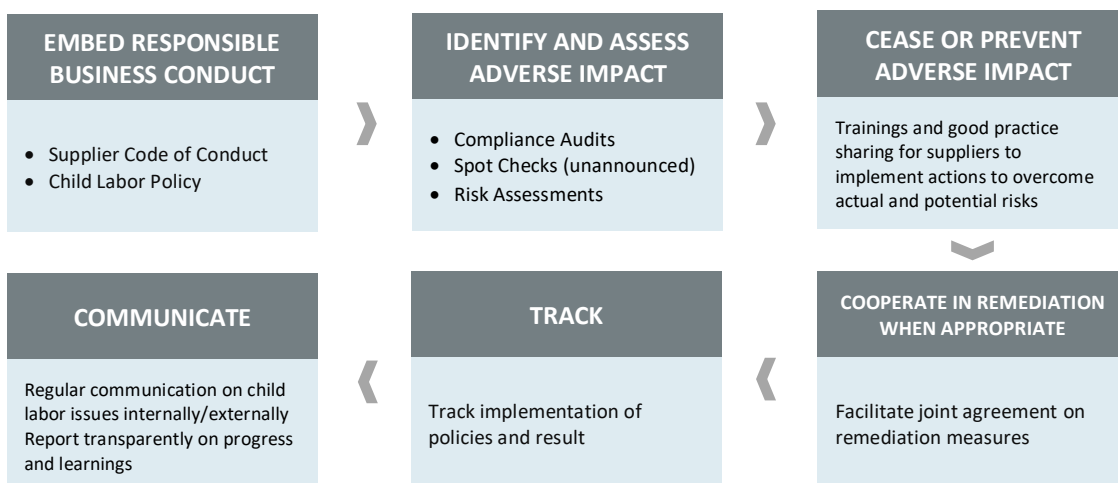
Young Worker

According to the UNCRC, a young worker is any person under the age of 18 who has reached the legal minimum working age and who is working or engaged in economic activity. Young workers are entitled to basic labor rights stipulated in relevant laws and regulations. Young workers shall not perform work that is likely to jeopardize their health or safety.

For more details on the defined terms used in this policy, please see Annex 1 below.

LI & FUNG’S APPROACH

In the efforts to eliminate child labor in our supply chain, we have adopted the OECD’s Due Diligence Process and Supporting Measures as a general approach for preventing and remediating any child labor violations.



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LI & FUNG'S STRATEGY FOR CHILD LABOR PREVENTION

Responsible Sourcing Practice

Li & Fung takes child labor into account as one of the criteria when selecting suppliers. We adopt responsible sourcing practices, which guide our business decisions, including pricing strategy, lead time and contracting period. Li & Fung suppliers should also ensure their practices do not lead to child labor risks.

Minimum Age for Admission to Employment

Suppliers shall not employ any worker younger than the age of 15, or younger than the age of completion of compulsory education, or legal employment age of the relevant country, whichever is higher¹.

Robust Age Verification

Suppliers must ensure that a robust and transparent human resource management system (HRMS) is in place supported by policies and guidelines that are in line with international and national laws, regulations and best practices, and govern all workers. We require our suppliers to put in place an employment policy that explicitly defines the minimum age for general work, light work, and hazardous work and provide details of a robust age verification mechanism.

Protection of Young Workers

Li & Fung respects young workers' rights to work and their rights at work. Li & Fung suppliers shall not exclude young workers based solely on the fact that they are under 18, but welcome initiatives to offer decent work opportunities to youth. When young workers are hired, employers must comply with all applicable legal requirements and establish a special protection mechanism. These mechanisms should include special attention to the restriction of working hours, restrictions on hazardous work, provision and access of young workers to effective operational grievance mechanisms and to Occupational Health and Safety training schemes and programmes specific to the needs of young workers, including operating dangerous machinery or equipment, engaging in heavy lifting or performing work that exposes young workers to harmful chemicals, electricity, high levels of dust or noise, extreme temperatures or heights.

Monitoring Practices

Li & Fung continuously monitors and analyzes the risk of child labor further down the supply chain. Apart from regular audits, Li & Fung performs unannounced spot-checks as part of its ongoing due diligence efforts. Spot-checks may take place in factories and locations with a heightened risk of child labor. Li & Fung also trains its own employees in relation to international labor standards and child labor practices, and to raise awareness on child labor practices and misconduct in the supply chain. Li & Fung is also engaged in conducting similar training courses with suppliers and in establishing control mechanisms for deeper tiers.

Industry Collaboration

Li & Fung engages with policymakers and social partners and participates in industry consortiums to share best practices and collaborate with other parties to address the risk of child labor in the supply chain. For instances of non-compliance in relation to child labor, we work in partnership with The Centre for Child Rights and Business ("The Centre") to develop a responsible remediation solution.

¹ ILO Convention No. 138: Minimum Age Convention

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LI & FUNG'S STRATEGY FOR CHILD LABOR REMEDIATION

Effective Reporting Procedure

Li & Fung expects its suppliers to have effective procedures in place to report all child labor issues (whether suspected or actual) to Li & Fung's vendor compliance team within 24 hours of discovery.

Any report will be taken seriously and investigated thoroughly. If an incident of child labor is identified, the Li & Fung team will work with The Centre to develop a comprehensive remediation plan for the affected children and suppliers, which will prioritize and respond to the needs of the children and provide them with appropriate support. This will be done in collaboration with the concerned suppliers as well as with the agreement of the children and their legal guardians. It is expected that within 30 working days of the case being identified, all parties should have started the remediation process.

In addition to the remedial actions with the children, the concerned suppliers must also identify gaps in the hiring or management process and implement a corrective action plan within 30 working days of the case being identified, which includes training on child rights and child labor prevention measures for their relevant staff and concerned facilities.

Expectations on Suppliers on Remediation

In cases of child labor incidents or allegations at production facilities of subcontractors/next-tier suppliers, the suppliers of Li & Fung are expected to cooperate with and contribute to the remediation. In case the subcontractor/next-tier supplier does not agree with the proposed remediation plan, Li & Fung's suppliers will be held accountable and are expected to proceed with the remediation plan for the children to ensure the best interests of the child are protected.

Any costs of child labor remediation, including child labor identified in next-tier suppliers or contractors, will be charged to the Li & Fung suppliers.

Li & Fung will hold its suppliers responsible and accountable for any breach of this policy by the suppliers themselves or their sub-contractors/next-tier suppliers. If the relevant suppliers fail to follow the measures outlined above within 30 working days of the child labor case being identified, a warning letter will be issued, giving the suppliers an additional 10 days to start the implementation.

Business Consequences

All forms of child labor are Zero-Tolerance violations. Li & Fung will take appropriate action against any suppliers who fail to comply with this policy or the applicable laws, which may include putting on hold any order with the suppliers until all parties reach an agreement on the remediation plan and until all remediation costs are settled. Based on the Li & Fung Supplier Code, failure to comply may result in suppliers being suspended or permanently prohibited from producing merchandise for Li & Fung and its customers.

Anyone who observes violations of this Supplier Code may contact Li & Fung anonymously by e-mail to our Group Chief Compliance and Risk Management Officer (GroupCCO@lifung.com), or through Li & Fung designated third-party whistleblowing channel by scanning the QR code and enter access code: **lifung**



Please refer to the Li & Fung company website to access our guidelines on [Reporting of Concerns and Misconduct](#) in our Code of Conduct and Business Ethics for more details.

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ANNEX 1. LIST OF KEY TERMS AND DEFINITIONS

For the purposes of this policy, the following definitions apply:

- a) Child or children: every human being below the age of 18 (eighteen) years, unless under the law applicable to the child, the age of majority is attained earlier.
- b) Child labor: work that deprives children of their childhood, their potential, and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially, or morally dangerous and harmful to children and interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work.
- (c) Decent work: opportunities for work that provide fair income, security in the workplace, social protection for families, equal rights at work, social dialogue, and better prospects for personal development and social integration.
- (d) Economic activity: all market production and certain types of non-market production (principally the production of goods and services for own use). It includes forms of work in both the formal and informal economy; inside and outside family settings; work for pay or profit (in cash or in kind, part-time or full-time, short-term or long-term, on an employment contract, sub-contract, or an informal type of work agreement).
- (e) Hazardous work: any work that by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children. Normally each state will have a list of hazardous work that young workers (above min. age but under 18) should avoid. Hazardous work is one of the worst forms of child labor.
- (f) Light work: ILO C138 allows countries to permit light work for children younger than the minimum age. For countries that set the minimum age at 15, this means children aged 13-14, and for those that set it at 14, children aged 12-13 may engage in light work, which is defined as work that does not interfere with children's schooling or their ability to benefit from it, and that is not harmful to their health or development and not taking place on a continuous basis or under exploitive conditions. Each country may have specific regulations related to light work (e.g., what activities are considered light work, and the hours and the circumstances under which they may be carried out).
- (g) Safe worksite: a workplace where the child is not exposed to any work-related health and safety injuries, incidents, or risks. A safe worksite also means a child is supervised by a trusted adult and has access to safe water, sanitation, hygiene facilities and other necessary support.
- (h) Young worker: any person under the age of 18 who has reached the legal minimum working age who is working or engaged in economic activity. Young workers are entitled to basic labor rights stipulated in relevant laws and regulations. Young Workers shall not perform work that is likely to jeopardize their health or safety, including night shift and overtime.