Grievance Mechanism Policy (for LF Supply Chain)

COMMITMENT

Li & Fung is unwavering in our commitment to safeguarding every worker's rights, aligned with the Universal Declaration of Human Rights. We require our partners to uphold these values too. Through our grievance mechanism – guided by ILO principles – workers can report rights violations without fear of retaliation. This transparent, effective process ensures grievances are resolved fairly, reinforcing our shared duty to protect human dignity across the supply chain.

SCOPE

The policy is applied to Li & Fung suppliers to address the handling of grievances related to any business-related human rights violations within their operations and extends to all workers - whether permanent or temporary, subcontractors or migrant workers - involved in the manufacturing processes whose rights might have been affected.

PURPOSE

This policy ensures that all Li & Fung suppliers establish effective grievance mechanisms within their own operations that align with our principles and integrate Li & Fung's grievance channels. We provide best practice recommendations to help suppliers develop and maintain these robust systems. The grievance mechanism should empower workers and affected stakeholders to raise concerns, ensure their issues are acknowledged, and offer accessible, timely remedies.

DEFINITION

Grievance refers to a complaint or concern raised by an individual or group of workers within the Li & Fung supply chain who believe that their own rights or interests within the workplace or organization have been violated, ignored, or compromised - particularly in relation to their employment conditions, workplace treatment, workplace condition or compliance with the Li & Fung Supplier Code of Conduct, customer codes of conduct, local laws, or international standards.

Operational Grievance Mechanism (OGM) refers to a formal or informal process through which workers are able to raise grievances concerning business related human rights abuses and remedies can be sought.

Remediation refers to the processes of providing a remedy for an adverse human rights impact or the substantive outcomes that can counteract or make good the adverse impact, or both.

Retaliation refers to action taken by one person or entity against another to prevent or discourage a person from, or punish a person for, speaking out and defending their rights or the rights of others.

Business-related human rights violation refers to a violation of an obligation under international human rights law under the relationship of a business enterprise with entities that are relevant to that enterprise's commercial activities such as forced overtime, harassment, discrimination, work contract issue, non-payment issues, illegal deduction, unsafe workplace, etc. which usually refers to social labor compliance.

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THE IMPORTANCE OF GRIEVANCE MECHANISMS

An effective grievance mechanism provides employees with accessible channels to raise concerns, enabling timely resolution and preventing escalation. It fosters trust and engagement while helping to identify adverse human rights impacts through ongoing due diligence. By offering a safe, confidential way to voice concerns, it ensures potential harms are addressed proactively, supporting the organization's ethical and social responsibility commitments.

GRIEVANCE CHANNELS

The grievance mechanism should offer multiple channels for stakeholders to express their concerns. Examples of some grievance channel that could be adopted

- Informal processes – direct supervisor/manager discussion.
- Human resources complaint processes, open door policy.
- Company grievance boxes or hotline.
- Trade unions/industrial relations processes.
- Joint committee – committee of workers and management.
- Technology based channel – grievance mobile app, QR code or website address.
- Third party hotline – independent operated hotline.
- Customer complaints mechanism.

SAFEGUARDS FOR GRIEVANCE SUBMITTERS

The mechanism must guarantee the following protections for all individuals who submit grievances:

- **Anonymity and Confidentiality:** The mechanism shall ensure individuals can submit grievances anonymously, with their identities rigorously protected at all times.
- **Non-Retaliation:** All individuals are to be fully safeguarded against any form of retaliation, punishment, or penalty as a result of submitting a grievance.
- **Non-Discrimination:** Equitable and impartial access to the grievance mechanism must be provided to every individual without exception.
- **Inclusivity:** The mechanism shall proactively ensure full inclusion of vulnerable or marginalized groups—such as women, migrant workers, young workers, and temporary workers—affording them special consideration to guarantee their meaningful participation.

EFFECTIVENESS OF GRIEVANCE MECHANISM

An effective grievance mechanism should offer a reliable channel for affected individuals to voice their concerns, in accordance with the effectiveness criteria outlined in UN Guiding Principles on Business and Human Rights [1] - UNGP 31.

1. **Legitimate**: Building trust among the stakeholder groups for whom the processes are designed and ensuring accountability for the fair handling of grievances.
2. **Accessible**: Recognized by all relevant stakeholder groups and offers sufficient support to those who may encounter specific barriers to access.
3. **Predictable**: Offering a clear and well-known procedure that includes indicative time frames for each stage, along with transparency regarding the types of processes and outcomes available, as well as methods for monitoring implementation.

[1] UNHR access to remedy of business-related human rights abuse

4. **Equitable**: Offering reasonable access to sources of information, advice and expertise necessary to engage in a grievance process on fair, informed, and respectful terms.
5. **Transparent**: Keeps parties involved in a grievance informed about its progress and provides adequate information about its performance to instill confidence in its effectiveness and address any public interest concerns.
6. **Rights-compatible**: Ensuring that results and remedies are consistent with internationally recognized human rights standards.
7. **A source of continuous learning:** Providing insights to enhance the mechanism and to prevent future grievances and harm.
8. **Based on engagement and dialogue**: Promoting open communication and integrating the preferences of its stakeholders, including workers, trade unions or workers representative, in designing and implementing the mechanism.

BUILDING TRUST FOR GRIEVANCE

For a grievance channel to be effective, it needs to gain trust from the stakeholders who must be able to access it. Key practices to build the trust for grievance mechanism include:

- **Understanding the needs and concerns** – consult and engage with workers, worker representatives, and external stakeholders to understand their needs and concerns for the mechanism.
- **Communicating effectively** – communicate in the language that workers speak and in their preferred manner (for example, in person) and location (for example, in their community or at work).
- **Educating on substantive rights** - educate workers about their substantive legal rights as well as their rights under company policies.
- **Educating on grievance program** - teach workers about the remediation program, including the full process for submitting, investigating, and resolving grievances.
- **Training company personnel on mechanism** - train personnel about workers' rights and how to identify violations or grievances.

REMEDIATION OUTCOMES

Remediation addresses harm through fair and effective remedies, including:

- **Satisfaction:** Acknowledging the violation and stopping the harm.
- **Restitution:** Restoring the affected party's original situation.
- **Compensation:** Providing financial redress for losses or injuries.
- **Rehabilitation:** Supporting recovery with medical or social services.
- **Guarantees of Non-Repetition:** Preventing future harm through policy or legal changes.

OUTCOMES OF GRIEVANCE REMEDIATION

Effective remedies should be:

1. **Adequate:** Proportionate to the harm and wrongdoing.
2. **Effective:** Ending the abuse and restoring the affected party rights.
3. **Prompt:** Delivered without undue delay.

REPORTING OF CONCERNS

Anyone who observes violations of this policy may contact Li & Fung anonymously by e-mail to our Corporate Governance Division (CorpGov@lifung.com), or through Li & Fung's designated third-party whistleblowing channel by scanning the QR code and entering the 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.

ACKNOWLEDGEMENT

We gratefully acknowledge invaluable support and expertise from The Mekong Club in developing this Grievance Mechanism Policy. Their valuable insights have been crucial in establishing a fair, transparent, and effective process for addressing concerns in our supply chains. We sincerely appreciate their dedication and partnership throughout this process.

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