

United Nations Global Compact
COMMUNICATION
ON PROGRESS 2012-2013

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FUNG GROUP

STATEMENT OF CONTINUED SUPPORT

The Fung Group of companies (hereafter the “Group”), is pleased to publish its Communication on Progress for the year 2012-2013. This report outlines the steps that we have taken to promote the UN Global Compact principles within our Group, as well as throughout our supply chains and amongst our stakeholders.

Since their founding, our Group companies have always sought to operate and improve their performance in line with the principles of the Compact. We believe that a sustainable business is one that provides useful goods and services, creates jobs, uses resources efficiently, cares for the environment, and operates with a high degree of transparency and integrity. Over the long term, such a business will make major contributions to the social and economic well-being of the communities in which it operates and in doing so, resonate strongly with the UNGC principles.

Today, we remain as committed as ever to the Compact and seek to promote the principles wherever we operate. In an increasingly complex world and with the ever-present challenge of sustainable inclusive development, the Compact serves as innovative platform for collective action and engagement between business, government, and civil society.

In laying out our actions and efforts to continue to improve our performance under the UNGC framework, we share our experiences and invite others to join us in partnership.

Yours sincerely,



Victor K. Fung
Group Chairman

FUNG GROUP OF COMPANIES

Who We Are and Our Approach to Sustainability

WHO WE ARE

The Fung Group is a multinational group headquartered in Hong Kong whose companies are engaged in sourcing, distribution and logistics, and retailing of consumer products.

This report covers primarily the listed entities of the Group: Li & Fung Limited, Convenience Retail Asia Limited and Trinity Limited.

The Group's Trading, Distribution, and Logistics businesses are operated by Li & Fung Limited, which designs, develops and sources consumer products for retailers and brands worldwide. It also operates an extensive distribution and logistics network serving major brands in Asia and beyond. Through these three interconnected business networks, Li & Fung Limited offers a spectrum of services that covers the entire supply chain from end-to-end.

The Group's retailing businesses are held by Fung Retailing Limited, which principally comprises two publicly listed entities: convenience stores and bakeries through Convenience Retail Asia Limited and high-end menswear through Trinity Limited.

In sum, the Fung Group employs approximately 43,000 men and women across 40 economies worldwide, with total revenue of more US\$21 billion in 2012.

OUR APPROACH to SUSTAINABILITY

Our operating companies share a common set of values and approach to sustainability, which reflect the belief that our companies should contribute positively to the economic and social development of the communities in which we operate, while conserving and protecting the environment.

Each of our primary operating companies has a corporate sustainability task force comprised of managers across key functions and geographies to set strategies, coordinate actions, and drive the sustainability agenda forward. These task forces are typically headed by a senior executive responsible for sustainability, who reports directly to the CEO, who is then accountable to the Board of Directors. For Li & Fung Limited, this process is reinforced by the additional governance structure of a Risk Management and Sustainability Committee within the Board of Directors.

At the Group level, we operate an additional sustainability task force which convenes the heads of the respective sustainability task forces in each of the operating companies, plus other key functions such as communications, IT, properties and philanthropy, to coordinate actions and strategies and facilitate the sharing of best practices and resources.

In this report, we aim to highlight our policies and progress over the past year on actions to carry out the UNGC principles, and invite anyone with further interest to explore the public disclosures and websites of our respective group companies. These may all be accessed through our Group website: www.funggroup.com

THE TEN UNGC PRINCIPLES

HUMAN RIGHTS

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2: make sure that they are not complicit in human rights abuses.

LABOUR

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4: the elimination of all forms of forced and compulsory labour;

PRINCIPLE 5: the effective abolition of child labour; and

PRINCIPLE 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8: undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

HUMAN RIGHTS

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2: make sure that they are not complicit in human rights abuses.

ACTIONS to PROMOTE THE PRINCIPLES

The Fung Group is committed to upholding human rights in our own operations and externally in our supply chains and relations with key stakeholder groups. Each of our group companies has in place a *Code of Conduct and Business Ethics* which covers human rights. New employees are briefed on the code and must agree to abide by it before starting employment. The code is published on employee intranets and in handbooks.

Employees are encouraged to report any violations under a written policy to their manager, or as an alternative, directly and confidentially to the Group Chief Compliance Officer.

Group companies operate in over 40 economies worldwide, including many developing countries and countries where the rule of law may not be strong. In doing business, we are conscious of our dual obligation to comply with local legislation as well as to respect and follow international norms of behavior with regard to human rights. Therefore, Li & Fung Limited, for example, bases its human rights commitments and policy on the International Labor Organization's *Declaration on Fundamental Principles and Rights at Work*; and supports the *UN Declaration of Human Rights* as a necessary foundation for social development and economic progress. This is outlined on the company's public website at <http://www.lifung.com/eng/csr/csr7.php>.

We recognize that our responsibility to respect human rights extends to relations with key stakeholders. Therefore, Li & Fung Limited and Trinity Limited each have in place a *Code of Conduct for Suppliers*, which makes clear the standards to which we expect our business partners to adhere, and requires suppliers to respect and uphold local legal and internationally proclaimed human rights. It contains ten principles including three that cover freedom of association and recognition of the right to collective bargaining, voluntary labor, and working age. Any supplier trading with our companies must indicate acceptance of the Code and remains contractually bound by it during the course of their business with us.

Compliance with the code is assessed by processes and checks within each respective company. In the case of Li & Fung Limited, due to the scale and nature of its business, a trained, in-house supplier auditing team conducts announced and unannounced audits and works with approved third-party auditors to ensure compliance to the code. Li & Fung Limited holds training seminars, workshops and sessions in order to ensure understanding of the principles contained in the code and the benefits of sustainable compliance. Where violations occur, our compliance teams work with the supplier concerned to address and correct the problem.



With increasing knowledge about the interface between human rights and business operations and rising expectations from consumers and stakeholders worldwide, Li & Fung Limited launched an updated *Code of Conduct for Suppliers* and *Supplier Compliance Manual* in 2012. These documents provide a transparent framework for improving working conditions and environmental performance, and ultimately give more sustainable sourcing options.

The Code requires compliance with local and international regulations, including the International Labor Organization's core conventions. Key revisions include expanded ethical conduct requirements, enhanced disclosure of suppliers' performance information and the issue of human trafficking, in support of the *California Transparency in Supply Chains Act*.

The *Supplier Compliance Manual* outlines how to meet the Code and is the first step in building competency for sustainable compliance. In parallel, a new assessment tool for suppliers was launched to identify gaps in meeting Code requirements.



This information enables employees to follow-up, identify opportunities for improvement as needed, and support suppliers with training, education and tools to build management systems that support ongoing compliance. Suppliers identified as having compliance issues will have access to capacity-building resources and be required to resolve the issue(s) to continue business. Launch of the revamped code and standards was accompanied by an orientation and training program on human rights and labour issues for all Li & Fung Limited employees along with many suppliers and business partners.

Li & Fung Limited and Trinity reinforce their commitment to human rights both publicly, as well as internally through employee education and training on their *Code of Conduct and Business Ethics*. This effort will continue with specific initiatives to enhance the company's sustainability programs and its management of risks.

PROGRESS AND OUTCOMES

During 2012, Li & Fung Limited conducted audits to assess compliance of third-party suppliers with the *Code of Conduct for Suppliers*, and audits for Trinity Limited's production suppliers were also conducted by Li & Fung Limited's global compliance team.

To further sustainability in the supply chain, Li & Fung Limited has developed tools and programs and engaged with its partners to improve working conditions. Over the course of 2012, it focused on enhancing its compliance tools to support its suppliers to improve their social and environmental sustainability.

Lastly during 2012, the Group organized over 400 trainings sessions, workshops or seminars targeting third-party suppliers and business partners.

LABOUR STANDARDS

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4: the elimination of all forms of forced and compulsory labour;

PRINCIPLE 5: the effective abolition of child labour; and

PRINCIPLE 6: the elimination of discrimination in respect of employment and occupation.

ACTIONS to PROMOTE THE PRINCIPLES

The Group supports and actively promotes the four UNGC labour principles internally in our own operations and externally with our business partners and stakeholders.

Internally, each of our Group companies has in place a *Code of Conduct and Business Ethics* which binds all employees to upholding these principles in our operations, for instance, in recruitment, training, review and promotion, and remuneration. On top of these principles, we strive to create a workplace and working environment known for diversity, respect, and equal opportunity.

Each new employee is briefed on the Code and must agree to abide by it before starting work. The code is published on employee intranets and in employment handbooks. Staff are given training and provided resources to allow them to continuously upgrade their knowledge and practices for carrying out these principles in their work.

With regard to Principles on collective bargaining and freedom of association, the Group follows the employment regulations or labour codes of the jurisdictions in which it operates. For example, Li & Fung Limited's *Code of Conduct and Business Ethics* section 12 "Human and Labor Rights, And Fair and Equal Treatment" references the UN Global Compact principles, the *UN Declaration of Human Rights* and the ILO's core conventions. The other group companies will progressively adopt similar approaches.

Employees are encouraged to report any violations of

the Code under a written policy to their direct manager or directly and confidentially to the Group Chief Compliance Officer.

Externally, we recognize our responsibility to promote the UNGC labour principles throughout our supply chain and relations with key stakeholders. As such, Li & Fung Limited and Trinity Limited each have in place a *Code of Conduct for Suppliers* that binds their suppliers to uphold the UNGC labour principles. Any supplier trading with our Group must accept the Code and remains contractually bound by it during the course of their business with us.

Compliance with the code is assessed by a series of processes and checks by each respective company. In the case of Li & Fung Limited, due to the scale and nature of its business, a trained, in-house auditing team conducts announced and unannounced audits and works with approved third-party auditors to ensure compliance to the code. In addition, Li & Fung Limited holds routine training seminars, workshops and sessions in order to ensure understanding of the principles in the code and of the benefits of compliance.

The Group recognizes that compliance with the *Code of Conduct for Suppliers* is necessary but is only the first step in a process of building sustainable compliance. Compliance backed by audits must be tied to capacity building and training to ensure that suppliers have the tools and incentive to raise their performance and sustainability attributes of their products, while improving working conditions.

PROGRESS AND OUTCOMES

The Fung Group's commitment to being a responsible and sustainable business extends to how it manages its supply chains in over 40 economies around the world. For example, Li & Fung Limited's global vendor compliance team regularly monitors compliance with its, and Trinity Limited's, suppliers to meet its *Code of Conduct for Suppliers*, as well as industry-and-customer-specific audit standards, protocols and methodologies.

The Fung Group seeks opportunities and manages risks in the supply chains that produce products for major global retailers and brands. Therefore in 2012 Li & Fung Limited launched an updated *Code of Conduct for Suppliers and Supplier Compliance Manual* and then held over 375 training sessions for over 5,000 suppliers and close to 4,000 colleagues.

To support the rollout of the updated *Code of Conduct*, Li & Fung Limited also developed standard operating procedures and a variety of resources to screen, monitor, audit and assess the performance of its suppliers. Guidance materials and practical tools were also developed for suppliers to comply with requirements and to improve their operational performance. These resources, which are outlined below and are translated in local languages, cover issues and risks associated with business operations and labor, health and safety, environmental and security practices.

- The *Sustainability Resource Center* website for suppliers to access training schedules and diverse resources to assist them to improve performance.
- *Supplier Compliance Manual* that outlines how to meet our *Code of Conduct for Suppliers*.
- *Major Issues Tutorial* and *Zero Tolerance Issues Tutorial* that provide detailed guidance on how to address issues and what is required to demonstrate compliance with LF Standards.
- *Comprehensive Occupational Safety & Health Toolkit* to help suppliers to adopt safe and healthy systems and practices in their workplaces.
- *Digital Learning Units for Managers and Workers*, which are a series of short, user-friendly practical videos developed with the support of the Fung Academy. The first in the series, on fire safety, was launched in late 2012. Other topics such as working hours, chemical management, and lean manufacturing will be added.

As highlighted below, in 2012 the Group companies expanded their involvement in several key industry initiatives that bring customers, peers and industry associations together to work collectively to set standards and effect change, and they collaborated with their customers and non-governmental organizations (NGOs) to implement focused programs that address the particular challenges of the industry and the specific countries in which they operate.



- *As You Sow* – engaging with our suppliers to not knowingly source cotton from Uzbekistan where forced and child labor is a significant concern.
- International Labor Organization's *Better Work program* – supporting factories in Cambodia, Haiti, Indonesia, Jordan and Vietnam to improve labor conditions.
- Business for Social Responsibility (BSR) – with the sponsorship of Fung (1906) Foundation, supporting the *HERproject* in 12 factories in Bangladesh, China, India, Indonesia, and Pakistan. The project empowers women with the knowledge and skills to improve their health, living conditions and livelihoods.

Further recognizing the importance of learning in both our own organization and in our supply chains, in 2012 the Fung Group founded the Fung Academy to develop and deliver best-in-class learning and development programs focusing on leadership training and sustainability. In 2012, over 700 senior level managers received training on the subject of supply chain sustainability. Moreover, under the Academy's Sustainability pillar, an innovative series of tools and programs focusing on health and safety, energy and water, and lean manufacturing were being developed. These programs are expected to equip and empower suppliers to manage their own improvement and compliance.

While we have made progress in integrating labor standards in our own operations and our supply chain, we recognize the journey is long and the challenge bigger than we alone can address. Occurrences such as the tragic fire at Tazreen garment factory in Bangladesh in November 2012 bring to the forefront the need to raise standards across the industry, with workplace safety placed above all other considerations. We will continue to collaborate with government, industry, and civil society so as to improve standards and working conditions. In addition, we will continue to source from suppliers committed to improving their workplace standards and performance, and to providing focused resources to support continual improvement throughout the supply chain.

ENVIRONMENT

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8: undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9: encourage the development and diffusion of environmentally friendly technologies.

ACTIONS to PROMOTE THE PRINCIPLES

Our companies have always endeavored to operate responsibly with regard to the environment by protecting the environment and using natural resources efficiently. In recent years, those priorities have taken on added importance and are now a fundamental area for risk management and meeting the rising expectations of our customers, investors, and the public.

Therefore, we continually look for opportunities to be more efficient in our operations, and to use more environmentally-responsible materials, equipment, building materials and services. We strongly believe that such actions are not only environmentally sound, but also financially responsible.

As a baseline, our *Code of Conduct and Business Ethics* includes the requirement for all employees to protect the environment in line with the precautionary principle in our operations and supply chain. This message is reiterated and reinforced through a number of means including internal meetings, training, promotion through the staff intranet, employee outings, and Group promotion of activities such as Earth Hour.

In our own operations:

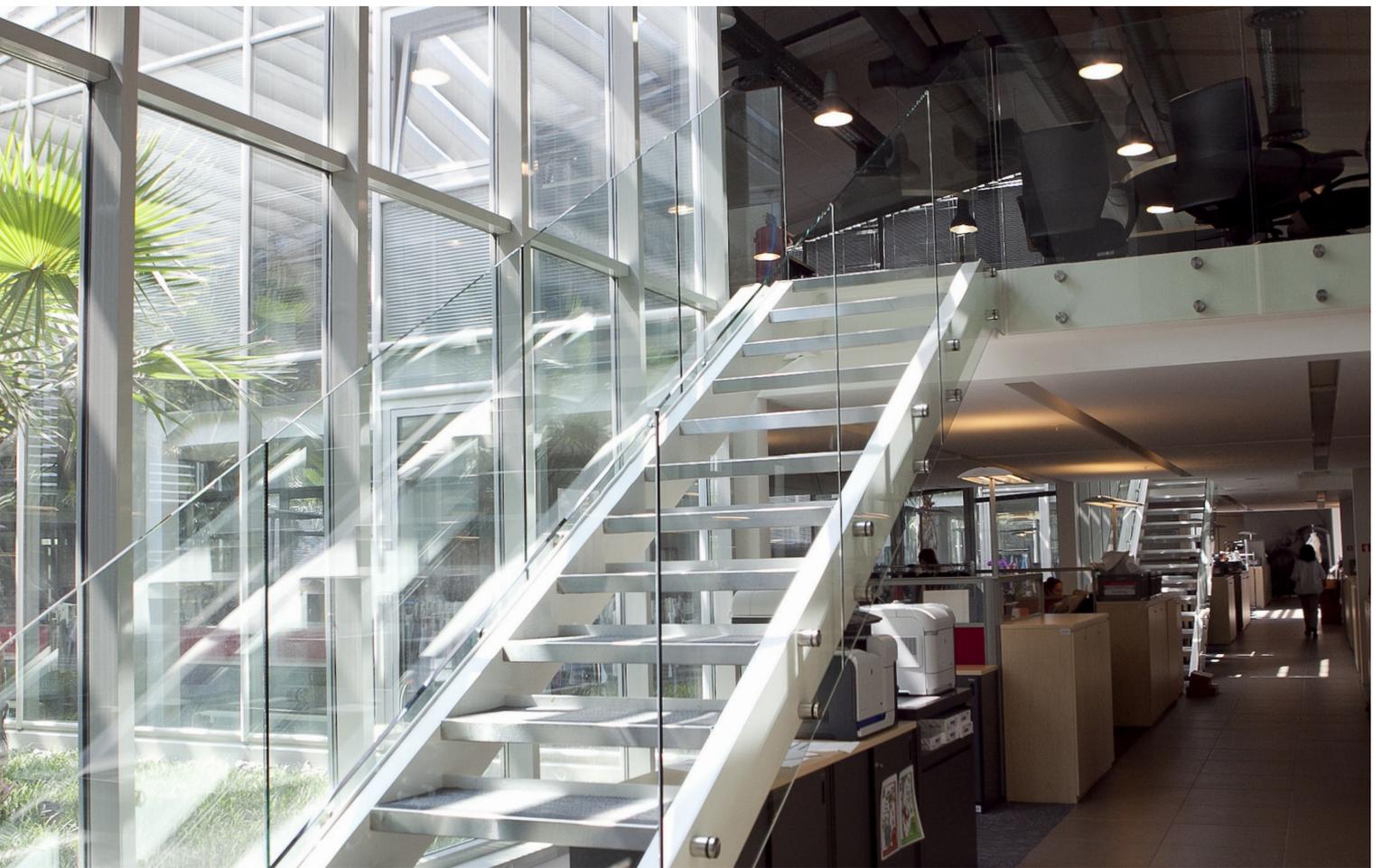
We measure our energy consumption, greenhouse gas emissions, water consumption, and certain waste streams throughout our own facilities and offices, and make targeted annual intensity reductions across all of these areas.

We endeavor to increasingly build and operate green offices and facilities, and to achieve recognized industry standards in these areas, including:

- Leadership in Energy and Environmental Design (LEED) or Building Research Establishment Environmental Method (BREEAM) certification for buildings and offices; certifications achieved for office and distribution center facilities to date.
- The Wastewi\$e scheme run by the Hong Kong Environmental Protection Department;
- In the United States, the Environmental Protection Agency's Climate Leaders program.

Lastly, in view of concerns of natural resource scarcity and environmental stewardship, Li & Fung Limited has developed and implemented *Green Meeting Guidelines* designed for internal and external company meetings.

Notwithstanding our efforts to improve the environmental sustainability of our own operations, we are very well aware that upgrades in the sustainability of our supply chain partners can produce significant, positive impacts. These front-line operations may be impacted from supply chain disruptions arising from climate change, resource scarcity and extreme weather events. Thus, we endeavor to enhance our suppliers' understanding of key environmental issues and their capacity to improve efficiency and manage through disruptions.



We expect our suppliers to abide by local environmental legislation, and where relevant we require that they avoid the use of ozone-depleting chemicals and certain toxic materials in production processes and the trade in endangered species. We also encourage and provide technical support to suppliers on energy and water efficiency, greenhouse gas reductions, sustainable building, lean manufacturing, health and safety and human resource management, both directly and through recognized industry programs. Lastly, we also facilitate the sharing of best practices across our supplier network, both directly through our own programs and through industry groups.

In keeping with our role as a responsible employer and corporate citizen, we have also introduced programs to raise and encourage greater environmental awareness amongst employees and the community at large. For example, community clean-ups and tree-planting activities are regularly organized by our offices.

PROGRESS AND OUTCOMES

As outlined above, the Group has initiated diverse streams of action in view of our commitment to implement the principles on the environment. Some of our progress indicators are outlined below.

Since Li & Fung Limited conducted an Investment Grade Audit (IGA) of its headquarters in Hong Kong in 2010, the company has been implementing best practices in our global offices throughout 2011 and 2012.

In 2012, Li & Fung Limited recorded a total global electricity consumption of 48,671,935 kWh compared with 45,405,947 kWh in 2011, and our Scope 1 and 2 greenhouse gas emissions were 34,795 tons of CO₂ equivalent, compared with 32,120 tons of the same unit the previous year. This information has been reported to the Carbon Disclosure Project. As the company's operations have expanded, its consumption and emissions have increased. However, the intensity of its energy consumption decreased 19% by area (m²) and carbon emissions have decreased 23% by area (m²) in 2012.

Trinity Limited and Convenience Retail Asia also reduced their electricity and Scope 1 and 2 greenhouse gas emissions in absolute terms.



In addition, throughout our global offices, stores and facilities, the Group has proactively taken the following measures to increase energy efficiency:

- Adopting an enterprise-wide environmental management and accounting software system;
- Progressively retrofitting T-8 and halogen lighting with energy-efficient LED, T-5 and CFL alternatives and maintaining appropriate lux levels;
- Optimizing performance and energy-efficient retrofits of chillers;
- Turning off lights, computers, monitors and printers when not in use;
- Implementing an automatic computer and lighting shutdown policy outside of working hours;
- Installing energy-efficient servers, photocopiers, printers and other equipment;
- Maintaining office and server room temperatures at levels meet operational requirements but minimize energy use;
- Installing of recycling bins for paper, bottles and cans, and contracting with relevant waste handlers for recycling;
- Using renewable energy where feasible, for instance, in Istanbul where photovoltaic panels generate a portion of our Istanbul office's electricity;
- Implementing our *Green Meeting Guidelines* to reduce energy use, consumption and wastage during internal and external meetings, and increasing our use of video conferencing to reduce the need for business travel; and
- Progressively converting our vehicle fleet to Euro IV standard or better, and abiding by fuel efficiency guidelines in vehicle procurement;

In 2012, Li & Fung Limited global and Trinity Limited's Hong Kong offices consumed a total of 141,117 reams of A4 paper, which constitutes a 9% decrease over the previous year. Our paper reduction campaign remains an ongoing initiative throughout the Group, supported by progressive migration of paper processes to electronic and online platforms. In addition, Li & Fung Limited's LF Fashion and Trinity Limited once again earned WasteWi\$e labels under the Hong Kong Environmental Protection Department scheme.

Convenience Retail Asia Limited continued to emphasize the "4Rs" – Reduce, Reuse, Recycle and Refrain – throughout its store operations and customer communications. Internal communication platforms included a "Green Day" every Tuesday, featuring educational email messages nurturing eco-awareness and promoting useful tips for environmental conservation. A biannual sustainability workshop was also introduced to provide a platform for sharing and interaction about topics related to the management of natural resources as well as environmental disaster alerts and information on global warming.



With regards to sustainable offices and buildings, we continued to implement our own *Sustainable Design, Construction and Renovation Guidelines for New Construction, Major Renovation and Commercial Interiors*. These user-friendly guidelines support our offices and facilities around the world to adopt LEED elements whenever feasible. This guidance was also shared with our suppliers.

The Group now has more 468,800 sq ft of office space certified to LEED or BREEM. Furthermore in 2012-2013, the following offices were certified:

- Approx 150,000 sq ft in our New York office certified LEED (50,000 sq ft Gold, 100,000 sq ft Platinum) and;
- Approx 18,840 sq ft in our Beijing office certified LEED Silver.

Furthermore, in an effort to switch to more environmentally-responsible technology, our Convenience Retail Asia Limited' Saint Honore Factory in Shenzhen, China successfully switched from heavy oil to natural gas in an effort to save energy and reduce carbon emissions, setting the benchmark for the industry in Shenzhen.

Lastly, distribution centers in Li & Fung Limited's Logistics network, have implemented measures to reduce their environmental footprint over the years. In 2012, our Rui Fang distribution center was certified by the Taiwan Green Building (EETH system) as a Silver Class Green Building, the first of its kind in Taiwan. Key features of this project include: maximized use of natural lighting and energy-efficient T-5s; installation of high-efficiency induction lighting in loading bays; rainwater collection to reduce consumption of municipal water; and use of environmentally-responsible materials in the construction of the facility.

The Group actively promotes environmental awareness amongst employees through our internal intranet site, formal training, a sustainability speaker series and informal engagement activities. These activities engage our colleagues and foster a culture of environmental conservation and protection to help the Group achieve its goals and objectives.

To promote the Environmental Principles in our supply chains and relations with stakeholders, Group companies were active in a number of non-governmental organizations, industry associations, foundations, and academic organizations in 2012, including:

- Business for Social Responsibility (BSR) and the Fung Academy organized a Water Summit to raise awareness of water scarcity in China and to share best practices for improving water efficiency;
- Global Social Compliance Programme – to improve working conditions and environmental practices in the global supply chain;
- Sustainable Apparel Coalition – to contribute to the development of its Apparel and Footwear Index tools, in order to measure and manage the environmental impact of products in our supply chain;
- Sustainable Fashion Business Consortium – to increase sustainable practices across the supply chain;
- Friends of the Earth and The Worldwide Fund for Nature (WWF) – to promote environmental awareness amongst our employees;
- Business Environment Council of Hong Kong and Environmental Sustainability Committee of the Hong Kong General Chamber of Commerce – to raise awareness of environmental issues in Hong Kong as well as share best practices amongst companies; and
- Green Economy Task Force and Energy and Environment Commission of the Paris-based International Chamber of Commerce – to provide business input on environmental issues to global policy and multilateral groups.

Finally, the Group also applied its customers' environmental purchasing policies with respect to environmentally-responsible materials, packaging waste minimization and product stewardship. For example, Trinity Limited is using recyclable packaging, as well as FSC-certified packaging within its Cerrutti retail store outlets, Li & Fung Limited sources and develops apparel products made from organic cotton and FSC-certified timber, and Convenience Retail Asia Limited's bakery shops use bio-degradable materials as part of their packaging for their festive moon cake products.

ANTI-CORRUPTION

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

ACTIONS to PROMOTE THE PRINCIPLES

We recognize that corruption and bribery are serious threats to the integrity of markets and the rule of law, and undermine fair competition. We thus support a strict anti-corruption and anti-bribery policy as part of our employee *Code of Conduct and Business Ethics*, in line with our continuous effort to operate according to the highest principles of accountability, transparency and good governance. This policy was upgraded in 2012 to account for new issues and to provide further clarity to employees.

Each Group company's Code contains strict guidelines on corruption, bribery, gift-giving, gratuities, kick-backs and other favors, and all employees must sign and abide by the Code. Section 4 of the *Code of Conduct and Business Ethics* emphasizes the prohibition of bribery and corruption practices by all staff in the countries where the group operates. Our policies and guidelines on anti-corruption are covered by our Anti-Bribery Policy and Guidelines on Gifts, Entertainment and Hospitality sections within the Code. The Guidelines on Gifts, Entertainment and Hospitality was upgraded in 2012 and is also a separate policy document.

Responsibilities are clearly defined in our *Code of Conduct and Business Ethics*, Anti-Bribery Policy, Guidelines on Gifts, Entertainment and Hospitality, and Guidelines on Whistleblowing/Reporting of Concerns. All staff are expected to adhere to anti-bribery and anti-corruption practices. Executive management and our Corporate Compliance division jointly monitor

compliance and support the Code.

Our Guidelines on Whistleblowing/Reporting of Concerns enable staff to report actual or potential bribery activities to their direct line manager or directly and confidentially to the Group Chief Compliance Officer. Upon receipt of any concerns or reports under these Guidelines, executive management and Corporate Compliance Group will undertake an investigation. Furthermore, our Group Chief Compliance Officer reports any concerns raised under these Guidelines, which have significant impact on the Group's business, to the operating company's audit committees on a semi-annual basis. The Corporate Compliance Group of each operating company audits compliance performance and reports any material non-compliance to the respective operating company board via their individual audit committee.

Compliance training for newly joined and existing staff, and internal audits by the Group Compliance team, are conducted on a periodic basis to reinforce staff conformance and an ethical culture within the group. In 2012, Trinity Limited adopted the Hong Kong ICAC Corruption Prevention self-education materials as part of its education and awareness efforts on the prevention of corruption. Li & Fung Limited launched "The Ethical Zone", an internal platform for sharing practical examples and solutions on how to respond to potential ethical dilemmas. New employees are also advised of the requirements of the Code during orientation and provided with their own copy.



The vast majority of the Group employees continue to demonstrate integrity and good ethical behavior across all operations in 40 economies. One exception arose, in which a Li & Fung employee was found guilty of an offense under the Prevention of Bribery Ordinance in Hong Kong. Her employment was terminated and employees were reminded of their obligation to always abide by the *Code of Conduct and Business Ethics*.

Our group companies have been recognized for their achievements in ESG issues. A few examples of such recognition include the following:

Li & Fung Limited

- Hong Kong Corporate Governance Excellence Awards 2012, by The Chamber of Hong Kong Limited Companies
- The Asset Corporate Platinum Award 2012, for all around excellence in financial performance, management acumen, corporate governance, social responsibility, environmental responsibility and investor relations, by the Asset Magazine
- Asia's Icon on Corporate Governance 2013, by Corporate Governance Asia Journal

Convenience Retail Asia Limited

- Asia's Most Promising Company on Corporate Governance 2013, by Corporate Governance Asia Journal

Lastly, and in recognition of achievements in all areas reflected in the Ten UNGC Principles and based on a rigorous third-party ESG analysis, Li & Fung Limited was again included in the Dow Jones Sustainability Asia Pacific Index and FTSE4Good Index Series, while both Trinity Limited and Li & Fung Limited were included in the Hang Seng Corporate Sustainability Index Series of the Stock Exchange of Hong Kong.

