

# UN Global Compact Communication on Progress

# 2014

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FUNG GROUP

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## Statement of continuing support

The Fung Group of companies (the “Group”), is pleased to publish its Communication on Progress for the year 2014. This report outlines the steps that we have taken to promote the United Nations Global Compact (UNGC) principles within our Group companies, as well as throughout our supply chains and among our stakeholders.

The Fung Group has always sought to operate in line with the principles of the Global Compact. We strive to run sustainable businesses that provide useful goods and services, create jobs, use resources efficiently, care for the environment, and operate with a high degree of integrity. We aim to contribute to the economic and social well-being of the communities in which we operate and thus reflect the Global Compact’s principles.

As the Group approaches the 110<sup>th</sup> anniversary of its founding, we remain committed to the Global Compact’s principles and seek to instill the principles wherever we operate. In an increasingly complex world and with the ever-present challenge of sustainable inclusive development, we continue to see the Global Compact as a useful 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.



A handwritten signature in black ink that reads "Victor Fung". The signature is fluid and cursive.

**Victor Fung**  
Group Chairman

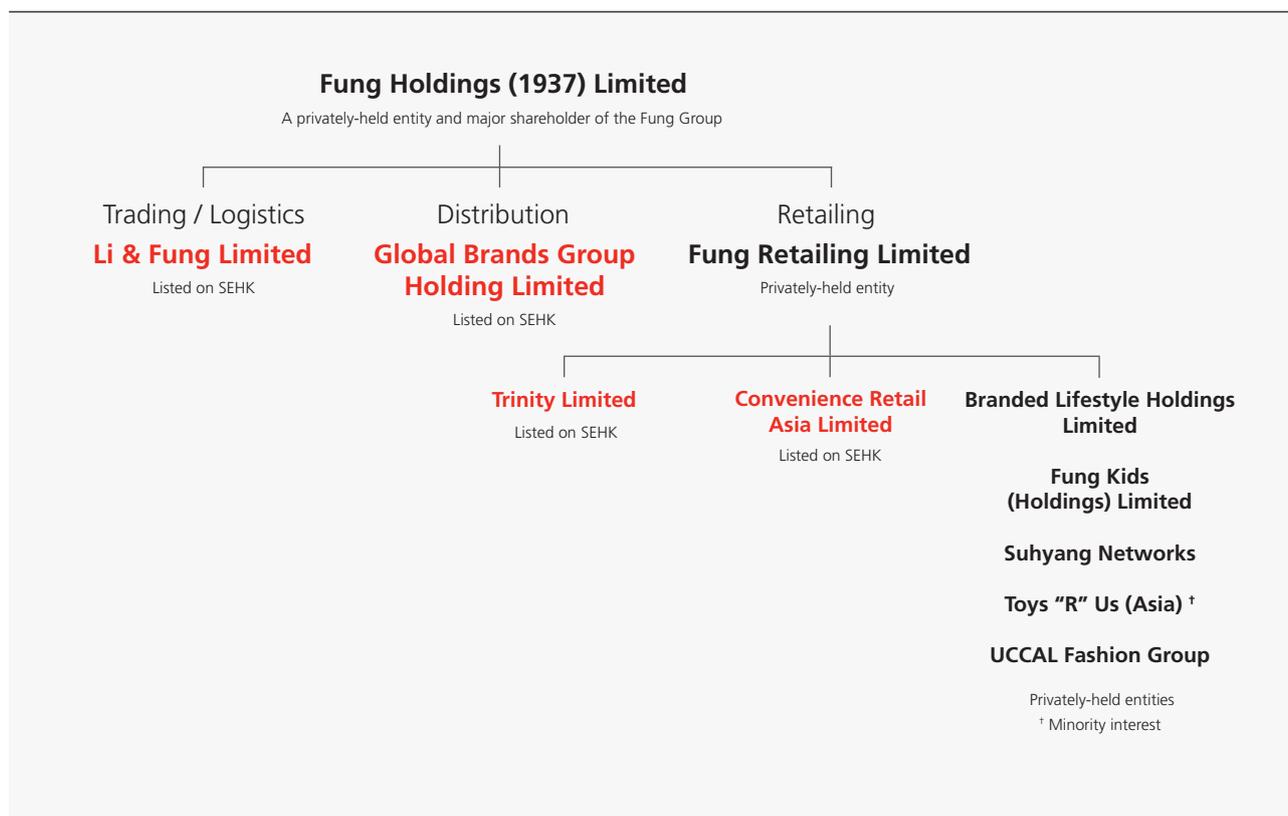
# Fung Group of companies: Who we are

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

The Group's Trading and Logistics operations are under Li & Fung Limited, which is the leading consumer goods design, development, sourcing, and logistics company for major retailers and brands around the world. Li & Fung Limited specializes in responsibly managing supply chains of high-volume time-sensitive goods, providing sophisticated one-stop-shop solutions to meet customers' specific needs. The company's end-to-end logistics solution spans the time a product leaves a factory to the time it reaches the end consumer.

Li & Fung Limited's distribution business for brands and licensing was listed on the Hong Kong Stock Exchange on 9 July 2014 as a separately operating business called Global Brands Group Holding Limited (Global Brands), which remains an operating entity of the Fung Group. Global Brands designs, develops, markets and sells products under a diverse

## Current structure of the Fung Group



array of controlled and licensed brands. Its customers are primarily retailers, including department stores, specialty retailers, and e-commerce channels, in the Americas, Europe and Asia.

Fung Retailing Limited operates the Group's retailing operations with two publicly-listed entities: Convenience Retail Asia Limited, which operates convenience stores and bakeries; and Trinity Limited which sells high-end menswear. The Group also has a number of privately held retail businesses including Branded Lifestyle Holdings Limited, Fung Kids (Holding) Limited, Suhyang Networks, UCCAL Fashion Group and Toys“R”Us (Asia).

In sum, the Fung Group employs approximately 46,800 men and women across 40 economies, with total revenue of over US\$24.65 billion as of December 2014.

This report covers primarily the four publicly-listed entities of the Group: Li & Fung Limited, Global Brands Group Holding Limited, Convenience Retail Asia Limited and Trinity Limited.

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Total employees

46,800

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Economies we operate in

40

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Total revenue in 2014 (billions)

24.65

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## Our approach to sustainability

Our operating companies share a common set of values and an approach to sustainability, which reflect the belief that we should contribute to the economic, social and environmental well being of the communities in which we operate.

Each of our operating companies has a corporate sustainability function 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, a Sustainability Working Group convenes the sustainability heads from each of the operating companies, plus other key functions such as communications, IT, corporate governance, properties and philanthropy, to coordinate actions and strategies and facilitate best practices and resource sharing.

Many of our Group sustainability and leadership programs are housed within the Fung Academy, which seeks to accelerate learning and develop future capabilities of the Group. The Academy has a dedicated unit focused on the sustainability of the supply chain that will be described later in the report. Affiliated with the Group are also two charitable foundations: the Fung (1906) Foundation, which supports Fung Group colleagues to engage in and contribute to communities worldwide; and the Victor and William Fung Foundation, which funds scholarships and thought leadership within think tanks and other organizations.

In this report, we highlight our policies and progress over the past year on actions to carry out the United Nations Global Compact 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](http://www.funggroup.com).



# The 10 principles of the UN Global Compact

## Human rights and labour

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- 1** Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2** Make sure that they are not complicit in human rights abuses.

## Labor

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- 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4** the elimination of all forms of forced and compulsory labour;
- 5** the effective abolition of child labour; and
- 6** the elimination of discrimination in respect of employment and occupation.

## Environment

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- 7** Businesses should support a precautionary approach to environmental challenges;
- 8** undertake initiatives to promote greater environmental responsibility; and
- 9** encourage the development and diffusion of environmentally friendly technologies.

## Anti-corruption

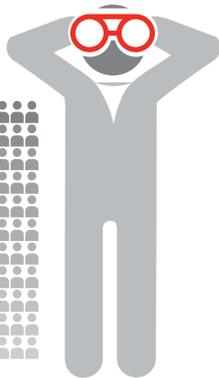
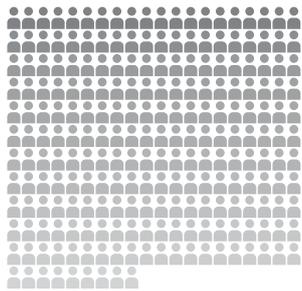
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- 10** Businesses should work against corruption in all its forms, including extortion and bribery.

# 2014 at a glance

The number of members in Li & Fung Limited's **Vendor Compliance & Sustainability team** working to ensure supplier compliance with the Supplier Code of Conduct with announced and unannounced audits, monitoring, and other tools

230



The number of **training sessions** aimed at preventing human trafficking and the use of child labor, at improving workplace conditions, and at raising awareness about occupational health and safety, among other human rights issues in 2014

634

Participating factory representatives

12,000+

Participating Li & Fung Limited employees

3,000+



LEED/BREEAM certified offices and facilities around the world

13

Trinity Limited's combined Scope 1 and Scope 2 greenhouse gas emissions (year-on-year)

-7%

CO2 equivalent in 2013

3,039 tons

CO2 equivalent in 2014

2,824 tons

100 factories from the Li & Fung Limited supplier network in Bangladesh, Vietnam, Cambodia and India will participate in the **HERProject** by the end of 2015, giving workers knowledge and skills to improve their health and quality of life.

Factories by end-2015:

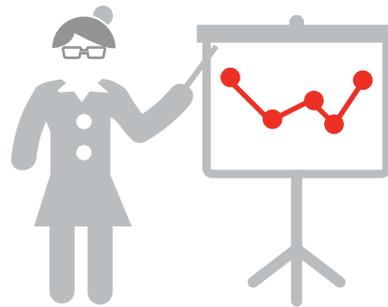
100



Workers reached:

100,000+

**The Fung Academy** developed programs and tools for sustainable operations and breakthrough performance. It trained in 2014:



200+

Senior level managers

1,000+

Employees Group-wide

New targets set by Li & Fung Limited for 2016 (with 2014 as baseline) aiming for:

-10%

GHG emissions and electricity intensity

-5%

Water intensity

-10%

Paper intensity

# Human rights and labor

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*Principle 1 Business should support and respect the protection of internationally proclaimed human rights;*

*Principle 2 Make sure that they are not complicit in human rights abuses;*

*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 labor;*

*Principle 5 The effective abolition of child labor; and*

*Principle 6 The elimination of discrimination in respect of employment and occupation.*

## Actions to promote the principles

The Fung Group of companies is committed to upholding internationally-recognized human rights and labor standards in our own operations and externally in our supply chains and relations with key stakeholder groups.

### CODE OF CONDUCT AND BUSINESS ETHICS

Each of our companies has in place a Code of Conduct and Business Ethics which covers the UN Global Compact Principles, the Code binds all employees to upholding and specifically refers to these principles in our operations. The Group upholds the International Labour Organization's core conventions for the elimination of forced, compulsory or underage labor, elimination of discrimination in respect of employment, and respect for the freedom of association and collective bargaining. For instance, guidance is provided in relation to recruitment, training, review, promotion and remuneration. In support of these principles, we strive to create a workplace and working environment that promotes diversity, respect, collaboration and equal opportunity.

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

Employees are encouraged to report any violations to their manager, or as an alternative, directly and confidentially to the Group Chief Compliance Officer. The Chief Compliance Officer audits compliance to the Code throughout the Group and reports any material non-compliance independently to the Chairman and for our listed companies, to the relevant Board of Directors.

The Group operates 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 regards to human rights and labor principles. Therefore, Li & Fung Limited, Trinity Limited and Global Brands, for example, base their human rights commitments and policy on the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (ILO), and support the UN Declaration of

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**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 regards to human rights and labor principles.**

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Human Rights as a necessary foundation for social development and economic progress. This is outlined on each company's website: Our sustainability strategy – Li & Fung Limited, Our approach – Trinity Limited, and Corporate Responsibility – Global Brands Group Holding Limited.

#### **SUPPLIER CODE OF CONDUCT**

Our commitment to human rights and labor standards is also reflected throughout our supply chain. We recognize that our responsibility extends to our key stakeholders, and each operating company has put in place a Supplier Code of Conduct. The Code makes clear the standards to which we expect our suppliers to adhere, and requires suppliers to respect and uphold local legal requirements and internationally-proclaimed human rights. It addresses the principles that cover freedom of association and recognition of the right to collective bargaining, voluntary labor and working age. Any supplier wishing to do business with us must accept the Code and remains contractually bound by it.

Compliance with the Code is assessed by verification processes within each company. For Li & Fung Limited, a trained, in-house Vendor

Compliance & Sustainability team of more than 230 people assures supplier compliance with the Code using announced and unannounced audits, monitoring, and other tools. 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. When violations occur, our staff will work with the supplier concerned to address the problem and improve performance.

#### **CAPACITY BUILDING AND TRAINING**

The Group recognizes that compliance with the Supplier Code of Conduct is only the first step in a process of building sustainable compliance. Compliance backed by audits should be tied to capacity building and training to ensure that suppliers have the tools and incentive to raise their performance while improving working conditions.

For example, Li & Fung Limited has published guidance materials and practical tools covering issues and risks associated with business operations, human rights and labor, health and safety, social, environmental, governance and security practices. They include:



A chemical safety digital learning module was released in 2014.

- *The Sustainability Resource Center* website for suppliers to access training schedules and a suite of resources to assist them to improve performance.
- *Supplier Compliance Manual* that outlines how to meet Li & Fung Limited's Supplier Code of Conduct.
- *Critical and 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 the Group's Standards.
- *Comprehensive Occupational Safety & Health Toolkit* to help suppliers to adopt safe and healthy systems and practices within their workplaces.
- *Digital Learning Units for Managers and Workers*, a series of short, user-friendly and practical videos developed with the support of the Fung Academy. The first in the series, on fire safety, was launched in late 2012 with over six topics developed to date.

Li & Fung Limited is also involved in key multi-stakeholder industry initiatives to set standards and effect change. Examples of these are in the following section.

### **Progress and outcomes**

The Fung Group recognizes the importance of respecting and promoting human rights and labor standards globally. In 2014, Li & Fung Limited conducted audits to assess compliance of third-party suppliers with the Supplier Code of Conduct, and audits for Global Brands' suppliers were also conducted by Li & Fung Limited's compliance staff. Under the Fung Retailing Limited, Trinity Limited and Convenience Retail Asia Limited also conducted supplier audits. In addition, Li & Fung Limited announced the creation of a new business unit, Vendor Support Services (VSS), to focus more intensely on the needs of our global supplier base as it addresses the challenges facing the

industry. As part of our service offering we aim to help our suppliers better manage production shifts, innovate for systematic and sustainable change, improve operational efficiencies, enhance factory and worker safety and raise compliance standards in the global supply chain.

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## **The Group recognizes that compliance with the Supplier Code of Conduct is only the first step in a process of building sustainable compliance.**

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### **ENGAGING BUSINESS PARTNERS**

To further sustainability in the supply chain, Li & Fung Limited significantly expanded the implementation of its standards and processes to engage business partners to improve working conditions. Over the course of 2014, it focused on enhancing its capacity-building tools and resources for suppliers and factories, including their translation into local languages. These cover issues and risks associated with business operations, and social and environmental sustainability. Furthermore, awareness raising and training was held for employees and suppliers on the requirements of new legislation, such as the California Transparency in Supply Chains Act to combat human trafficking and the trading of conflict minerals.

In all, the Group organized over 634 training sessions for over 12,000 factory representatives. More than 3,000 Li & Fung employees also attended. Capacity-building activities were delivered through the following:

- *Training modules* on the prevention of human trafficking, improving workplace conditions, human resource management, meeting local legal standards and export security requirements are available for suppliers and factories;
- *Sustainable Suggestions for our Partners* provide "how to get started" modules on



Partnership with Care International to empower women who work in Jordanian garment sector.

energy and water efficiency, GHG reduction, sustainable buildings, waste management, lean manufacturing, human resource management and occupational health and safety;

- *Digital Learning Units for Managers and Workers* are a series of short, user-friendly and practical videos developed with the support of the Fung Academy. New modules added include chemical safety and underage labor to complement the existing suite on fire safety, electricity safety, managing working hours and manufacturing excellence.

In 2014, monthly meetings of the Sustainability Working Group discussed human rights and labor issues to enhance the sustainability knowledge of our executives and to provide guidance on how to ensure that our operations, supply chains and stakeholder relations continue to promote human rights and labor principles.

#### **SUPPORTING INDUSTRY INITIATIVES**

In 2014 the Group companies also expanded

their involvement with several key industry initiatives that bring customers, industry associations and non-governmental organizations together to work collectively to set standards and effect change, including:

- *As You Sow* — through which we engage with our suppliers to not knowingly source cotton from Uzbekistan where forced and child labor is a significant concern.
- *International Labour Organization's Better Work program* — as an ILO-recognized Better Work partner, Li & Fung Limited continued to support factories in Cambodia, Haiti, Indonesia, Jordan and Vietnam to improve labor conditions.
- *Care International* — working in four factories on the three-year Hemaya Project to empower women who work in the Jordanian garment sector, improve workplace relations, reduce poverty and improve livelihood options for local women and families.



HERProject program empowering women with knowledge and skills to improve their health, living conditions and livelihoods.

- *Global Social Compliance Programme* — supporting its efforts to improve working and environmental conditions in the global supply chain through our participation on working committees and input to the development of GSCP’s resource materials.
- The *HERProject* of the *Business for Social Responsibility (BSR)*, which empowers women with the knowledge and skills to improve their health, living conditions and livelihoods. During the course of 2014 and 2015, the Fung (1906) Foundation, the Fung Academy and Li & Fung Limited are rolling out HERProject in 100 factories in Bangladesh, Cambodia, India and Vietnam, in the process reaching over 100,000 workers.

While we have made progress in integrating human rights and labor standards in our own operations and our supply chain, we recognize the journey is long and the challenge bigger than any single organization can address.

Indeed, the effort to provide factories with the framework and support they need to improve safety and working conditions in Bangladesh and other key, emerging-market producer countries continues. Li & Fung Limited is actively supporting the multi-stakeholder initiatives of the Alliance for Bangladesh Worker Safety and the Accord on Fire and Building Safety, and the efforts of the ILO and the Bangladeshi Government to implement the National Tripartite Plan of Action on Fire Safety and Structural Integrity in the garment sector. These initiatives are standard setters for improvements in safety and workplace conditions globally that will bring increased development and economic stability to emerging economies.

# 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 protect the environment and use natural resources efficiently. In recent years, those priorities have taken on added importance and are now fundamental to how we manage risk and the rising expectations of our customers, investors and the public.

Climate change and population growth are two significant challenges we face in the world today. Changes in weather patterns and the increased severity of storms and drought are being felt all around the world. The combined impacts of these challenges will place even greater pressure on natural resources, such as energy, water and raw materials. As part of our Group sustainability strategy, we aim to responsibly manage the environmental footprint of our own operations and enable suppliers to act to reduce their environmental impact. Addressing these risks as our operations expand globally is challenging; we therefore continually seek opportunities to be more efficient, and to source and use environmentally-responsible materials, equipment, building materials, and services.

As a baseline of each of our companies, the Code of Conduct and Business Ethics requires all employees to protect the environment in line with the precautionary principle, in our operations and supply chain. This message is reinforced through a system-based approach including organizational strategy, internal meetings and town halls, training, staff communication, engagement activities, and other events such as participation in Earth Hour.

## WITHIN THE FUNG GROUP'S 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 these areas. Such measures are being implemented across the Group with Global Brands Group Holding Limited to build these capabilities progressively over the course of 2015.

We endeavor progressively to build and operate sustainable offices and facilities, and have achieved recognized industry standards or certifications in these areas, including:

- Leadership in Energy and Environmental Design (LEED) or Building Research Establishment Environmental Assessment Method (BREEAM) certification for buildings and offices; as well as local systems such as the Green Building certification for Li & Fung Limited's Rui Fang distribution center in Taiwan.
- The Wastewi\$e scheme run by the Hong Kong Environmental Protection Department.
- In the United States, the Environmental Protection Agency's Climate Leaders' program.

In view of concerns over natural resource scarcity and environmental stewardship, Li & Fung Limited has developed and implemented Green Meeting Guidelines designed for internal and external company meetings. Other Group companies are adopting these measures wherever possible.

In our supply chains and stakeholder relationships, we expect our suppliers to abide by all 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. 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, lunch and share sessions, 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 support of our commitment to implement the principles on the environment. While we have made noticeable progress since our last COP, our challenge is

**While we have made noticeable progress since our last COP, our challenge is to ensure that our approach is comprehensive, harmonized and focused.**

to ensure that our approach is comprehensive, harmonized and focused. Some of our progress indicators are outlined on the following pages.

### ENERGY, WATER & WASTE

In 2014, the group measured and managed its energy consumption, greenhouse gas emissions, and various waste streams throughout its operations. The table below establishes an initial baseline for the reporting of each operating company for the Group as a whole after the Global Brands spin-off. Going forward, we will include Global Brands in the Group's baseline.

Throughout our global offices, stores and facilities, the Group expanded energy-saving initiatives which involved capital investment and promoting behavioral change, including:

- 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

### Fung Group 2014 Sustainability Data

	Li & Fung Limited	Intensity Reduction Target for 2016	Trinity Limited <sup>1</sup>	CRA Limited <sup>2</sup>	2014 Group Total
GHG Scope 1 emissions (tCO <sub>2</sub> e)	6,686	-10%	52	1,252	<b>7,990</b>
GHG Scope 2 emissions (tCO <sub>2</sub> e)	86,323		2,772	36,832	<b>125,927</b>
Electricity (kWh)	148,045,108	-10%	4,291,848	57,550,996	<b>209,887,952</b>
Water (m <sup>3</sup> )	1,606,833	-5%	5,483	133,766	<b>1,746,082</b>
Paper (reams)	205,765	-10%	3,180	17,481	<b>226,426</b>

<sup>1</sup> Trinity Limited figures are for Hong Kong operations only.

<sup>2</sup> Convenience Retail Asia Limited figures are for Hong Kong and Shenzhen only.



Employees and their families join together and participate in Save the Forest program in Thailand, and other environmental initiatives around the world.

alternatives and maintaining appropriate lux levels;

- Optimizing performance and energy-efficient retrofits of chillers and ventilation systems;
- Turning off electronic equipment and systems when not in use;
- Implementing an automatic computer and lighting shutdown policy outside of working hours;
- Consolidating and installing energy-efficient servers, photocopiers, printers and other equipment;
- Maintaining office and server room temperatures at levels that minimize energy

while maintaining optimal use;

- Installing recycling bins for paper, bottles and cans, and contracting with relevant waste handlers for recycling;
- Using renewable energy where feasible; for instance, photovoltaic panels generate a portion of Li & Fung Limited's Istanbul office's electricity demand;
- 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 our overall travel;
- Progressively converting our vehicle fleet to Euro IV standard or better, and abiding by fuel

efficiency guidelines in vehicle procurement;

- Implementing environmental management systems (EMS) that are certified to the ISO 14001 EMS standard at Li & Fung Limited's manufacturing facilities in Bangkok, Dongguan, Jakarta and Kuala Lumpur;
- Li & Fung Limited's manufacturing facility in Thailand had a comprehensive program in place to raise employee awareness and engagement on sustainability since 2011. The facility has been awarded a number of awards and certificates from the Thai government in recognition of its achievement, including the Good Environmental Governance Award and the Green Industry Certificate by the Ministry of Industry (Thailand);
- With support from the Department of Alternative Energy Development and Efficiency of the Thai Ministry of Energy, our manufacturing facility in Thailand has also implemented a solar thermal project that uses a hybrid system to combine energy from solar thermal collections with waste heat from an economizer unit to generate hot water for the boiler to produce steam for use in the production process. The benefits of adopting this efficient technology include reduced consumption of energy and water and the elimination of the need to consume liquid petroleum gas (LPG) for the boiler, resulting in reduced air and GHG emissions while minimizing fuel costs; and
- Li & Fung Limited's manufacturing facility in Trowbridge in the United Kingdom, which is audited to both Soil Association and Ecocert organic standards, has been recognized as a Marks & Spencer ECO Factory since 2011 and as a Sedex member since 2004. The facility is also annually audited to meet the requirements of the Sedex Members Ethical Trade Audit (SMETA).

Li & Fung Limited has made progress in its energy, water and waste reduction initiatives. Since an Investment Grade Audit (IGA) in

2010, it has been implementing best practices throughout its global offices taking specific actions in its distribution centers (DCs) and manufacturing plants to review consumption and invest in energy-efficient building systems, equipment, lighting and fuel-efficient transport. All facilities operated in compliance with relevant regulatory requirements in 2014.

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## **Li & Fung Limited has set a new intensity reduction target on GHG emission, electricity, water and paper waste by 2016.**

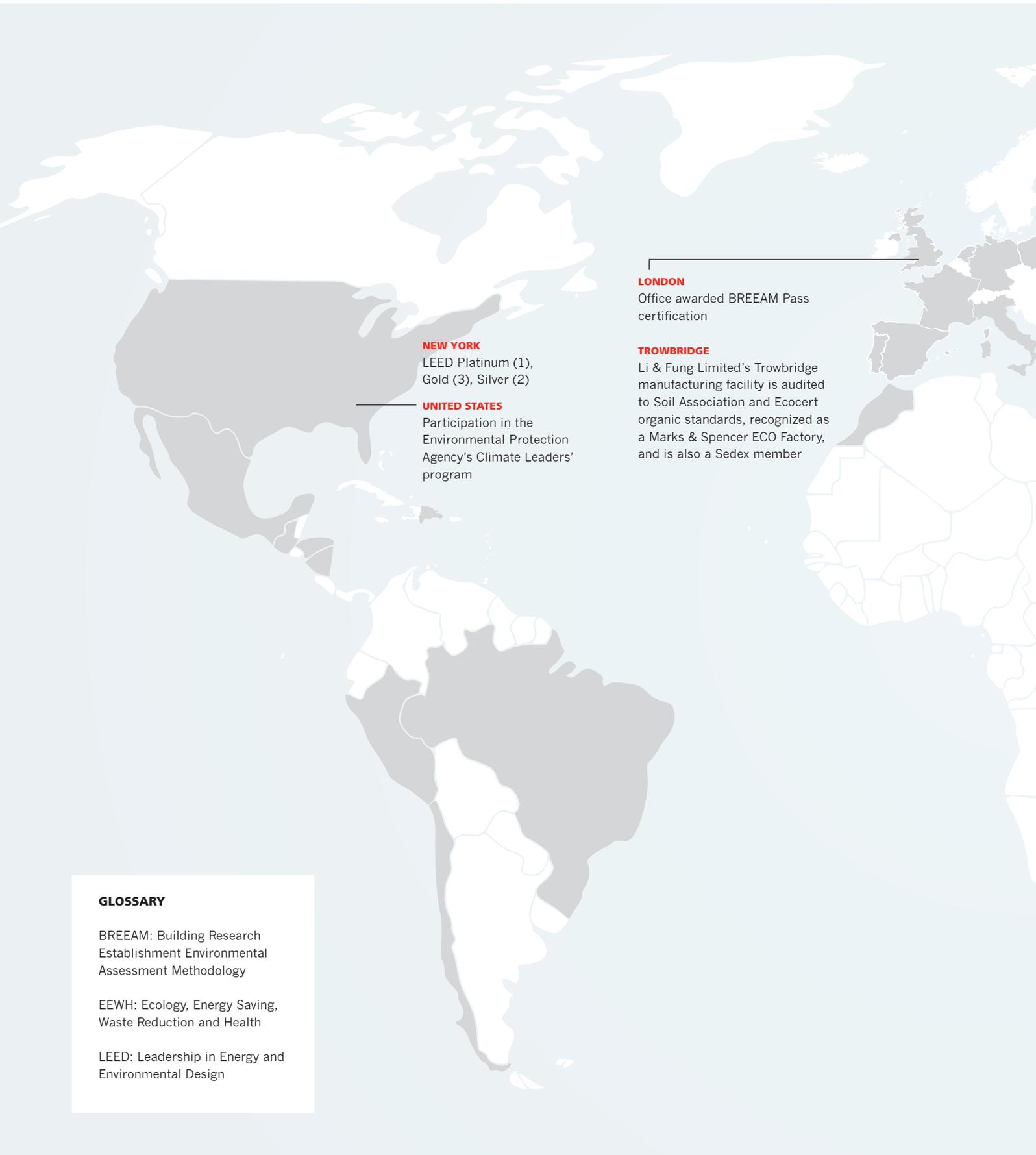
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### **NEW BASELINE & THREE-YEAR PLAN**

The spin-off of Global Brands Group Holding Limited in July 2014 brought a change to the year-on-year disclosure for the Group and a new baseline for the Fung Group's reporting. 2014 marks the first year of Li & Fung Limited's new Three-Year Plan and a new baseline for measuring its environmental performance. With this new baseline in 2014, Li & Fung Limited attributes reductions in absolute electricity consumption and GHG emissions within its Trading business to the conversion of six factories in Shanghai and Shenzhen to offices or sample rooms, and the spin-off of 24 offices that consumed natural gas for heating to Global Brands (which remains part of the Group's baseline). Absolute electricity consumption and GHG emissions increased slightly for the Logistics business, reflecting the addition of new distribution centers and warehouses in Hong Kong, Korea, Malaysia and Taiwan, and increased consumption of petrol and diesel by an expanded vehicle fleet.

Despite water consumption increasing in absolute terms as Li & Fung Limited's operations expanded with increasing business volume within facilities in Malaysia and Indonesia, the overall water consumption intensity reduced by 5% per person within the Trading network. Finally, the absolute reduction achieved in 2014 in paper consumption is primarily attributed

## Environmental initiatives in selected locations we operate from



### **NEW YORK**

LEED Platinum (1),  
Gold (3), Silver (2)

### **UNITED STATES**

Participation in the  
Environmental Protection  
Agency's Climate Leaders'  
program

### **LONDON**

Office awarded BREEAM Pass  
certification

### **TROWBRIDGE**

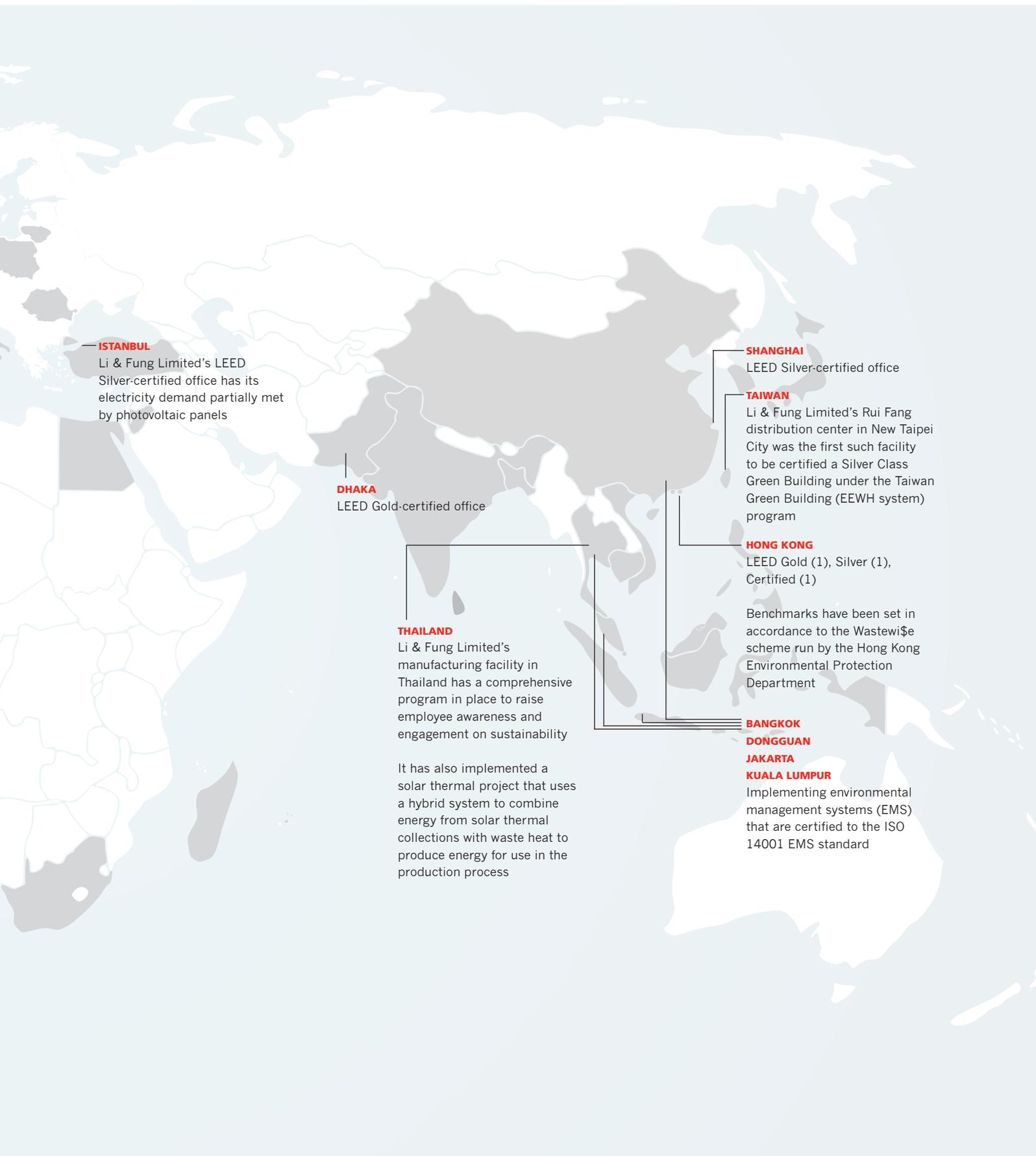
Li & Fung Limited's Trowbridge  
manufacturing facility is audited  
to Soil Association and Ecocert  
organic standards, recognized as  
a Marks & Spencer ECO Factory,  
and is also a Sedex member

### **GLOSSARY**

BREEAM: Building Research  
Establishment Environmental  
Assessment Methodology

EEWH: Ecology, Energy Saving,  
Waste Reduction and Health

LEED: Leadership in Energy and  
Environmental Design



**ISTANBUL**

Li & Fung Limited's LEED Silver-certified office has its electricity demand partially met by photovoltaic panels

**DHAKA**

LEED Gold-certified office

**THAILAND**

Li & Fung Limited's manufacturing facility in Thailand has a comprehensive program in place to raise employee awareness and engagement on sustainability

It has also implemented a solar thermal project that uses a hybrid system to combine energy from solar thermal collections with waste heat to produce energy for use in the production process

**SHANGHAI**

LEED Silver-certified office

**TAIWAN**

Li & Fung Limited's Rui Fang distribution center in New Taipei City was the first such facility to be certified a Silver Class Green Building under the Taiwan Green Building (EEWH system) program

**HONG KONG**

LEED Gold (1), Silver (1), Certified (1)

Benchmarks have been set in accordance to the Wastewi\$e scheme run by the Hong Kong Environmental Protection Department

**BANGKOK**

**DONGGUAN**

**JAKARTA**

**KUALA LUMPUR**

Implementing environmental management systems (EMS) that are certified to the ISO 14001 EMS standard

to Global Brands spin-off therefore not directly comparable to the company's 2013 results but part of the Group's overall consumption.

#### **NEW TARGETS FOR LI & FUNG LIMITED**

Building on the significant progress previously achieved, Li & Fung Limited has set a new target to reduce the intensity of both its GHG emissions and electricity usage by 10% by 2016, against its baseline of 2014. Li & Fung Limited is also aiming to reduce water intensity by 5% and paper waste intensity by 10% by 2016 over this new baseline. To achieve these targets, the company will continue to evaluate and implement measures and support its people to use resources efficiently and responsibly and to reduce the impact to global climate change.

#### **TRINITY LIMITED**

In 2014, Trinity Limited recorded total electricity consumption of 4,291,848 kWh in its Hong Kong operations. The combined Scope 1 and Scope 2 greenhouse gas emissions were 2,824 tons of CO2 equivalent, slightly lower compared with 3,039 tons in the previous year. Scope 1 GHG emissions were reduced by 11% while Scope 2 GHG emissions are also lower by 10%, based on 2012 baseline. Electricity consumption has reduced 9% since the 2012 baseline as the efficiency program kicked-in. The company's water consumption has decreased by 36% from its 2012 baseline of 8,523 m3 to 5,483 m3 in 2014. Finally, in comparison with 2012, Trinity Limited has reduced its absolute A4 paper use by 13.6% from 3,680 to 3,180 reams in 2014.

#### **CONVENIENCE RETAIL ASIA LIMITED**

Convenience Retail Asia Limited saw increases in its energy and waste due to further expansion of its operations. In 2014, Convenience Retail Asia Limited recorded total electricity consumption of 57,550,996 kWh. Its combined Scope 1 and Scope 2 greenhouse gas emissions were 38,084 tons of CO2 equivalent. The company's water consumption has reduced slightly by 0.6% from 134,643 m3 in 2013 to 133,766 m3 in 2014. Finally, total paper waste for Saint Honore factory operations was 17,481 reams for 2014. The company has introduced practices to prevent

or minimize the impact of waste produced by its operations on the environment. For the full year of 2014, waste generated by Saint Honore factories has been sorted and measured, which has facilitated recycling and waste reduction.

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 "Green Day" every Tuesday, featuring educational email messages nurturing eco-awareness and promoting useful tips for environmental sustainability. Interactive workshops were organized to provide a platform for sharing and engagement about topics related to the management of natural resources as well as environmental disaster alerts and information on climate change.

#### **GREEN BUILDING**

With regards to sustainable offices and buildings, Li & Fung Limited continued to implement its own Sustainable Design, Construction and Renovation Guidelines for New Construction, Major Renovation and Commercial Interiors and created a tailored version for distribution centers and factories. These guidelines support offices and facilities around the world to adopt LEED elements wherever feasible.

#### **LEED/BREEAM certification**

Territory	Certification
United States	1 Platinum, 3 Golds, 2 Silvers
Hong Kong	1 Gold, 1 Silver, 1 Certified
Bangladesh	1 Gold
China	1 Silver
Turkey	1 Silver
United Kingdom	1 Pass (BREEAM)

The Group now has a total of 13 certified offices and facilities under LEED or BREEAM.

#### **GREEN LOGISTICS**

In the area of transport, Li & Fung Limited's Logistics Network continued to implement its Lean Transport initiative. The initiative

focuses on: improving route planning to reduce fuel consumption and carbon emissions; maximizing vehicle loads, minimizing truck mileage, reducing empty vehicle returns and consolidating customer deliveries; and optimizing the proximity of DC facilities to suppliers and customer locations. Convenience Retail Asia Limited and Trinity Limited are also progressively converting their vehicle fleet to the Euro IV standard or better, and abiding by fuel efficiency guidelines in vehicle procurement.

#### STAKEHOLDER ENGAGEMENT

The Group actively promotes environmental awareness amongst employees through our internal intranet site, formal training, a sustainability speaker series and regular engagement activities.

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

- Business for Social Responsibility (BSR) and the Fung Academy – launched Water Management Guidelines for Suppliers, which provide practical guidance on effective water and wastewater management to both mitigate risk and to identify opportunities for improvement in factories.
- Sustainable Apparel Coalition – as a founding member, Li & Fung Limited has been actively involved in the development of the Higg Index, a suite of sustainability tools designed to standardize the measurement of environmental performance of apparel products across the supply chain at the brand, product and facility levels. Li & Fung Limited assisted in the pilot testing of the footwear and the social and labor modules and collaborated with key customers to develop related training materials.
- Sustainable Fashion Business Consortium – to work with the industry to increase sustainable practices across the supply chain.
- The Worldwide Fund for Nature (WWF) – to promote environmental awareness amongst



Expanded sustainable workplace initiatives across the Group.



Tree planting in Indonesia is one of many activities to raise and encourage greater environmental awareness of employees and within the community.

our employees, through activities such as beach cleanup days in collaboration with Coastal Watch.

- Business Environmental Council of Hong Kong and Environmental Sustainability Committee of the Hong Kong General Chamber of Commerce, both of which aim 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 International Chamber of Commerce, which provide business input on environmental issues to global policy and multilateral groups.

#### **FUNG ACADEMY**

Recognizing the importance of learning in

both our own organization and in our supply chains, the Fung Academy continued to develop programs and tools for sustainable operations and breakthrough performance. Through its partnership with three renowned educational institutions, approximately 200 senior level managers and over 1,000 Group-wide employees completed training on the subject of supply chain sustainability.

The Fung Manufacturing Excellence Program equips suppliers with best manufacturing concepts to promote efficiency and sustainability. This innovative series of tools and programs focusing on health and safety, energy, water and lean manufacturing were developed and made available through online learning modules to help suppliers enhance efficiencies and the sustainability of their operations.

## **SUPPORTING OUR CUSTOMERS**

The Group also supports its customers' environmental purchasing policies with respect to environmentally-responsible material sourcing and usage, packaging waste minimization and product stewardship.

For example, Li & Fung Limited sources garments made of cotton from certified organic sources or cotton that meets the Better Cotton Initiative (BCI) standard; garments comprising recycled yarn, polymers, leather and shearing; household items, furniture and packaging made from materials that are Forest Stewardship Council™ (FSC™)<sup>1</sup> or Programme for the Endorsement of Forest Certification (PEFC)-certified; and beauty products that are biodegradable, not tested on animals and free of silicones, sulphates, parabens and colorants.

The company also manufactures beauty products that meet industry standards and incorporate ingredients such as community trade organic olive oil, community trade shea butter and organic fine sugar, soya bean oil and rosehip oil in formulation design.

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<sup>1</sup> FSC License numbers FSC-C110207, FSC-C113132, FSC-C114681 and FSC-C116575.

# Anti-corruption

*Principle 10 Business should work against corruption in all its forms, including extortion and bribery.*

## Actions to promote the principle

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 continual effort to operate according to the highest principles of accountability, transparency and good governance.

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.

Li & Fung Limited has also developed the Anti-Bribery Policy and Guidelines on Gifts, Entertainment and Hospitality, and Guidelines on Whistleblowing/Reporting of Concerns, in support of the Code.

All staff are expected to adhere to anti-bribery and anti-corruption practices. Executive management and our Corporate Governance division jointly monitor compliance and support the Code's implementation.

### WHISTLE-BLOWING

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 Governance division 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 Group Corporate Governance division audits compliance performance and reports any material non-compliance directly to the operating company boards.

### SUPPLIER CODE OF CONDUCT

Suppliers to Group companies are required to comply with our Supplier Code of Conduct, which includes principles addressing anti-bribery and corruption.

### COMPLIANCE TRAINING

Compliance training for newly joined and existing staff, and internal audits by the Corporate Governance division, are conducted on a periodic basis to reinforce staff conformance and an ethical culture within the Group. Furthermore, Trinity Limited has adopted the Hong Kong ICAC Corruption Prevention self-education materials as part of its education and awareness efforts on the prevention of corruption, which has been further strengthened this year to ensure excellence in business ethics. Li & Fung Limited devised "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.

In 2014, there were no material cases of corruption across the Group. The Group employees continued to demonstrate integrity

and good ethical behavior across all operations in 40 economies.

#### **AWARDS & INDEXES**

Our Group companies have been recognized for their achievements in environmental, social and governance (ESG) issues. A few examples of such recognition include the following:

##### *Li & Fung Limited*

- “Platinum award in financial performance, corporate governance, social responsibility, environmental responsibility and investor relations” by The Asset Magazine, 2009-2014
- “Best CSR” at the Asian Excellence Recognition Awards by Corporate Governance Asia, 2012-2014
- Ranked #8 in “Asia’s Best Companies – Best Corporate Social Responsibility” by FinanceAsia, 2014
- “Caring Company” by The Hong Kong Council of Social Service, 2002-2014

##### *Convenience Retail Asia Limited*

- Asia’s Most Promising Company on Corporate Governance 2014, by Corporate Governance Asia Magazine

In recognition of achievements in all areas reflected in the ten UNGC Principles, and based on a rigorous third-party environmental, social and governance analysis, Li & Fung Limited was 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 in Hong Kong.



Compliance training and workshop for newly joined and existing staff.

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COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.