

Fung Group
UN Global Compact
Communication on
Progress 2016

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 FUNG GROUP

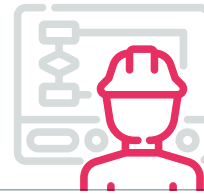
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2016 at a glance

HERproject

89 factories
178,000+ workers



Training statistics

630 factory training sessions
8,247 factory representatives and
3,579 employees attended
7 average training hours per Li & Fung employee
154,712 Li & Fung training hours
13,200 Trinity training hours
9,082 Global Brands training hours

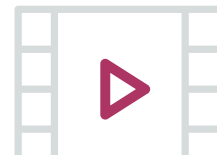


Workplace safety

Zero fatalities

Youtube channel views

18,700 views



Total volunteering hours

23,737 hours

Environmental



5,000 trees planted by Li & Fung
1,883 kg of plastic recycled by Trinity

Statement of continuing support

The Fung Group of companies (the “Group”) is pleased to publish its Communication on Progress for 2016. This report outlines the steps that we have taken to protect and 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 been committed to the principles of the Global Compact. We aim to operate sustainable businesses that provide useful goods and services, create decent jobs and contribute to the economic, environmental and social wellbeing of the communities in which we operate.

While we continue to track our progress in implementing the Global Compact’s principles, we also took a renewed look at our businesses in the context of the 2030 Agenda for Sustainable Development. The Sustainable Development Goals (SDG) provide a useful framework for collective action and collaboration, and we are committed to doing our part to promote inclusive and sustainable growth in line with the SDGs.

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 operated by the publicly-listed Li & Fung Limited (Li & Fung), which offers end-to-end supply chain solutions from product design and development, raw material sourcing, factory selection, production management and quality control to customers. The company also provides in-country logistics, global freight management and e-logistics services that span the time the product leaves the factory to the time it reaches the hands of the consumer.

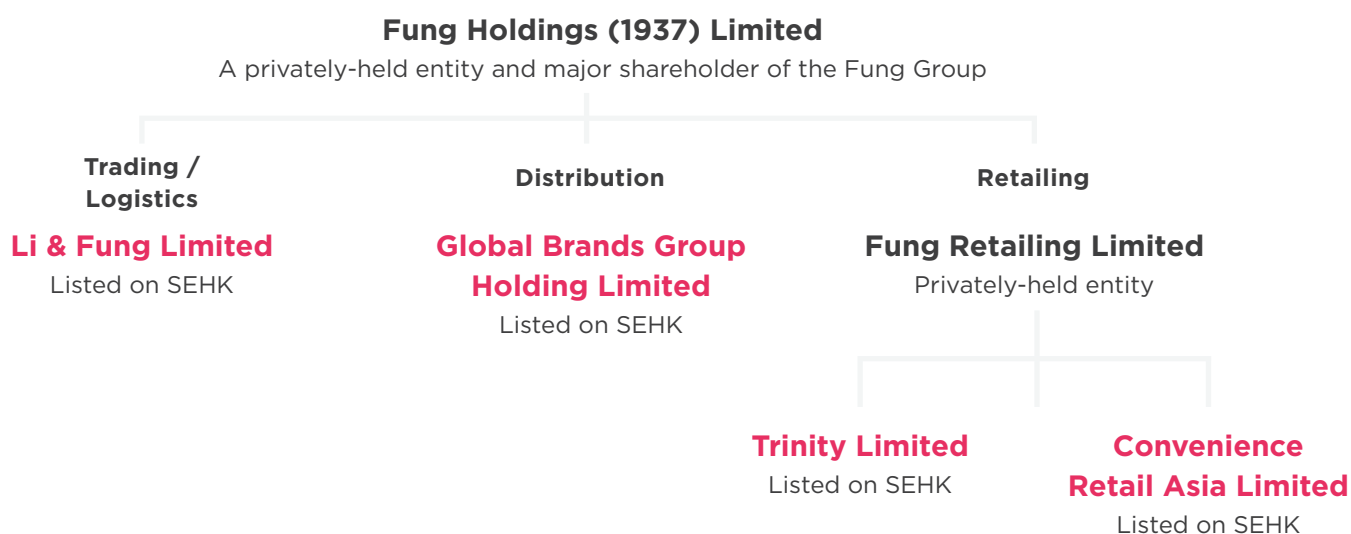
The Group's distribution businesses are run by the publicly-listed Global Brands Group Holding Limited (Global Brands), one of the world's leading branded fashion accessories, footwear, and apparel companies. Global Brands designs, develops, markets and sells products under a diverse array of owned and licensed brands and a wide range of product categories.

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

The Group's retailing operations include two publicly-listed entities: Convenience Retail Asia Limited (CRA), which operates convenience stores and bakeries in Hong Kong, Macau and Southern China, and Trinity Limited (Trinity), which is engaged in the retailing of premium menswear in Greater China and Europe. The Group also has a number of privately-held retail businesses.

In sum, the Fung Group employs approximately 39,900 men and women across 40 economies, with total revenue of over US\$22.51 billion as of December 2016.

While our commitments to uphold the UNGC Principles and our approach to sustainability applies to the whole Group, the performance data in this report is provided for the four publicly-listed entities of the Group: Li & Fung Limited, Global Brands Group Holding Limited, Convenience Retail Asia Limited and Trinity Limited.

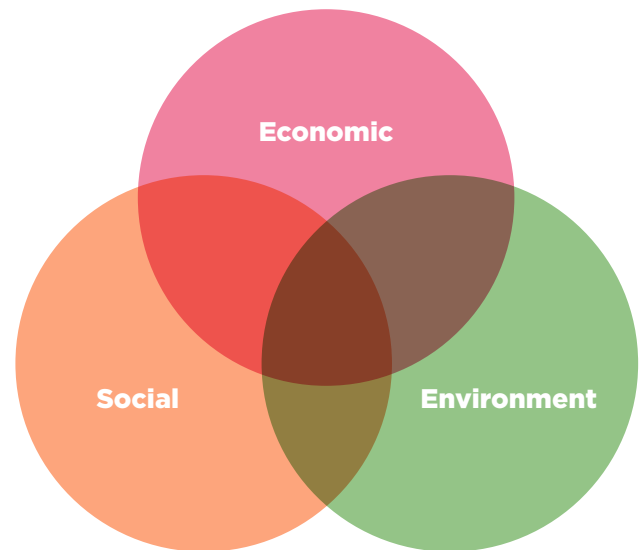


Our approach to sustainability

Our operating companies share a common vision for sustainability and dedication to support the economic, social and environmental wellbeing of the communities we serve around the world. Each of our companies integrates sustainability into its core business operations, backed by a dedicated sustainability function that develops, coordinates and manages the overall sustainability strategy. In Li & Fung Limited, this structure is reinforced by the Risk Management and Sustainability Committee of the Board of Directors.

Our Group supports a number of initiatives to further our sustainability agenda. Our Sustainability Working Group comprises the sustainability leaders across all of our Group companies, plus key functions such as IT and compliance, and convenes regularly to share global best practices, build partnerships and coordinate actions.

To supplement this, the Fung Academy provides accelerated learning and development across the Fung Group through dedicated programs focused on sustainability, innovation and leadership to empower our people and supply chain partners. Through the Sustainability Working Group, the Fung Academy, industry groups, and our networks within the business, we are constantly scanning to understand how changes in markets, technology and policies may impact our sustainability strategies. This could be as direct as regulation on environmental, social and corporate governance (ESG) disclosures, or emerging trends related to consumer consciousness about the sustainability attributes of products. In both cases, our overall direction may be clear and constant, but we may need to accelerate actions or redirect resources in order to meet changing circumstances as they appear.



In this report, we highlight our policies and progress in 2016 to support the UNGC Principles, and invite anyone with further interest to explore the public disclosures and websites of our respective Group companies. Access the following links for further information:

- **Fung Group:** www.funggroup.com
- **Li & Fung Limited 2016 Annual Report:** <https://www.lifung.com/wp-content/uploads/2017/03/ar2016.pdf>
- **Global Brands Group Holding Limited 2016 Annual Report:** <http://ir.globalbrandsgroup.com/financial-highlights-reports/annual-interim-reports>
- **Trinity Limited 2016 ESG Report:** <https://www.trinitygroup.com/en/investor-relations/financial-reports.html>
- **Convenience Retail Asia Limited 2016 ESG Report:** <http://www.cr-asia.com/eng/ir/reports.php>

Our role:

UN Sustainable Development Goals



The Fung Group welcomes the opportunity to support the Sustainable Development Goals (SDGs). We view the 2030 Agenda for Sustainable Development as a necessary response to pressures in the global system and a good platform for collective action to deliver needed progress.

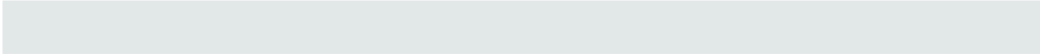
While we support the achievement of all the SDGs, we focus our attention and action on five that are particularly aligned with our business, given our operational and geographical footprints.

Our efforts with regard to these five goals are summarized in this report.

Goal 1. No poverty

Our role: Our work in this area reflects the belief that improving lives starts most directly with poverty alleviation through decent work and the protection of human rights. Through our business, we support job creation and economic growth, particularly in emerging markets, and ensure that human rights, safety at work, and fair practices are upheld wherever we operate. Our aim is to leverage our global network and collaborate throughout the supply chain to achieve sustainable progress in the fight against poverty.





We are committed to internationally-recognized frameworks and principles, including the **United Nations Declaration of Human Rights**, the International Labour Organization's **Declaration on Fundamental Principles and Rights at Work** and relevant local frameworks. We implement Codes of Conduct across our businesses to meet these commitments in our workplaces and supply chains.



Empowering women

We implement the **HERproject**, in partnership with Business for Social Responsibility (BSR), to empower women with knowledge and skills to improve their health, living conditions and livelihoods.



Addressing child labor

As a member of the **Center for Child Rights & Corporate Social Responsibility**, we focus on raising awareness of underage labor and finding ways to prevent child labor in the supply chain.



Addressing modern slavery

We joined the **Mekong Club**, which engages, educates and supports the private sector to eradicate modern slavery. Through the Mekong Club we share knowledge and tools for use in our supply chains.

Goal 3. Good Health & Wellbeing

Our role: Good health is fundamental to enabling employees and those of our business partners and suppliers, to live fully and reach their greatest potential. From a business perspective, this means creating safe and healthy workplaces, particularly in the factories in our supply chains. Beyond this, we educate and engage our own employees as well as employees in our supplier network on health issues so that they can become advocates in their families and communities as well.



Li & Fung Health, Safety and Sustainability

This [YouTube channel](#) is dedicated to promoting health and safety for workers and factory managers. In China, it is accessible through [Tudou.com](#).

18,700 views

137 active subscribers

14 languages

Supporting women and families

[HERproject](#) supports women in our supply chain through education on nutrition, health awareness and improving the workplace environment.

178,000+ workers in
Bangladesh, Cambodia, Haiti, India and Vietnam

89 factories

Raising awareness

We organize [regular health-related initiatives](#) and partner with local NGOs to raise awareness in our communities, and encourage our people to live life to the fullest.

7,752 hours of activities

850 pints of blood donated



Goal 5. Gender Equality

Our role: It is truism to say that “women hold up half the sky”, and this is often the case in our supply chains where women constitute the majority of workers in factories or on the front lines of retail. We believe that all women working in our networks should have equal opportunities in the workplace, and that we have a critical role to play to empower them to advance, not only in our workplaces, but also in their careers. Our programs therefore focus on training, education and empowerment for women, as well as men who share in the responsibility of nurturing inclusive workplaces and communities.



Driving progress for women

We joined a collaborative initiative called **Business Action for Women**, a multi-stakeholder, multi-sector program organized by Business for Social Responsibility. The program brings together companies with a shared vision to drive progress for women.

Bridging the gap between workers and children

To bridge the gap between factory workers and children in China, we cooperate with the **Center for Child Rights & Corporate Social Responsibility** to promote access to childcare and provide online resources to support and connect working parents with their children.

Inspiring the next generation of women leaders

We support a broad range of community partners and initiatives around the world, including the **Asian University for Women**, **The Women's Foundation** and **Seng Girls Vocational Training School**. We believe these programs will provide opportunities and inspire the next generation of women leaders.



Goal 8. Decent Work & Economic Growth

Our role: Decent work is the foundation of economic growth and prosperity, and we actively promote this in our supply chains. To further this cause, we protect human rights and provide fair conditions in the workplace; we educate and train our people and those of our suppliers with tools that will be valuable in their current and future workplaces and lives; and we engage and partner with other organizations to promote the cause of decent work regionally and globally.





Capacity building programs

We focus on strengthening the skills of our workers in our supplier network, through capacity building programs such as the **Fung Manufacturing Excellence Program (FMEP)**, where factory workers and management can learn and develop best practices in manufacturing.

8,247 factory representatives trained



Focusing on global partnerships

We are a partner of the **Better Work program**, a joint partnership with the International Labour Organization and the International Finance Corporation. As a Buyer Partner, we work with the industry to focus on long-term development in Bangladesh, Cambodia, Haiti, Indonesia, Jordan and Vietnam.



Building trust through dialogue

We partnered with Just Solutions to create the **Social Dialogue Program** in Bangladesh. The program aims to improve the relationship and build trust between factory management and workers.

96 suppliers

258 factories

545 factory managers

Goal 13. Climate Change

Our role: Climate change is one of the defining challenges of our times, and we know that all of our choices will either contribute to, or put obstacles in front of, the global quest for a low-carbon future. While we do play roles in the larger tasks of educating, engaging policy makers, and supporting change, our immediate actions focus on resource efficiency in energy, water and reducing waste, as well as the safe handling of toxins in our supply chains.



Managing our environmental footprint

We run a global environmental management system, which our group companies use to track and manage environmental data on their operations. Our goal is to mitigate our impact and support the global fight against climate change.

Promoting resource efficiency

Li & Fung Health, Safety and Sustainability YouTube channel is a public platform to promote resource efficiency and raise environmental awareness, with topics such as managing chemical and fire safety. The channel is available in **Tudou.com** in China.

Offering sustainable sourcing solutions

For our customers, suppliers and industry partners, we offer sustainable sourcing solutions including sustainable design, material selection, manufacturing and packaging services to minimize environmental impact.



The 10 Principles of the UN Global Compact



Human Rights and Labor

The Fung Group of companies is committed to upholding internationally-recognized human rights and labor standards within our own operations and across our supply chains. We strive to conduct our business with integrity and respect based on universal human rights and labor principles. These principles are an integral part of the way we do business in each operating company within Fung Group.

The Group upholds the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and the United Nation Declaration of Human Rights.

We are committed to maintaining a safe and healthy working environment that embraces diversity and dignity, respect for one another and equal opportunities for all. This is in line with our commitment to uphold the UNGC Principles and work towards achieving the SDGs.

Each of our Group companies has a Supplier Code of Conduct, with explanatory supplements that set the benchmarks for human and labor rights in their respective supplier networks. The Code outlines what is expected of suppliers, including the requirement to respect and uphold local legislation and internationally-recognized standards on human rights and labor practices. The company upholds these core values for both employees and suppliers, in compliance with changing international legislation such as the California Transparency in Supply Chains Act and the UK Modern Slavery Act.

It is our collective responsibility to manage human rights and labor issues across the Fung Group. We have established a clear escalation path, where employees are encouraged to report any violations to their manager, or as an alternative, directly and

confidentially to the Group Chief Compliance and Risk Management Officer. The Chief Compliance and Risk Management Officer audits compliance to the Code throughout the Group and reports any material non-compliance independently to the Chairmen and for our listed companies, to the relevant Board of Directors.

Supply Chain Focus

Managing risk and compliance is only the first step towards a sustainable supply chain. Li & Fung continues to expand its capacity building initiatives and engage stakeholders through social dialogue programs. The expanded audit equivalency program reinforces Li & Fung's supplier monitoring process, with over 70 percent of active factories benefiting from a reduced number of audits. The harmonization of compliance auditing improves efficiency and promotes transparency across Li & Fung's network of suppliers. In 2016, the Vendor Support Services (VSS) business unit continued the transformation and rolled out the total sourcing portal to digitally connect with our global vendor network.

Capacity Building and Partnerships

To uphold the principles on human rights and labor standards, Li & Fung in particular focuses on building capacity across its supplier network in multiple dimensions as part of its ongoing operations, for instance through the HERproject in partnership with the Business for Social Responsibility (BSR). The HERproject empowers women with knowledge and skills to improve their health, living conditions and livelihoods. This year, the Fung Academy, Li & Fung and Global Brands jointly implemented the HERproject in 89 factories in Bangladesh, Cambodia, Haiti, India and Vietnam, together reaching over 178,000 workers. Since 2015, we have witnessed a positive influence on

factory productivity and workers' wellbeing, with reduced absenteeism, reduced sick leave and improved workplace communication between workers and factory management.

We have found that the combination of industry programs and training resources is an effective way to build capacity across our supply chain. In 2016, Li & Fung organized over 630 training sessions for over 8,247 factory representatives and more than 3,579 Li & Fung employees participated in training and implementation of the principles outlined by the UNGC and internationally-recognized standards.

Li & Fung continues to support several key industry initiatives that bring customers, industry associations and non-governmental organizations together to work collectively to make a positive impact, 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 and Global Brands continued to support factories in Cambodia, Haiti, Indonesia, Jordan and Vietnam to improve labor conditions. Li & Fung and Global Brands are Better Work Buyer Partners, collaborating and supporting labor standards across the supply chains. By supporting Better Work in these countries we have committed to accepting ILO monitoring reports and have stopped auditing member factories in the program;
- **Mekong Club** – Li & Fung established a partnership with the Mekong Club to focus on modern slavery. The first step was to hold a workshop on how to raise internal awareness on the issue of modern slavery, and to start the joint development of a risk assessment tool for the industry; and
- **Sustainable Apparel Coalition (SAC)** – Li & Fung is actively involved with the SAC and the development of the Higg Index and its

accompanying sustainability tools. The tools help to standardize how the industry measures and evaluates the environmental and social performance of apparel products. This year Li & Fung participated in the SAC's regional and global meetings, provided input on the Higg Analytics platform and worked with a key customer and the SAC to pilot Advance Analytics for Higg Index data. Li & Fung is a signatory to the SAC Social and Labor Convergence Project, an industry collaboration project launched in 2016, which seeks to develop a simple, unified and effective industry-wide assessment framework.

Details on Li & Fung's capacity building projects can be found on the company's website (<https://www.lifung.com/suppliers/industry-collaboration/>).

Engaging Our Communities

We seek to engage with communities wherever we operate, to connect and make a positive impact to society and demonstrate our commitment to the UNGC Principles and SDGs. We engage global communities through Li & Fung Foundation, which supports Li & Fung's employees and their families in capacity building activities that contribute to communities worldwide. The Fung Hon Chu Foundation supports outreach activities for Fung Group's colleagues. The Victor and William Fung Foundation provides funding for scholarships and supports thought leadership within think tanks and other organizations.

Li & Fung has participated in 395 activities in 72 locations across 28 countries, with staff volunteering over 19,500 hours last year in a wide variety of activities such as working with children, women's and men's health awareness campaigns, blood donations, disaster relief and other programs to care for local communities. Global Brands has donated US\$1.85 million and 553 volunteer hours to various community organizations including New Alternatives for Children, Good+ Foundation and Feeding America. Trinity has contributed 1,384 volunteer hours to social and community activities in Hong Kong. CRA raised HK2.4 million for the community, volunteered over 2,300 hours to care

for senior citizens and partnered with New Life Psychiatric Rehabilitation Association to provide employment opportunities for people recovering from mental illness.

Fung Manufacturing Excellence Program (FMEP) and Li & Fung's Supplier Capacity Building Programs

These programs improve the skills and knowledge of factory managers and workers to enable them to run more efficient, sustainable factories. For critical issues such as fire and electrical safety, we provided classroom and onsite sessions to factory workers and management on how to identify solutions to minimize safety incidents, while empowering teams to work together to protect the safety of employees and their surrounding communities.



Bangladesh Safety and Working Conditions

Li & Fung has served as an advisor to the Boards of both the Alliance for Bangladesh Worker Safety (the Alliance) and the Bangladesh Accord on Fire and Building Safety (the Accord) to improve safety conditions in Bangladesh's ready-made garment factories. By supporting workers' training, empowerment, support remediation and grievance mechanisms and other initiatives, we have seen more than one million garment workers working in safer factories.

Social Dialogue Program - Bangladesh

Li & Fung launched a social dialogue program to raise awareness of and improve the relationship between factory management and workers in Bangladesh for factories located outside the Export Promotion Zones. One of the first programs in the industry to target middle management, the program focuses on topics such as freedom of association, participation committees, safety committees and grievance mechanisms. The program was developed in partnership with Just Solutions, a UK-based organization with experience in improving industrial relationships in Bangladeshi factories. Since its launch in 2016, the program has engaged 258 factories and 545 members of factory management. The program is expected to continue into 2018.

HERproject

Li & Fung's Vendor Compliance & Sustainability (VCS) team and the Fung Academy have worked with Business for Social Responsibility (BSR) and local community partners to develop and implement the **HERproject** in Bangladesh, Cambodia, Haiti, India and Vietnam. In Cambodia, we have partnered with 14 of Li & Fung's key suppliers to educate factory workers on nutrition, hygiene, health and personal wellbeing. We also worked with food vendors and factory management to provide workers with regular access to nutritious meals. This collaboration was the first in the industry to specifically address nutrition through the HERproject. The program is a key part of our efforts to support workers along the supply chain.

89

factories

178,000+

workers

Positive impact in Cambodia:

18,000 workers

11 factories

-10% female worker turnover

+18% productivity increase



Environment

Addressing climate change and building environmental resilience is critical to our world's sustainable future, and business must rise to this global challenge. Tackling climate change as part of the SDG Goal 13, our Group companies instill the principles of prevention, management and resilience by implementing environmental responsibility programs which cover their own operations as well as their supply chains. We also operate a global environmental management and data collection system to measure our performance across a number of environmental metrics such as greenhouse gas emissions (GHG), energy and water consumption, and specific waste streams. We have identified new opportunities to enhance and further expand our technology platform for all four of our listed companies under the Fung Group.

Efficiency in Our Operations

One of our key focus areas is resource efficiency across our own operations, as highlighted in our commitment to the climate change goal. We

measure our energy consumption, GHG emissions, water consumption and paper usage for our own facilities. This year we have consolidated our footprint into the table below, summarizing our environmental performance across the Fung Group of companies in 2016.

For Li & Fung Limited, the company reached its GHG and electricity intensity reduction targets in 2015, that were set for 2016 against the baseline year of 2014. Consumption disclosed below was adjusted for 2015 and 2016 to reflect the divestment of the Asia consumer and healthcare distribution business in June 2016. This new baseline will be used to measure Li & Fung's performance going forward. In 2016, the company's overall GHG intensity reduced by 5 percent, electricity intensity reduced by 9 percent and absolute water consumption reduced by 2,600 cubic meters*.

* Refer to <https://www.lifung.com/wp-content/uploads/2017/03/ar2016.pdf> and <https://www.lifung.com/sustainability/managing-footprint/> for details.

Fung Group 2015-16 Environmental Data

Year	Li & Fung Limited		Trinity Limited		Convenience Retail Asia Limited		Global Brands Group Holding Limited	
	2015	2016	2015	2016	2015	2016	2015	2016
GHG Scope 1 emissions (tCO ₂ e)	4,050	5,826	41	41	1,100	968	518	591
GHG Scope 2 emissions (tCO ₂ e)	56,471	58,786	2,486	2,478	40,918	40,368	5,728	5,946
Electricity (kWh)	103,182,279	104,839,425	3,781,638	3,685,400	62,626,596	60,146,209	11,758,513	12,957,596
Water (m ³)	528,390	525,790	4,805	3,243	141,487	152,087	-	-
Paper (reams)	205,378	207,967	2,270	2,717	16,573	4,401	-	-

LF - The figures for 2015 and 2016 exclude data from entities of Li & Fung's Asia consumer and healthcare distribution business (refer to this link) that were divested in June 2016. Consumption attributable to Li & Fung with entities of the Asia consumer and healthcare distribution business for 2015 and from January to June 2016 is [available at this link](#).

GBG - 2015 data restated for base year 2015

Trinity Limited - Data for Hong Kong and Macau operations only.

Convenience Retail Asia Limited - Data for Hong Kong and Shenzhen only, 2015 data restated inclusive of factories in Hong Kong and Shenzhen.

LF Logistics Singapore Distribution Center

Li & Fung opened a new state-of-the-art distribution center (DC) in Singapore, which was certified to LEED Gold and received the Green Mark Platinum rating from the Building and Construction Authority of the Government of Singapore.

This nine-story, one-million-square-foot, multi-temperature facility is Singapore's largest, automated and customs-bonded warehouse. The DC has a suite of best-in-class technologies and product-handling methods, including an automated storage and retrieval system, semi-automated pallet shuttle system, robotics, put-to-light pick systems and market-leading e-commerce logistics solutions. The facility consumes 30 percent less energy than its previous facility in Singapore, despite being four times larger in size.

LEED Gold and BCA Green Mark Platinum¹

40% more
efficient air conditioning
systems² with CO₂ demand
control

50% of
construction waste recycled



1. Leadership in Energy and Environmental Design (LEED) and Building Construction Authority (BCA) rating from the Government of Singapore.
2. Efficiency is compared against conventional systems of comparable scale.



Frye Store Expansion

Global Brands' controlled brand Frye is building on the achievement that has been made since certified to LEED Platinum in 2012 for retail commercial interiors for its New York flagship store. Its new store in Denver also selected fit-out materials to meet or exceed LEED requirements, such as using Gypsum wall panels in place of concrete, recycled steel for tables and furniture, and sustainably harvested timber with minimal finishing. This is complemented by efficient LED and micro LED lighting used to enhance product display while minimizing energy consumption. The Group plans to adopt these features across its existing portfolio of retail stores and any new outlets in the future.



Li & Fung launched the Paper Free Hero Challenge, a paper-use awareness campaign to educate employees about the impact of excessive paper waste and encourage everyone to reduce consumption. At the same time the Hong Kong offices have removed over 440 printers to encourage staff to think before they consume. The device reduction program has been completed across other offices including Cambodia, Guatemala, Indonesia, Philippines, Sri Lanka, Thailand and Vietnam. Devices were donated to local charities or disposed responsibly as a last resort.

Trinity Limited has made consistent improvement in resource management, reducing overall resource consumption and GHG emissions across all categories compared to 2015. This year Trinity recycled 6,166 kilograms of paper and 1,833 kilograms of plastic and became a signatory to the Hong Kong Environment Bureau's Energy Saving Charter, to reduce energy consumption and support energy saving initiatives.

Convenience Retail Asia Limited made incremental progress in reducing its environmental footprint in 2016. This includes the partial outsourcing of the Circle K logistics fleet and undertaking an energy efficiency initiative as part of the CLP Power Hong Kong Limited (CLP) GreenPlus program. These factors combined to maintain a similar GHG emission profile as 2015, while reducing electricity and paper consumption for the retail group.

Global Brands Group Holding Limited updated its baseline environmental footprint in 2015 which facilitated the comparison of environmental performance for the full year of 2016. The overall footprint has increased slightly to reflect an expansion of its retail outlets in North America and expanded data coverage to all of its facilities during the reporting year of 2016. Consumption is driven by a total workforce of 4,328 employees located in offices across the globe, and retail stores in North America and Europe.

As our facilities represent a significant part of our footprint, it is vital we continue to improve our

working environment and minimize our impact. The Group has maintained and continued to enhance its portfolio of high performing and environmentally-responsible buildings. Examples of our achievements include:

- In 2016, Li & Fung maintained a total of thirteen LEED/BREEAM certifications, including one platinum, six gold and five silver LEED certifications, and Silver Class Green Building certification for its Rui Fang distribution center in Taiwan. Li & Fung's new office in Paris is located in a BREEAM certified building and its new DC in Singapore, which was certified to LEED Gold in 2016, also received the Green Mark Platinum rating from the Building and Construction Authority of the Government of Singapore. Global Brands occupies six LEED certified office floors, including two that are platinum and four that are gold certified.
- Group facilities in Hong Kong are part of the Wastewi\$e scheme run by the Hong Kong Environmental Protection Department.
- Circle K Convenience Stores (HK) Limited, part of CRA, was awarded the "Joint Energy Saving Award" for the third consecutive year in the Retail-Chain Store Category of the CLP GreenPlus Recognition Award, organized by CLP Power Hong Kong Limited.



Sustainable Sourcing

Recognizing the scope of our global business network, we are committed to promoting responsible sourcing and minimizing environmental impacts across our supply chain. We identify this as a key area of opportunity, and focus our efforts on sustainable product design, responsibly-sourcing raw or recycled materials, environmentally-responsibly manufacturing and efficient logistics to deliver products to our customers. Over 2016, Li & Fung began using software to create virtual samples instead of physical models for apparel customers. This program significantly reduces waste generated to create and approve product designs.

At our manufacturing facilities, measures are adopted to better manage materials and minimize waste generation, ranging from flexible processing lines that adapt for multiple product runs to lean manufacturing projects to reduce consumption and waste, to the proper handling, storage and disposal of materials and chemicals to meet legal and REACH requirements. Furthermore, our manufacturing and logistics facilities reuse and recycle pallets made from plastic and wood-based materials, recycle waste materials and minimize packaging for the internal storage and delivery of finished goods.

See more examples of sustainably-sourced materials and products at Li & Fung's website: https://www.lifung.com/wp-content/uploads/2014/05/AR2016_SustainableSourcing.pdf.

Stakeholder Engagement

The Group actively promotes environmental awareness amongst employees through our communication and online resources, formal training, sustainability speaker series and regular engagement activities. 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 learn and other sharing

sessions, community clean-ups and tree planting activities are regularly organized by our offices.

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

- **Business for Social Responsibility (BSR) and the Fung Academy** – continue to share the Water Management Guidelines and other tools to support factories on effective water and wastewater management to both mitigate risk and to identify opportunities for improvement in factories.
- **Sustainable Apparel Coalition (SAC)** – as a founding member, Li & Fung 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 participated in the SAC's regional and global meetings, provided input on the Higg Analytics platform and worked with a customer and the SAC to pilot the Advance Analytics for Higg Index data. As SAC updates the tool, we will support its pilot testing in a number of factories in our supply chain. Li & Fung has been certified as a preferred service provider for environmental training and onsite verification activities for factories as recommended by SAC and its members. We also continue to support the Natural Resources Defense Council and SAC to implement Clean by Design, an initiative to reduce environmental impacts from manufacturing, in several textile mills in China.
- **The Worldwide Fund for Nature (WWF)** – to promote environmental awareness amongst our employees, through activities such as beach clean-up days in collaboration with Coastal Watch.
- **Business Environmental Council of Hong Kong and the Environmental Sustainability Committee of the Hong Kong General Chamber of Commerce** – member of both, which aim to raise awareness of

environmental issues and climate change in Hong Kong, as well as share best practices amongst companies.

Sustainable Supply Chains Forum

Fung Academy and Li & Fung organized the first Sustainable Supply Chains Forum in 2016. The event brought together more than 80 brands, vendors, industry organizations and NGOs to discuss supply chain issues and identify solutions and partnerships to address global topics such as modern slavery, water scarcity and the impact of technology in revolutionizing manufacturing and the supply chain.

The forum coincided with the launch of the Freshwater Health Index by Conservation International, to create a benchmarking tool for evaluating the health of freshwater basins in China and Cambodia affected by industrial use. The Index is supported by the Fung Group through the Victor and William Fung Foundation.



Anti-corruption

The Fung Group of companies is committed to conducting business fairly and responsibly, and prohibits all forms of corruption and bribery. This commitment extends to all personnel across the Group, including employees, contractors, third parties, business partners and supplier networks across the world. Integrity is embedded within our Code of Conduct and Business Ethics, the keystone to how we operate with the highest level of accountability, transparency and governance.

Each operating company within the Group has a Code of Conduct and Business Ethics with strict guidelines on corruption and matters relating to bribery. All employees must sign and abide by the Code. 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 has also developed an Anti-Bribery Policy and Guidelines on Gifts, Entertainment and Hospitality, and Guidelines on Whistleblowing/Reporting of Concerns, in support of the Code with all relevant policies available on the company's website.

Our latest policies can be found in the following links:

Li & Fung Limited

<https://www.lifung.com/about-us/corporate-governance/code-of-conduct-and-business-ethics/>

Global Brands Group Holding Limited

<http://ir.globalbrandsgroup.com/corporate-governance/code-of-conduct-and-business-ethics>

Trinity Limited

<https://www.trinitygroup.com/en/the-group/sustainability/our-approach.html>

Convenience Retail Asia Limited

<http://www.cr-asia.com/eng/ir/governance.htm>

Whistleblowing

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 and Risk Management Officer. Upon receipt of any concerns or reports under these Guidelines, executive management and Corporate Governance division will undertake a formal investigation. Furthermore, our Group Chief Compliance and Risk Management Officer reports any concerns raised under these Guidelines, that have significant impact on the Group's business, to the operating company's audit committee on a regular basis. The Group Corporate Governance division audits compliance performance and reports any material non-compliance directly to the Board of Directors of the respective operating company.

Supplier Code of Conduct

Suppliers to Group companies are required to comply with each company's Supplier Code of Conduct, which includes principles addressing anti-bribery and anti-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 compliance and maintain a strong ethical culture within the Group. The Fung Group companies conduct interactive forums, training and individual meetings with management and staff to ensure a culture of good governance, risk identification and compliance is embedded in our operations.

In 2016, there were no material cases of corruption across the Group. The Group employees continued to demonstrate integrity and good ethical behavior across all areas of operation.

Awards and Indices

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

Li & Fung Limited

- “Best Companies to Work for in Asia 2017” by HR Asia
- “Asia’s Best CSR” – Asia Excellence Awards by Corporate Governance Asia, 2012-2014, 2016
- “Platinum Award in Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations” by The Asset Magazine, 2009-2016
- “Caring Company” by the Hong Kong Council of Social Service, 2002-2016
- “Gold Award in Servicing and Trading Sector” – Hong Kong Awards for Environmental Excellence, 2015-16

Global Brands Group Holding Limited

- “Best Investor Relations Company” by Corporate Governance Asia, 2015-2016

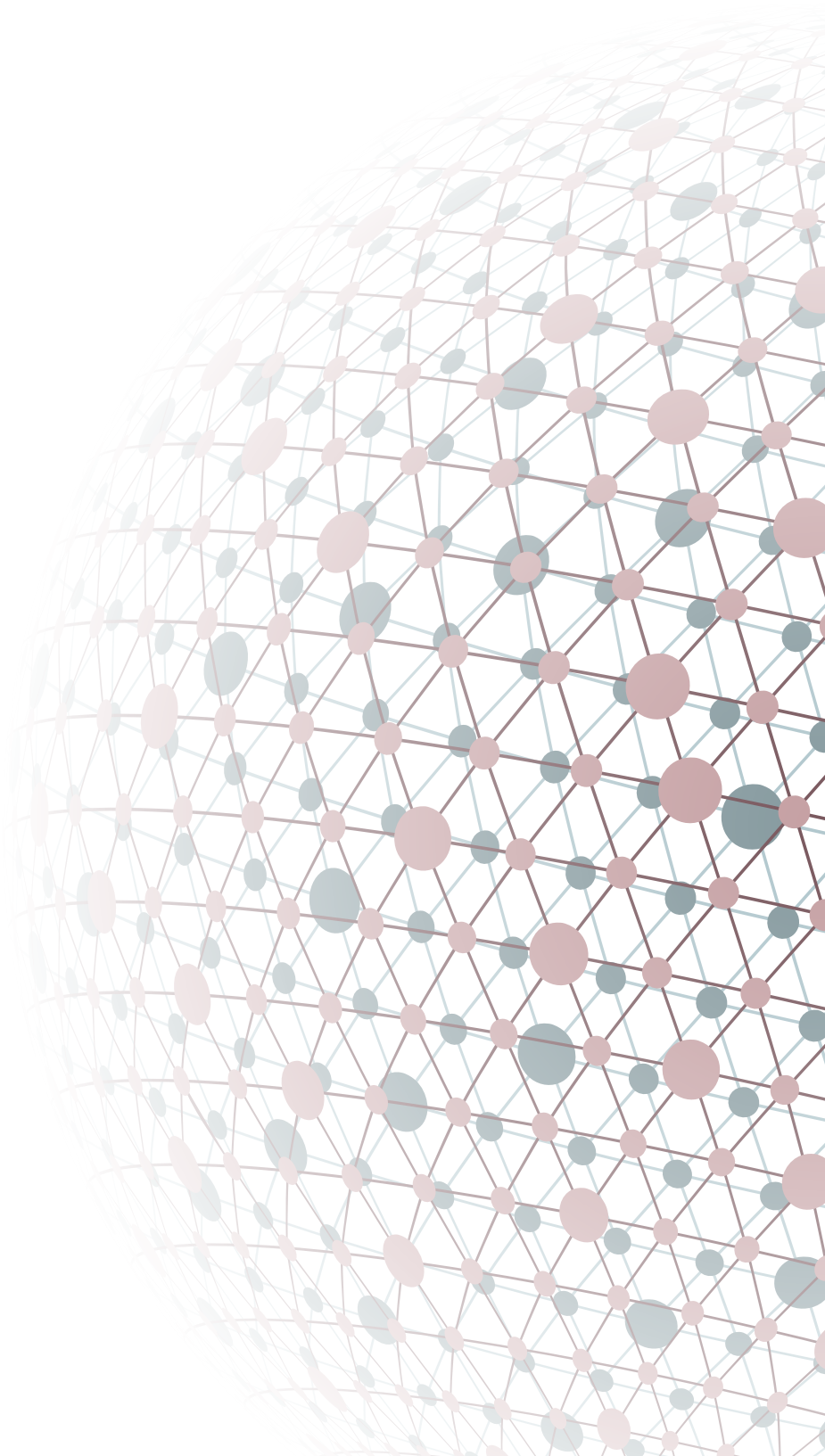
Trinity Limited

- “Caring Company” by the Hong Kong Council of Social Service, 2009-2017

Convenience Retail Asia Limited

- “Caring Company” by the Hong Kong Council of Social Service, 2000-2016

In recognition of the achievements in all areas reflected in the UNGC Principles, and based on an extensive third-party ESG analysis, Li & Fung and Global Brands are included in the FTSE4Good Index Series and the Hang Seng Corporate Sustainability Index Series in Hong Kong. Li & Fung is also a member of the MSCI Global Sustainability Indexes and STOXX Global ESG Leaders Indices.



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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.