



UN Global Compact

Communication on Progress 2017



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Statement of Continuing Support

The Fung Group of companies (the “Group”) is pleased to publish its Communication on Progress for 2017. 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 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 live and work.

We believe the Global Compact principles and the Sustainable Development Goals (SDGs) are useful frameworks for collective action and collaboration, and we are committed to doing our part to promote inclusive and sustainable growth among our operations, partners and communities.

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

A handwritten signature in black ink that reads "Victor Fung". The signature is written in a cursive, flowing style.

Victor Fung
Group Chairman
Fung Group

Fung Group of Companies

The Fung Group is a multinational group headquartered in Hong Kong whose companies are engaged in supply chain solutions, 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). Li & Fung 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. In 2017 Li & Fung launched its Three-Year Plan (2017-2019) with a goal of creating the Supply Chain of the Future to help customers navigate the digital economy and to make life better for a billion people in the supply chain.

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 a publicly-listed entity, Convenience Retail Asia Limited (CRA), which operates convenience stores and bakeries in Hong Kong, Macau and Southern China, and a key investment in Trinity Limited (Trinity), which is engaged in retailing premium menswear in Greater China and Europe. The Group also has a number of privately-held retail businesses.

In total, the Fung Group employs approximately 39,900 people across 40 economies, with total revenue of over US\$22.51 billion as of December 2017.

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 calendar year 2017 for the four publicly-listed entities of the Group: Li & Fung Limited, Global Brands Group Holding Limited, Convenience Retail Asia Limited and Trinity Limited.

Fung Holdings (1937) Limited

A privately-held entity and major shareholder of the Fung Group

Li & Fung Limited

SEHK 494

Services

Supply chain solutions

Logistics

Products

Onshore wholesale

Global Brands Group

SEHK 787

Distribution

Kids
Men's and women's fashion
Footwear and accessories
Brand management

Fung Retailing Ltd

Privately-held entity

Retail

**Convenience
Retail Asia
Limited**
SEHK 831

Circle K
Saint Honore

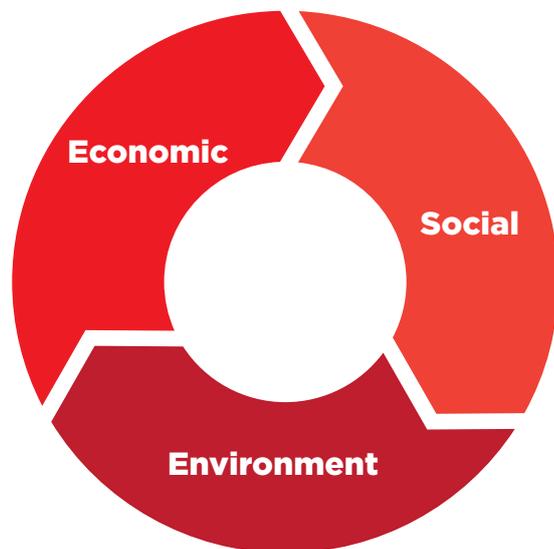
**Trinity
Limited**
SEHK 891

Premium
menswear

SEHK: Stock Exchange of Hong Kong

Approaches to Sustainability

We believe we are an agent of change with a duty to positively contribute to the social, economic and environmental wellbeing of the communities in which we operate. Yet today, technology, demographics and economic change are fundamentally reshaping global markets, and within these markets, the roles of companies in responding to new challenges. In response, the Fung Group of companies is focused on Speed, Innovation and Digitalization to address this disruption while continuing to develop our long-term roadmap with a goal of fostering sustainable, inclusive growth. Increasingly we are discovering that there are significant alignments between business/commercial and sustainability priorities.



Though our strategies and targets may evolve, our commitment to good governance and the highest standards of ethical behavior, transparency and accountability remain constant. We have been a signatory to the United Nations Global Compact (UNGC) since 2002 and remain committed to integrating the UNGC framework into our operations, our supply chain and our products. Since the launch of the United Nations Sustainable Development Goals (SDGs) in September 2015, we have taken the opportunity to review our agendas to ensure alignment with the global effort towards the 2030 agenda for sustainable development. Our sustainability roadmap contributes to most of the SDGs, though we place particular emphasis on six key goals that most directly overlap with our business footprint and our leverage:



The Fung Group commitment to upholding internationally-recognized principles and supporting sustainability initiatives is being driven through the Sustainability Working Group. The Working Group includes sustainability leaders from across our Group companies — from information technology, compliance and risk management functions. It convenes regularly to share sustainability trends, global best practices, build partnerships and coordinate actions. Each of our companies integrates these initiatives into its core business operations, backed by a dedicated sustainability function to develop, coordinate and manage the overall sustainability strategy within respective operations. To supplement this, the Fung Academy accelerates learning and development across the Fung Group through programs focused on fostering a sustainable supply chain, cultivating innovation, and building leadership as well as a culture of learning.

Through the collaboration between the Sustainability Working Group, the Fung Academy, industry coalitions and our networks of supply chain partners, we attune with ever-changing markets, new technologies and policies that may impact sustainability strategies.

The Fung Group of companies operates one of the world's most extensive global supply chain networks for a diverse range of consumer products. Managing risk and furthering compliance in our supply chains, while raising sustainability performance is the mainstay of our strategy. In this report, we highlight our policies and progress in 2017 in support of the UNGC Principles, highlighting our approach to integrate the SDGs into our operations and supply chain partnerships.

As a reader of this report, you are critical to our success and continued growth. We look forward to your feedback. To further explore the disclosures and websites of our respective Group of Companies, click on the logos below for more information:





Human rights

- 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



- 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 labor;
- 5 The effective abolition of child labor;
- 6 The elimination of discrimination in respect of employment and occupation.

Environment



- 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

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

UNGC Principles

The Fung Group of companies is committed to the UNGC's Ten Principles and has integrated the framework into both our operations and supply chain. The reputation of the Group is built on our long-established ethical standards for conducting business. The principles are reflected in the guidelines that are set out in the Group and each member companies' Code of Conduct and Business Ethics. The Code is supported by policies and operating guidelines implemented into the operations for each of the Group's companies, such as those on Occupational Health & Safety, Non-Discrimination, and guidelines on Whistleblowing, Anti-bribery and Gifts & Entertainment. Policies focused on our supply chain partners include those on Chemical, Food Safety and Animal Welfare, as well as Supplier Code of Conduct.

The Fung Group's Code of Conduct and Business Ethics

- **Li & Fung Limited:** <https://www.lifung.com/wp-content/uploads/2018/03/LF-Code-of-Conduct-and-Business-Ethics.pdf>
- **Global Brands Group:** <http://ir.globalbrandsgroup.com/corporate-governance/code-of-conduct-and-business-ethics>
- **Convenience Retail Asia Limited:** http://www.cr-asia.com/eng/business/code_of_conduct.pdf
- **Trinity Limited 2017:** <https://www.trinitygroup.com/sustainability/business-ethics/>

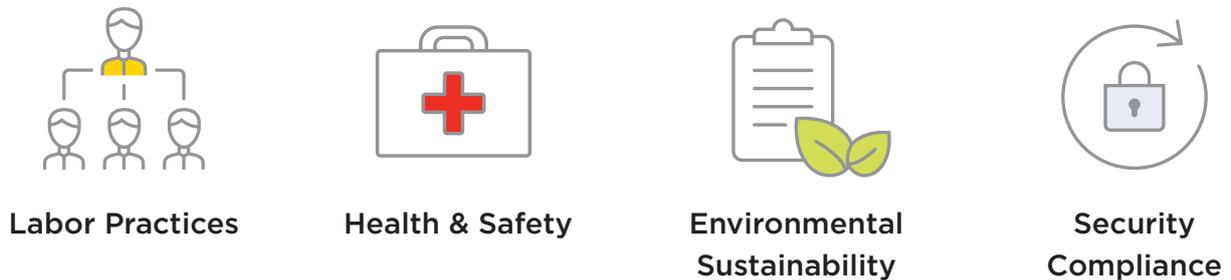
Our Group Companies' Corporate Governance

At Li & Fung Limited, the Risk Management and Sustainability Committee was established in 2001. Chaired by the Honorary Chairman it provides recommendations to the Board on risk management and internal control systems, as well as review of its practices on corporate responsibility and sustainability.

At Convenience Retail Asia Limited, the CSR Steering Committee provides governance to the company's social and environmental strategy development. There are four working teams under the Steering Committee; the Environment Team, Social Team, Training and Workplace Safety Team and the Food Safety and Supply Team. The Steering Committee is led by the Chief Executive Officer, who defines the company's social and environmental strategies, while the working teams monitor sustainability performance and offer recommendations on areas of improvement.



A new e-learning tool was launched in 2017 to raise the awareness on the principles of human rights and sustainability for Li & Fung executives and employees. Eighty percent of mid-to-senior level employees in key business units in Hong Kong and China took the training, and the program has been extended to colleagues across other sourcing markets along with other Fung Group employees. A total number of 1,629 colleagues were trained in 2017 on topics related to:



As the Group operates a sophisticated supply chain network, we are leveraging our extensive reach to influence people and communities in alignment with the UNGC principles. For instance, each of our Group companies has established a Supplier Code of Conduct that outlines the minimum standards required to do business with the Group and its companies. Each of the Group's operating companies maintains and reviews its Supplier code based on local, national laws and regulations for human and labor rights, occupational health & safety, environment and security as well as transparency and ethics. We ensure alignment with International Labor Organization's (ILO) core Conventions, California Transparency in Supply Chains Act, and the UK Modern Slavery Act additionally where relevant.

Our Group Companies' Supplier Code of Conduct

- **Li & Fung Limited:** <https://www.lifung.com/wp-content/uploads/2018/03/CoC2015-English.pdf>
- **Global Brands Group:** https://d1io3yog0oux5.cloudfront.net/globalbrandsgroup/files/GBG_Supplier_Principles.pdf

All suppliers must acknowledge and accept the Supplier Code. Compliance against the code is assessed by the Group companies, external auditors and/or independent industry organizations. They are required to address the non-compliances identified from the assessment with time-bound corrective actions. The Supplier code emphasizes our zero tolerance approach for any kind of bribery, use of child or forced labor or serious health and safety issues. Factories with zero tolerance issues identified are discontinued through a responsible exit plan.

The Group has actively engaged with our industry partners to deepen the scale and impact of our supply chain sustainability programs. In 2016, Li & Fung Limited assumed a strategic advisor role with the Global Fashion Agenda (GFA), an initiative designed to educate and drive change towards a sustainable fashion industry. The Copenhagen Fashion Summit is the GFA's flagship event, convening major fashion industry decision makers to address the industry's environmental, social and ethical footprint and presents pragmatic and economic actions to produce sustainable change. Through its advisory role in the GFA, Li & Fung is positioned to contribute substantively to industry change on key issues such as the circular economy, as well as bridging the gaps that exist between producers, brands and retailers.



Li & Fung helped launch the 'Global Fashion Agenda' on May 11, 2017.

Photo courtesy of Copenhagen Fashion Summit.

In November 2017, the first GFA Pulse Supplier Forum was hosted in our offices in Hong Kong to provide a platform for action, along with resources and networks for the suppliers and manufacturers to make changes for a more sustainable supply chain.

Human Rights & Labor

Governance in Our Operations

The Fung Group is committed to uphold internationally-recognized human rights and labor standards in 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 the Fung Group. The Group upholds the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the United Nations Universal Declaration of Human Rights.

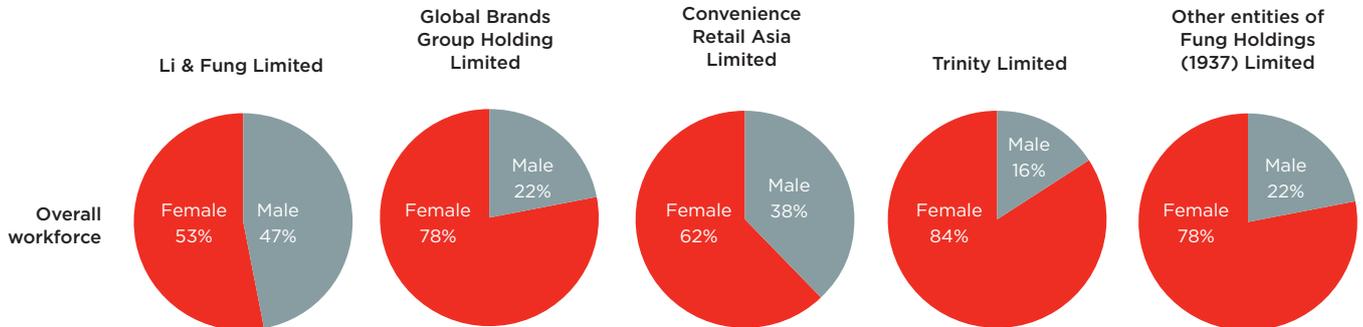
At Li & Fung, the Risk Management and Sustainability Committee offers guidance on the Company's policies and actions relating to modern slavery and human trafficking in business and the supply chain - and the company has established its Disclosure Statement on Modern Slavery. [Follow this link for details of the disclosure statement.](#)

The "HEARTS" culture at Convenience Retail Asia Limited embraces "Happy, Energized, Achievements, Respect, Training and Success" and forms a core value for management to lead its teams. Employees are provided with a connected and safe working environment where they are treated with dignity. As an initiative to foster work-life balance and loving family principles, eligible employees are provided an extra day of family-friendly leave to enhance the balance between work and home life.



Fung Group Companies - Gender by Employee Group

At the Fung Group, we treasure the principles of parity of opportunity and treatment, fairness in accountability and rewards. Female employees represent 64% of our total workforce, and almost half of our management team:



Supply Chain Focus

While managing risk and compliance to the supplier code is the foundation for integrating supply chain partners into our sustainability strategy, the Observer Development Program (ODP) is an initiative designed to optimize the compliance process. ODP trains and certifies Quality Assurance and Control (QA/QC) staff who regularly visit suppliers, to identify signs of serious non-compliance. They also work with factory management and Li & Fung compliance specialists to follow up on remediation measures.

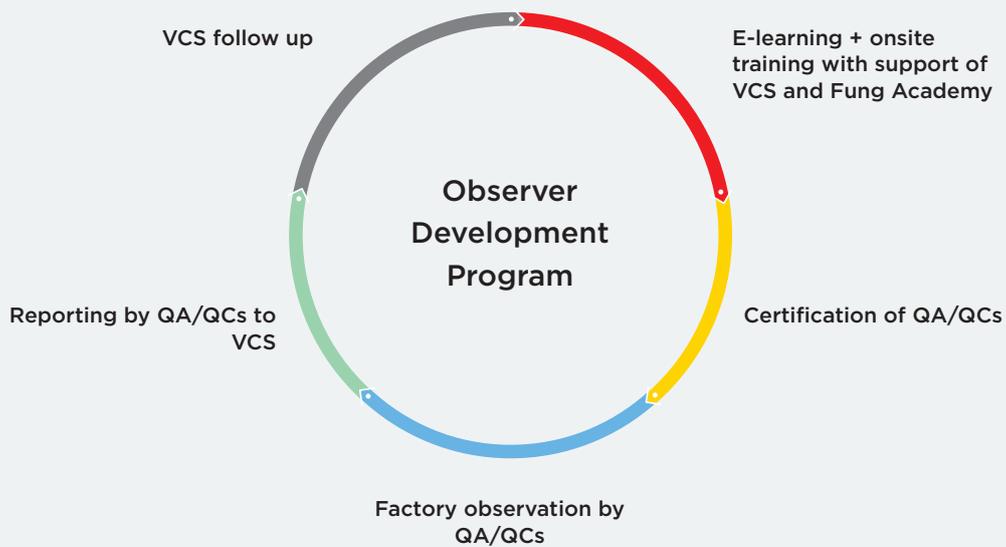


Sample ODP certificate

A new e-learning program was launched in 2017 to scale the program by allowing participants to learn at their own pace and from anywhere in the world. The e-learning is combined with two to three days of onsite, practical training. More than half of the company's global QA/QC staff have been certified by this program at the close of 2017.

As forced labor remains present in the cotton supply, due diligence has been put into place at the Fung Group companies. We work to avoid sourcing of fabric from mills using cotton from locations where forced and child labor are a significant concern.

Observer Development Program (ODP)



Capacity Building

At Li & Fung, a new version of capacity development program was introduced by the Vendor Compliance and Sustainability team to enable suppliers to build their capacity according to specific factory needs. Pre-training assessments identify a combination of training modules for factory management to build capacity in areas that require further improvement. Over 500 training sessions were organized in 2017, with over 6,610 participants. These trainings focused on labor practices, worker management relations, occupational health and safety, environment, and risk and security management.

The HERproject and the Worker App aim to support direct engagement with workers along our supply chain. Through HERproject, the Fung Group supports education for factory workers on health, personal well-being and financial literacy. The Worker App is part of the Group's effort to improve the lives of factory workers, while facilitating communication between the factory management and the workers.

HERproject

The HERproject is a partnership between the Fung Group of companies and Business for Social Responsibility that aims to improve workers' well-being, good health and livelihoods, in Bangladesh, India, Vietnam and Cambodia.

Since the program launched in 2014, over a thousand training sessions have been held to educate over 175,000 workers.

Our interim analysis has indicated significant benefits for the factories in terms of reduced turnover and absenteeism, as well as increased productivity.



Over a thousand training courses have been held to educate over 175,000 workers in 4 countries.

Partnerships Within the Industry

Li & Fung and Global Brands continued to partner with the Better Work program, established by ILO and the International Finance Corporation, to collaborate on labor standards for factories in Cambodia, Haiti, Indonesia, Nicaragua and Vietnam. Independent assessments conducted by Tufts University towards the Better Work program indicated this program has been able to prevent abusive practices toward vulnerable workers, improved excessive overtime and decreased the gender pay gap in the supply chain.



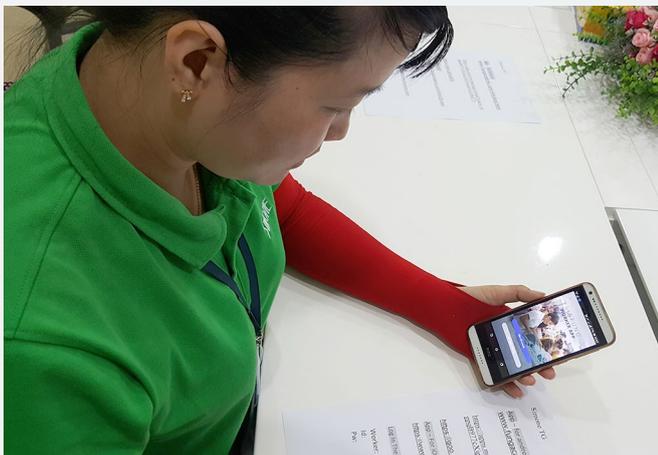
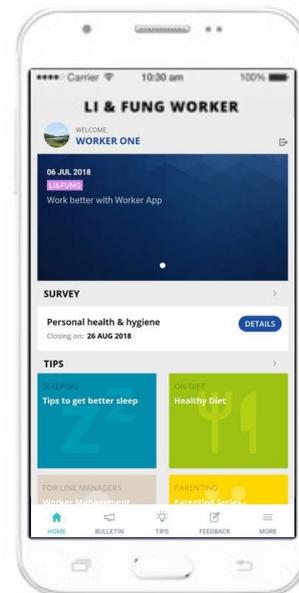
The Social Dialogue program was developed in partnership by Li & Fung and Just Solutions Network, a UK-based organization focused on improving workers and factory management relationships in Bangladesh. Phase One of the project was completed in December 2017, engaging 232 factories and their management. Results of the program from the initial phase have shown a reduction in worker turnover



Worker App

The Worker App builds on the momentum of the HERproject - with the goal of educating workers and enabling two-way communication between the factory management and the workers.

Through the Worker App, factories can push safety and health notifications as well as training information to workers - all designed



Above: The Worker App helps factories to engage with their employees. Top right: Landing page of the Worker App.

to help improve their quality of life and capabilities. It also helps factory managers engage their employees through surveys and feedback, giving them the opportunity to better understand what workers need and how they feel about their work environment so that the factory can improve conditions and ultimately, workers' loyalty.

Launched as a pilot in Vietnam for selected suppliers, the app initially reached over 15,000 workers. After just six weeks, it had garnered over 26,000 screen views.



Scan to download for
Google Android



Scan to download for
Apple devices

rate and absenteeism, while there has also been a significant improvement in efficiency at work. This program will be expanded in 2018 to cover a broader range of factories, managers and workers.

Li & Fung continued to fight against modern slavery through membership with the Mekong Club and child labor through our partnership with the Center for Child Rights & Corporate Social Responsibility.



Li & Fung continues to serve as advisor on 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 of the country's garment factories. As of the end of 2017, remediation of safety issues identified through the inspections conducted by the Alliance and the Accord reached a completion rate of 86% and 82% respectively.



Environment

Addressing climate change and building environmental resilience is critical to our world's sustainable future, and businesses must rise to this challenge. The Fung Group of companies has instilled the principles of prevention, management and implementation of environmental responsibility programs into our operations and supply chains as we work to take action to mitigate global climate change.

Operational Efficiency

We operate an environmental management system to measure the Group companies' performance across a number of environmental metrics, including greenhouse gas emissions, energy, water and paper consumption, and specific waste streams. We have consolidated our footprint in the table below, summarizing our environmental performance across our operations in 2017.

Fung Group 2016-17 Environmental Data

Year	Li & Fung Limited		Trinity Limited		Convenience Retail Asia Limited		Global Brands Group Holding Limited	
	2016	2017	2016	2017	2016	2017	2016	2017
GHG Scope 1 emissions (tCO ₂ e)	5,826	7,118	41	47	968	2,888	591	350
GHG Scope 2 emissions (tCO ₂ e)	58,786	64,937	2,478	4,892	40,368	36,157	5,946	5,096
Electricity ('000 kWh)	104,839	118,918	3,685	8,342	60,146	62,682	12,958	13,345
Water (m ³)	525,790	760,051	1,450	886	152,087	188,737	-	5,378
Paper (reams)	207,967	212,964	2,717	3,232	4,401	2,156	-	29,763

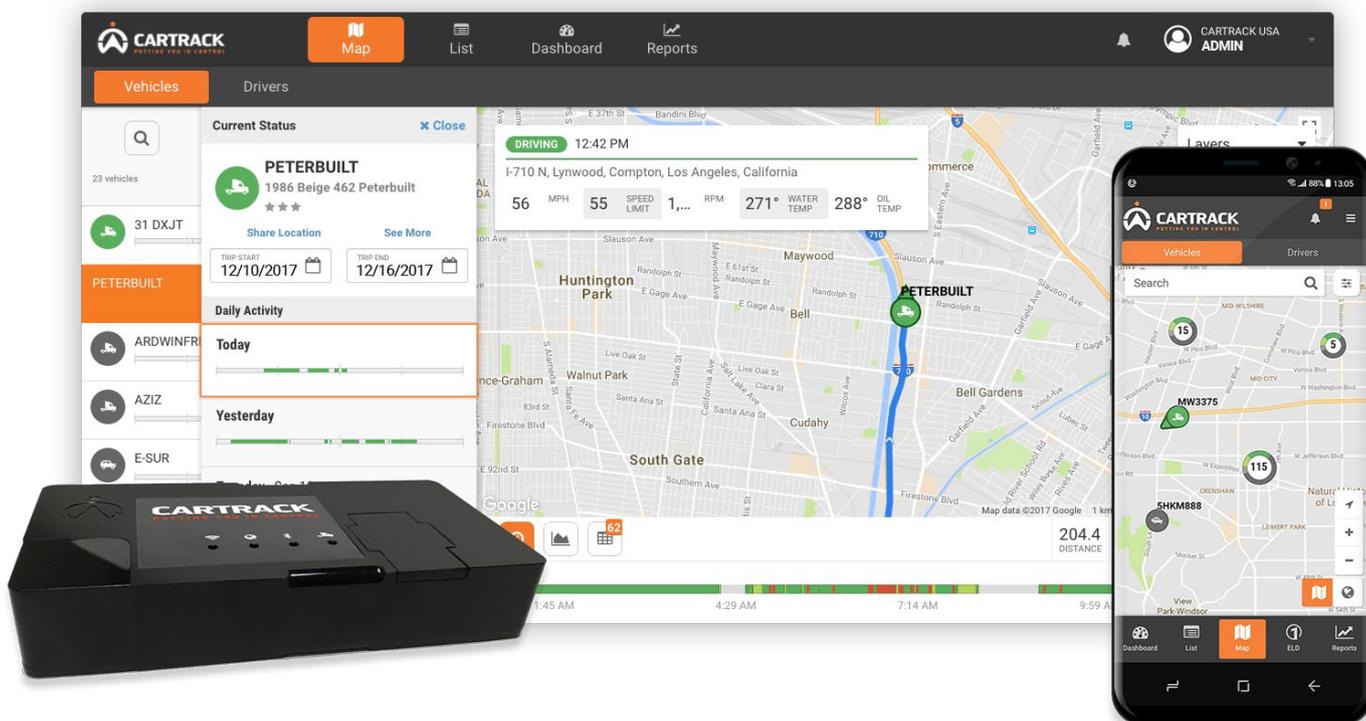
Since the launch of the new data management system, new and enhanced functionalities have been implemented and we have worked to add more locations into the system to capture more environmental data across our operations. As operations that did not capture data previously were included, additional consumption data is shown in our 2017 figures.

For Li & Fung, both absolute and intensity metrics have increased in 2017. This is the result of capturing more consumption data in the system globally, as well as the expansion of our logistics business across the China and Southeast Asia markets. In order to reflect a more accurate state of operations, following a corporate reorganization, Li & Fung reset its

consumption and intensity baseline in 2017. With the implementation of a new baseline, the company's goal of reducing its overall footprint and the related intensity reduction targets remain intact for 2019.

Trinity's emission data for 2017 reflected additional locations including China, Taiwan, and the UK. Water consumption reflected seven months data for Hong Kong office and some UK retail stores and warehouses. Trinity diverted 960 tonnes of waste from landfill during the closure of its factory in Hong Kong in early 2017, by separating recyclables from waste. One hundred percent of the sewing machines from this factory closure were sold for reuse, while excess fabric stock and supplies were sent to partners for recycling. Roughly 72 tonnes of metal and plastics waste from the Hong Kong office relocation was sent to be recycled, while a substantial portion of office furniture and lighting were reused.

Convenience Retail Asia Limited has introduced a Global Positioning System (GPS) monitoring system into its operations for better fleet and cold chain management. Fuel consumption by the delivery fleet is a major factor in greenhouse gas emission and the GPS technology provides the logistics fleet with the most effective driving circuits, enabling them to better manage their fuel consumption. It has also strengthened the tracking and tracing of the delivery trucks, which works to maintain optimal in-transit temperatures to ensure food safety and product quality.



GPS technology enables effective driving circuits for CRA's delivery fleet.

On top of a focus into our own operational efficiencies, the Fung Group’s environmental programs also address impacts at both the supply chain and product level. We have also taken initiatives to engage our suppliers in reducing the impact of their environmental footprint with a focus on energy efficiency.

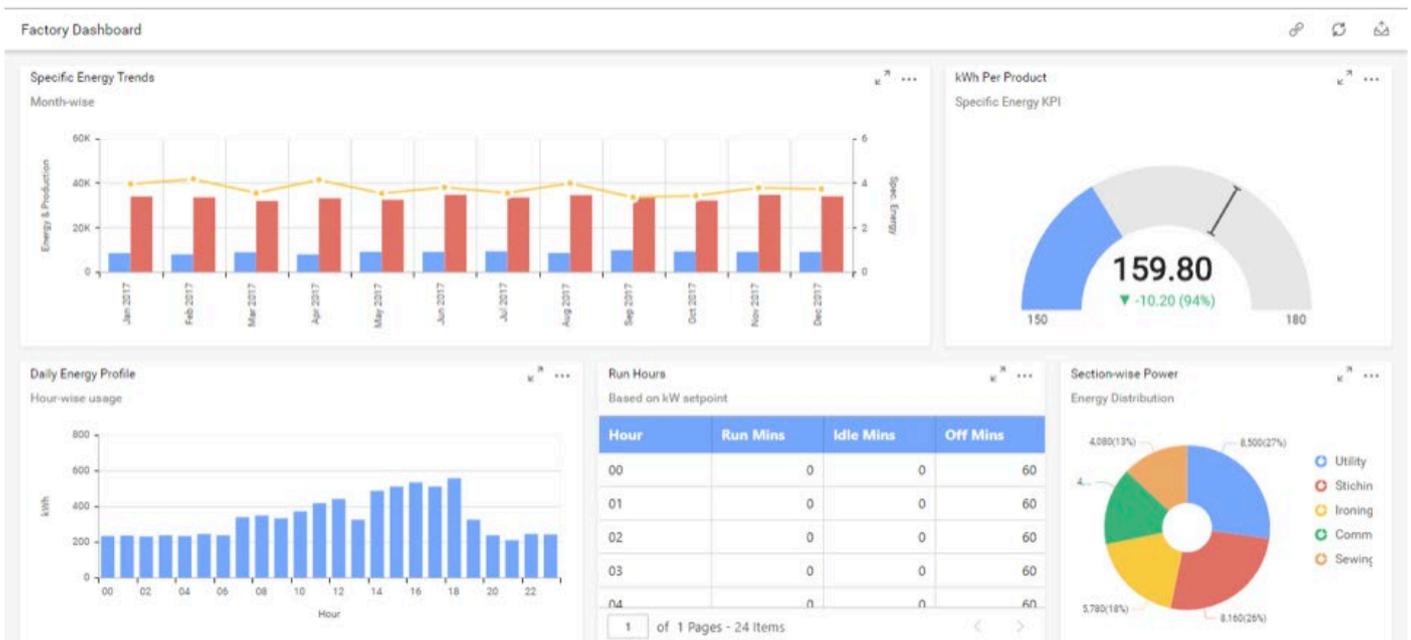
Energy Sensor Program

A partnership between Li & Fung and Fung Academy enables factories to manage material sources of electricity consumption and take measures to drive efficiency. Following two successful trials in India and China, the program is being expanded to other key countries in the supply chain.

The sensor package is made up of electricity sensors, and a web-based tool, and a mobile app. Data collected will be used to pinpoint how factories can use energy more efficiently. Pilot tests conducted in 2017 demonstrated promising reductions in energy use, mostly through operational process changes.



Sensors and sensor gateways used in the pilot installation for a home textile factory in India.



The sensor package dashboard.

Sustainable Sourcing

We are committed to responsible sourcing and minimizing environmental impacts across our supply chain. Sustainable product design, responsibly-sourced materials, responsible manufacturing and efficient logistics process to deliver products to customers are all areas of opportunity.

Virtual design and sampling are being progressively adopted to speed the product development process and eliminate the need for making and shipping of multiple physical samples.

At the Li & Fung sweater division, luxury dead-stock yarn was salvaged from factories and utilized to create a new garment. The upcycling concept was launched as a pilot project, named Knique, in June 2017, delivering a range of fashionably- designed knitwear created from these salvaged yarns, for customer order. The project also tested a build-to-order approach which intended to minimize inventory and product waste by only making what has been ordered or sold. Following initial success of the Knique project, the team is now working to scale the concept commercially.



Knitwear made of salvaged yarns from Li & Fung sweater division.

Several brands within the Global Brands have chosen to utilize more sustainably sourced materials in their products. Lily Bloom handbags are now made from an RPET (recycled polyethylene terephthalate) fabric called Repreve, whose yarns are made from recycled plastic bottles. More than six million Lily Bloom handbags have been sold in the U.S. since 2009, around 500,000 units sold in 2017 alone. The initiative has saved over 850,000 plastic bottles from landfill and 35,700 equivalent tons of greenhouse gas emissions for the year. The outdoor apparel and accessories brand Timberland has utilized yarn made of 80% post-consumer and 20% pre-consumer recycled PET (polyethylene terephthalate) plastic content for a new product designed in 2017. Spyder's performance outerwear utilized GORE-TEX fabrics that are free of PFCs (perfluorocarbons), a substance of environmental concern.

All GORE-TEX materials used on Spyder brand are Oeko-Tex certified for product safety and bluesign system approved, adhering to sustainable production methods. Down filling used by the brand is compliant with the Responsible Down Standard, meaning that it does not come from animals subjected to unnecessary harm, while the PrimaLoft synthetic insulation used in their products is made from 100% recycled materials.



Virtual sampling images from Li & Fung Footwear Innovation Lab.

Trinity has established an Animal Welfare Policy that specifies its commitment to responsible sourcing and processing of animal-based raw materials. The use of fur from endangered species and mulesing of sheep has also been disallowed in the Trinity supply chain. The team has been working closely with suppliers to ensure their understanding and progressive work towards full adherence to our new policy.

Partnerships within the industry

The Fung Group has actively engaged in a number of industry initiatives that promote environmental awareness, spread best practices, and deepen the scale and impact of our supply chain sustainability programs. These are listed on page 31.



Circle K collaborated with CLP Group.

Circle K, the convenience store business of CRA, collaborated with the China Light and Power (CLP Group), one of the largest investor-owned power businesses across Asia-Pacific, with headquarters in Hong Kong, that initiated the 'Power Your Love Program'. The program objective was to encourage energy saving across the community and participants were offered electronic coupons in reward for lower energy consumption, for redemption at Circle K outlets across Hong Kong.

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 parties across the Group, including employees, contractors, business partners and supplier networks across the world.

Whistleblowing Policy

The Fung Group's Code of Conduct and Business Ethics is the keystone for operations with accountability, transparency and good governance. The Code sets out the standards of behavior for all employees to conduct business as well as interact with customers and supply chain partners. It emphasizes the prohibition of bribery and corruption practices by all staff in the countries where the Group operates. All employees must sign and abide by this Code.

Implementation of the Code's guidance on anti-bribery and anti-corruption is supported by the Whistleblowing Policy established by the Group's companies. Under the Guidelines on Whistleblowing/Reporting of Concerns, employees can report concerns to either senior management or the Group Chief Compliance and Risk Management Officer.

Any stakeholders, including customers and suppliers, can also report similar concerns by contacting our Group Chief Compliance and Risk Management Officer in confidence.

Suppliers to the Group companies are also required to comply with each company's Supplier Code of Conduct that includes principles addressing anti-bribery and anti-corruption.

Ethics & Integrity Workshops

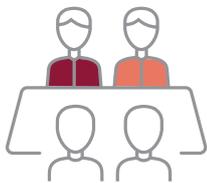
To reinforce our commitment to operating our business ethically, the Business Ethics and Integrity Education Working Group was established at Li & Fung.



Participants of the Li & Fung's Business Ethics & Integrity workshops, taken across several global office locations.

The Working Group comprises members from Learning & Organizational Development, Legal, Corporate Governance, Digital Learning, HR and business units to allow cross-functional collaboration. In 2017, the Working Group introduced Business ethics & Integrity workshops in 19 locations, which has since involved over 2,800 colleagues and 41 participants from 30 of our suppliers.

Through presentations, case studies and group exercises, our colleagues have learned how to better recognize, understand and address high risk areas involving serious integrity and ethical issues. To sustain this initiative, 64 leaders have been trained as trainers to conduct Ethics & Integrity sessions in various locations. An e-learning platform is in development and will be launched in 2018.



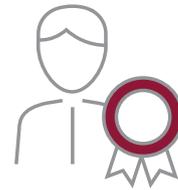
64

**Leaders certified as
trainers**



19

locations



2,800+

colleagues and

41

**participants from 30
suppliers attended
workshops**

UN Sustainable Development Goals

The Fung Group welcomes the opportunity to support the Sustainable Development Goals (SDGs). We focus our attention and action on six that are particularly aligned with our business, given our operational and geographical footprint. Our efforts with regard to these six goals are summarized in this section.



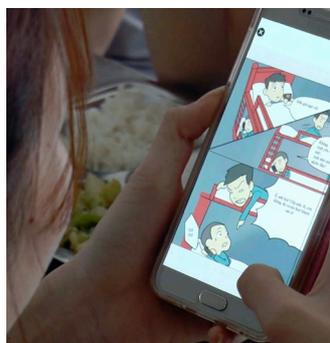
Goal 1 - No Poverty

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, fair practices and access to new technology 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.

Empowering Vulnerable Workers

We implemented the HERproject & Worker App to empower those workers in less developed countries of our supply chain production, with knowledge and skills to improve their living conditions and livelihoods through utilization of technology.

HERproject



Goal 3 - Good Health and Well-being

Good health is fundamental to enabling our 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 as well as promoting and raising awareness of health care at our operations as well as our factories. Beyond this, we advocate delivery of safe products adhering to stringent standards and requirements to best serve our customers.

Workplace Health & Safety

Regular safety programs are carried out to ensure safe and healthy workplaces across our offices, manufacturing facilities, retail operations and distribution centers.



0

**Zero fatalities
in our workplaces
globally in 2017**



Workplace health & safety trainings are carried out globally.

E-learning Platform for Suppliers on Health and Safety Trainings



25,962
document views



3,562
resource downloads

HERproject for Workers Empowerment

We deployed the HERproject into four major countries within our supply chain to improve factory workers' well-being, good health and livelihoods.



1,000+
training sessions held



5,000+
Peer health educators trained
and they share with their peers
and families

Product safety

Saint Honore's Microbiological Lab

At the Saint Honore Bakery, they are committed to deliver products that are safe and of consistent quality. To uphold the concept of Product Responsibility, Saint Honore Bakery has established its own in-house microbiological laboratory co-located with the factory in Shenzhen.

The laboratory has obtained the China National Accreditation Services for Conformity Assessment (CNAS) certification that can provide in house quality test for both raw materials as well as finished products



to sustain the utmost food safety standards. Both the factories in Hong Kong & Shenzhen have obtained the ISO 9001 Quality Management System and the Shenzhen factory has been certified for the Hazard Analysis and Critical Control Points (HACCP).



Goal 5 - Gender Equality

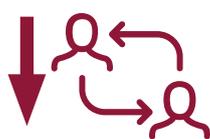
Our programs focus on training, education and empowerment for women, as well as men, who share the responsibility of nurturing inclusive workplaces and communities.

Codes of Conduct

Both our Code of Conduct and Business Ethics and Supplier Code of Conduct are committed to fair and equal treatment to all the employees in our operations as well as within our supply chain. We have specifically stated non-discrimination on the basis of gender and inclusive workplaces.

HERproject & Worker App

The HERproject & Worker App have supported female workers in our supply chain with education on nutrition, health awareness, non-discrimination and harassment, through the use of enabling technology to facilitate the empowerment of women in the workplace.



**Female absenteeism
& sick days**
13% decrease



Productivity
11-18% increase

Better Work Program

Through our partnership with the ILO & International Finance Corporation's Better Work program. We are protecting gender rights and working conditions at 160 factories in five countries.



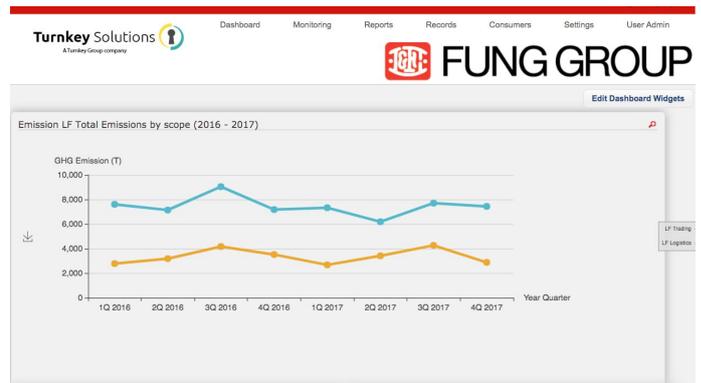
Fung Group's partnership with Better Work Program.
Photo courtesy of Better Work.

Goal 7 - Affordable and Clean Energy

We are prioritizing resources to address the urgent need to reduce carbon emissions across our operations and our supply chain, through educating, engaging and supporting key stakeholders to take actions focused on energy efficient practices within their operations.

Managing Our Environmental Footprint

We run a global environmental management system to track and manage environmental data from our operations. We are tracking emissions from more than 800 locations globally and are adding more sites across our operations. Our goal is to mitigate our impact to the environment through systemic data analysis and to develop efficient consumption practices within our network of business operations.



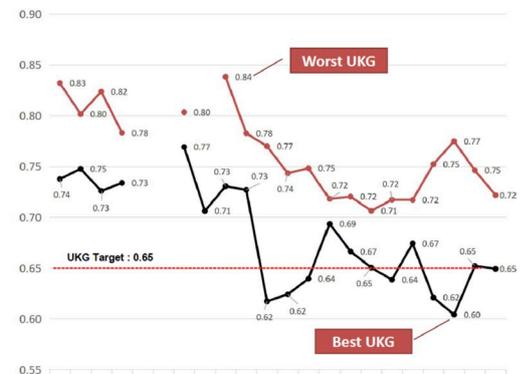
Dashboard from the Fung Group's environmental management system.

Sustainable Spaces

We incorporate LEED (Leadership in Energy and Environmental Design) best practices in our offices and facilities globally. Two more Global Brands Group's facilities have been LEED-certified in 2017 and two offices in the United States use 100% renewable energy.

Promoting Resource Efficiency

We drive energy efficiency in our supply chain through the energy sensor program. Achieved 15% reduction in energy consumption from a pilot project in China.



Data analysis from sensor projects

Goal 8 – Decent Work and Economic Growth

We believe decent work is the foundation of economic growth and prosperity, and we are dedicated to empower our employees and our factory workers.

Eliminating Child Labor

Li & Fung signed a MOU for the remediation service from the Center for Child Rights & Corporate Social Responsibility. The MOU stipulates that where child labor is found in the supply chains, the case will be remediated in the best interests of the child.

Supporting Actions Against Modern Day Slavery

We have engaged with the Mekong Club and through the Apparel & Footwear Working Group to develop remediation tool against modern day slavery. We will continue to implement online trainings in our operations and our supply chain in fighting against forced labor.



Engaging partners to fight against modern day slavery.

Promoting Workplace Safety

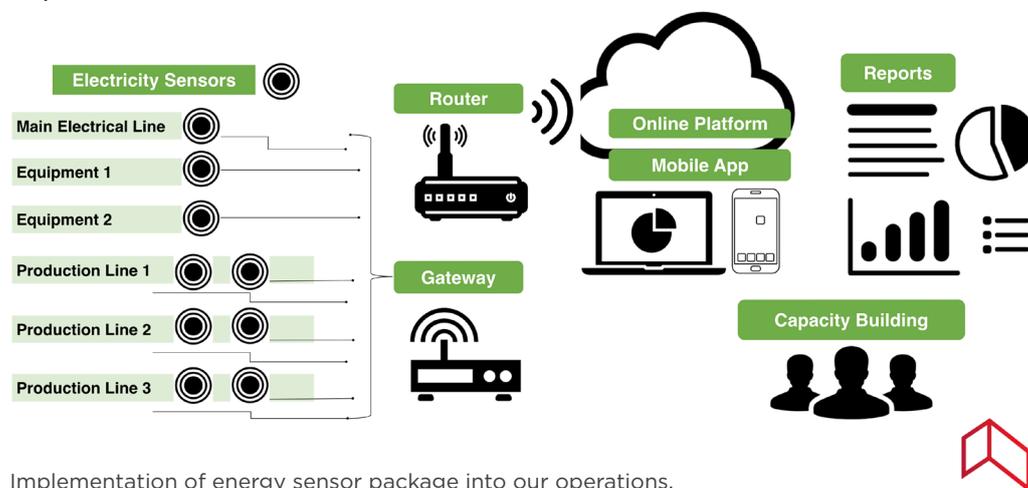
We support the Alliance for Bangladesh Worker Safety (the Alliance) and the Bangladesh Accord on Fire and Building Safety (the Accord) to improve safety conditions at garment factories in the country. 286 factories from the Alliance program completed the remediation plans. 654 factories from the Accord program completed at least 90% of the remediation actions recommended.

Goal 12 - Responsible Consumption and Production

We are committed to finding new solutions to enable responsible consumption and encourage sustainable supply chain practices and resource efficiency.

Offering Sustainable Sourcing Solutions

We are committed to sustainable sourcing and minimizing environmental impacts across our supply chain. Product of Global Brands utilized fabrics made from recycled bottles, 850,000 plastic bottles diverted from landfill, 35,700 tons of carbon emission avoided.



Implementation of energy sensor package into our operations.

Building Capacity on Resource Efficiency

We engage and support our suppliers to reduce their energy consumption through the implementation of energy sensor package into their operations. Up to 15% reduction of the factory energy consumption was reported from pilot sites.

Encouraging responsible consumption

Saint Honore Bakery introduced the 'Eco-friendly Cake Box', a box that converts into plates and spoons, replacing the need for additional disposable tableware. Printing of the paper box is with soy ink, in a bid to reduce environmental impact as well.



Eco-friendly Cake Box from Saint Honore Bakery.

List of Corporate Memberships & Key Collaborations

Corporate Memberships



Key Collaborations



Environmental Sustainability Committee

Awards & Indices





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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.