


UN Global Compact Communication on Progress 2018





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Left – A rooftop solar photovoltaic renewable energy system at Meiyume’s R&D facility located in Pathumthani province (Thailand). The facility was awarded LEED Platinum certification and electricity generated from the system provides up to 40% of the facility’s energy  p.24.

Middle - Knitwear made with upcycled yarn from 22 Factor, a project of Cobalt Fashion  P.25.

Bottom - Landing page of the WorkerApp, a mobile platform created by Li & Fung and the Fung Academy, to improve the lives of factory workers through technology and innovation  P.21.

Statement of Continuing Support

The Fung Group of companies (the “Group”) is pleased to publish its Communication on Progress for 2018. 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.

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.

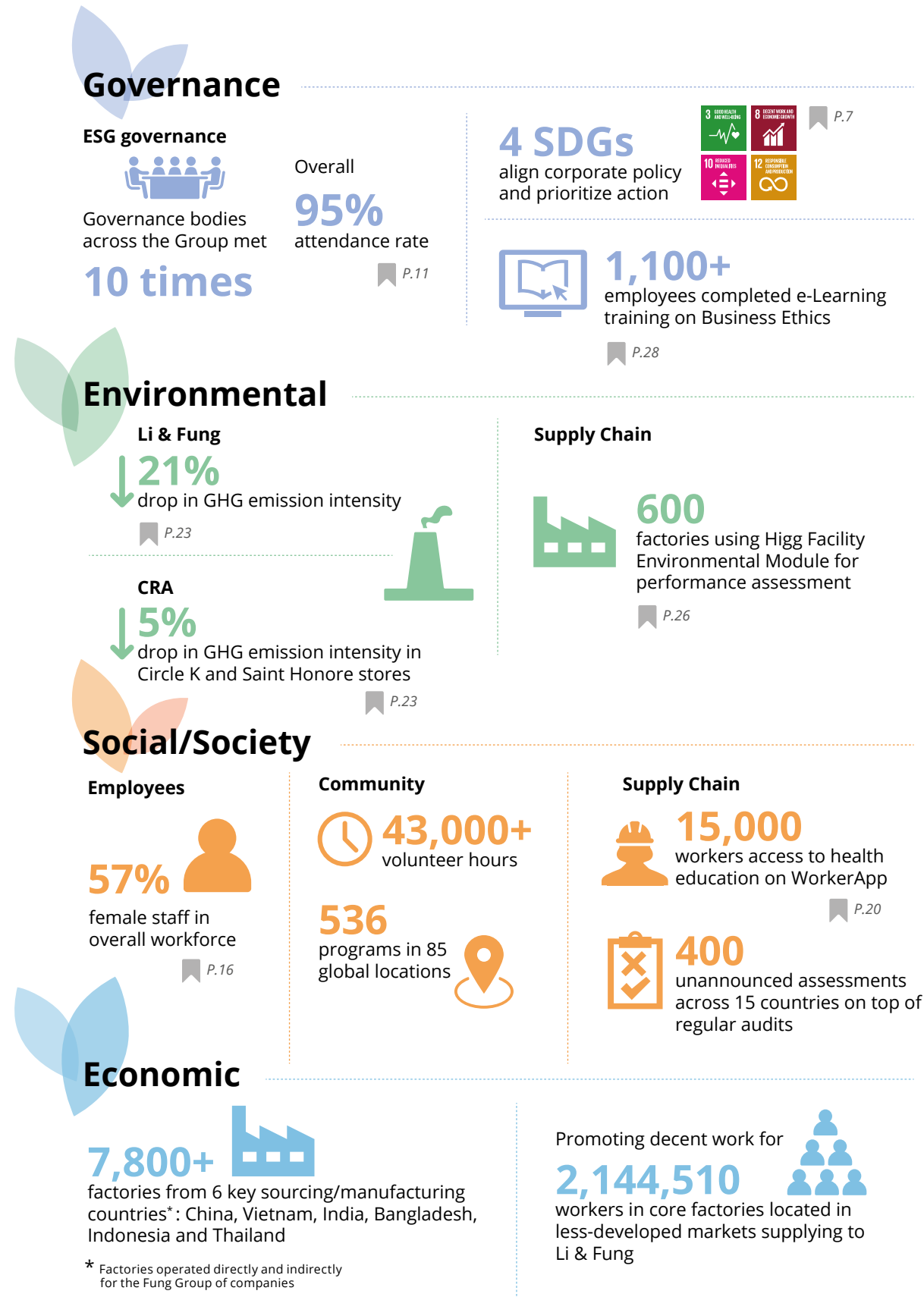
We believe the Global Compact principles and the Sustainable Development Goals (SDGs) are useful frameworks for collective action and collaboration, and we are committed to doing our part to promote inclusive and sustainable growth.

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.



Victor Fung
Group Chairman, Fung Group

2018 Highlights



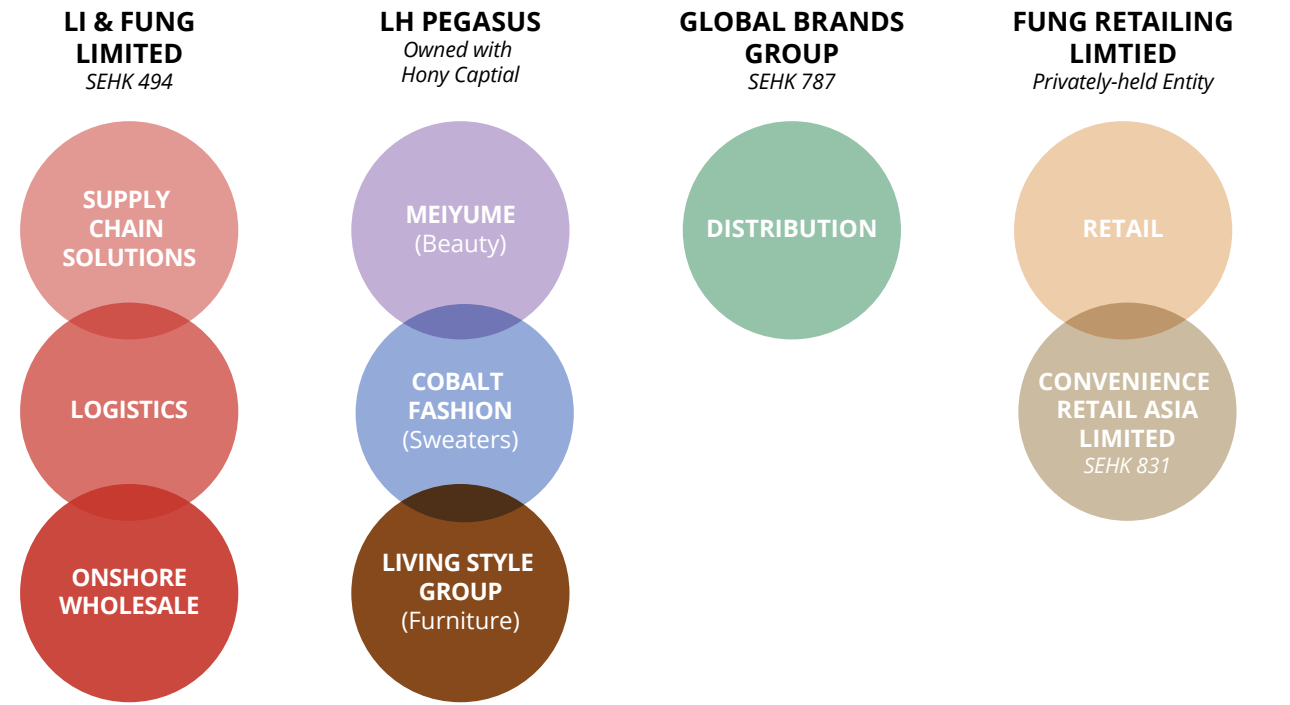
Fung Group of Companies

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. 2018 represents

the second year of its Three-Year Plan (2017 – 2019) with the 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 apparel, footwear and fashion accessories 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. In addition, Global Brands is the global leader in the brand management business through CAAGBG Global Brand Management Group.



The Group's retailing operations include a publicly-listed entity, **Convenience Retail Asia Limited** (CRA), which operates convenience stores, bakeries and a fast-fashion eyewear chain in Hong Kong, Macau and Southern China. The Group also has a number of privately-held retail businesses, including investments in **Toys 'R' Us Asia**, **Trinity Limited**, and **Branded Lifestyle Holdings**. The Group also operates three product verticals under LH Pegasus, a joint venture with Hony Capital, focusing on beauty products under **Meiyume**, sweaters under **Cobalt Fashion** and furniture under **Living Style Group**.

Privately, the Group also has a number of centrally managed entities which promote knowledge, learning, innovation and philanthropy for the Group. These include:

The Fung Academy, which focuses on building future capabilities of Fung Group and its key stakeholders through talent acquisition, leadership development and supply chain innovation.

Explorium, located in Shanghai and Hong Kong which is an innovation hub with the purpose of learning, experimenting and scaling new ideas.

Fung Business Intelligence, which tracks, analyzes and interprets market data of China on sourcing, supply chains, distribution, retail and technology to support the Group's strategic development.

Li & Fung Foundation, which aims to make lives better for a billion people along the supply chain and in the communities where employees live and work.

Victor and William Fung Foundation, which promotes leadership development through scholarships and fellowships, as well as thought leadership with think-tanks and tertiary education institutions.

In total, Fung Group employs approximately 39,900 people across 40 economies, with a total revenue of over US\$20.64 billion as of December 2018.

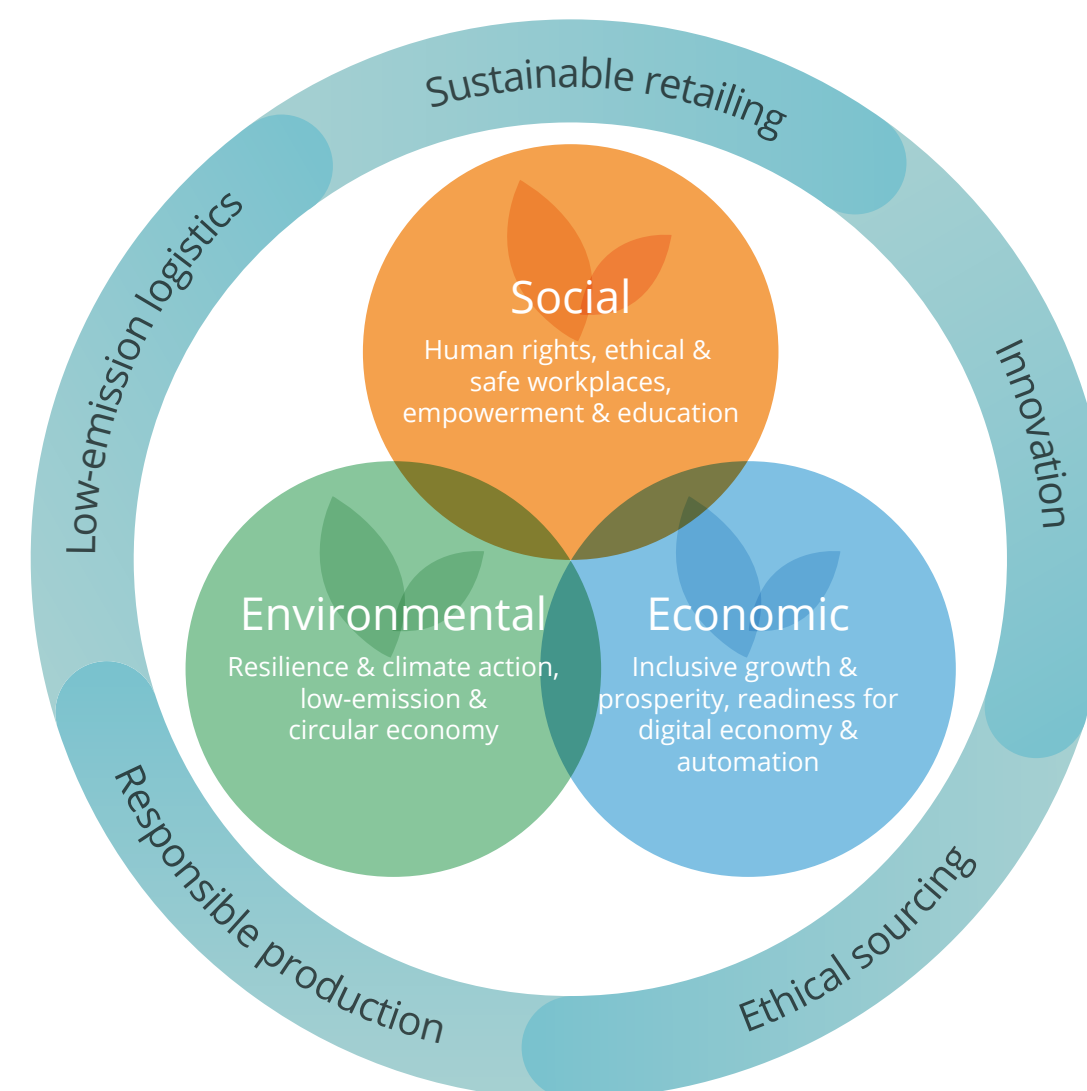
While our commitment to uphold the UNGC Principles and our approach to sustainability applies to the whole Group, the performance data in this report focuses primarily on the three publicly-listed entities of the Group: Li & Fung Limited, Global Brands Group Holding Limited and Convenience Retail Asia Limited.



Approaches to Sustainability

We believe we are an agent of change with the duty to positively contribute to the social, economic and environmental wellbeing of the communities in which we operate. These commitments are more important today than ever, as companies are confronted with intense technological disruption and market change, as well as growing calls to address inequality and environmental challenges across the world.

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 four key goals that most directly overlap with our business footprint and our leverage:



Fung Group's commitment to upholding internationally-recognized principles and supporting sustainability initiatives is driven by the Sustainability Working Group. The Working Group includes sustainability leaders from across our companies – representatives from the sustainability functions in each of the Group companies, compliance and risk management, corporate sustainability and compliance. They convene regularly to share sustainability trends and global best practices, build partnerships and

coordinate actions. Each of our companies integrate these initiatives into their 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 group through programs focused on fostering a sustainable supply chain, cultivating innovation, and building leadership as well as a culture of learning.

The Fung Group of companies operates one of the world's most extensive global supply chain networks for consumer goods. The Corporate Sustainability & Compliance team manages risk and compliance, while furthering sustainability in our supply chains. At Fung Group, we are committed to creating value for the communities where we operate, through engaging our global networks and partners to make positive impact to society and demonstrate our commitment to the UNGC Principles and SDGs. We help our colleagues to engage communities through the Li & Fung Foundation, by providing resources and support for them to contribute their skills and knowledge through volunteering work, raising funds and various social and environmental campaigns that support communities worldwide.

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

In this report, we highlight our policies and progress in 2018 in support of the UNGC Principles, and our approach to integrate the SDGs into our operations and supply chain partnerships.

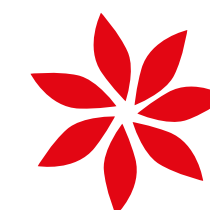
As a reader of this Report, you are critical to our success and continued growth. We look forward to your feedback. To further explore the disclosures and websites of our respective Group of Companies, click on the logos below for more information:

 **FUNG GROUP**

 **LI & FUNG**

 **GLOBAL BRANDS GROUP**

 **Convenience Retail Asia**



UNGC'S Ten Principles



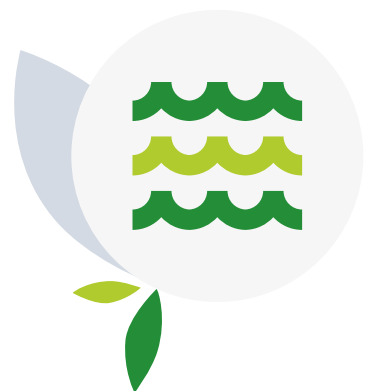
Human rights

- 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; and
- 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 Group and companies' Code of Conduct and Business Ethics requires all employees to embed in business operations the Ten Principles. Policies and key operating guidelines for addressing the code have integrated into our new business acquisition process and through our recruitment, training, performance assessment, disciplinary and grievance processes.

Fung Group's Code of Conduct and Business Ethics

Li & Fung: <https://www.lifung.com/wp-content/uploads/2018/03/LF-Code-of-Conduct-and-Business-Ethics.pdf>

Global Brands Group: <https://ir.globalbrandsgroup.com/corporate-governance/code-of-conduct-and-business-ethics>

Convenience Retail Asia: http://www.cr-asia.com/eng/business/code_of_conduct.pdf

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 and 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: <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

Convenience Retail Asia: Supplier Code of Conduct is shared with suppliers during the company's supplier qualification process.

Compliance against the code is assessed by the Group companies, external auditors and/or independent industry organizations. Suppliers are required to address 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 systemic zero-tolerance issues that have not been properly remediated are discontinued, and business is terminated with a responsible exit plan.





Sustainability Governance Structure

Our approach to managing sustainability is built upon a strong foundation of corporate governance. At Li & Fung Limited, the Risk Management Committee was established in 2001 and sustainability was formally incorporated into its mandate in 2011. Chaired by the Honorary Chairman, the committee provides recommendations to the Board on risk management and internal control systems, and reviews its practices on corporate responsibility and sustainability. The committee met four times in 2018 and discussed the following:

- Updates on matters related to our corporate responsibility and sustainability initiatives, compliance with our Code of Conduct and Business Ethics and Supplier Code of Conduct and overall supply chain management and partnerships
- Zero-tolerance issues that are violations of the Supplier Code of Conduct and remediation actions

- Risk mitigation strategy for modern slavery in the supply chain
- Revision of the Supplier Code of Conduct to address the UN Guiding Principles on Business and Human Rights

For details about the committee, its composition or operations, please refer to [Li & Fung's 2018 Annual Report](#).

At Convenience Retail Asia Limited, the CSR Steering Committee is responsible for identifying and reviewing sustainability risks and opportunities, recommending sustainability strategies to its executive management team, tracking performance and providing updates to senior management on the latest relevant sustainability matters. The chart illustrates the operations and focuses of the CSR Steering Committee. The Steering Committee supervises a Working Committee comprising four working teams: the Environment Team, the Social Team, the Training and Workplace Safety Team

and the Food Safety and Supply Team. Each team has subject matter experts from relevant business functions to monitor sustainability performance and offer recommendations for further improvement. In 2018, the Working Committee met on two separate occasions.

Partnerships for Sustainable Development

The Group has actively engaged with our industry partners to deepen the scale and impact of our supply chain sustainability programs. Below is a list of industry coalitions and organizations that our group of companies has been partnering with to drive our sustainable development programs.

Li & Fung has taken up the role as an advisory group member of the Organisation for Economic Co-operation and Development (OECD) initiative on Responsible Supply Chains in the Garment and Footwear Sector. The advisory group member has contributed to the publishing of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (Guidance). The Guidance establishes a common standard for supply chain due diligence to help companies in building up responsible and ethical supply chains.

Key Collaborations and Memberships of Fung Group Companies





The Global Fashion Agenda (GFA) is one of the apparel industry coalitions that is convening major fashion industry decision makers to address the environmental, social and ethical challenges of the sector. In 2018, Li & Fung actively engaged in setting GFA's CEO Agenda. The company's business leaders and sustainability executives supported and participated in the discussion of key issues our industry is facing, how innovation can drive sustainability performance and promote transparency, equality and worker empowerment and the need to build a circular economy. The company has been implementing programs according to the above eight sustainability priorities identified in the CEO Agenda. More details about sustainability programs that the Group has implemented will be discussed in subsequent sections.

Engaging Key Stakeholders

At Fung Group, engaging stakeholders is crucial to understanding the sustainability issues of concern to them. Li & Fung has established regular and open channels for engaging its key stakeholder groups throughout the year, as outlined below.

- Employees**
 - Annual conference, town halls, company intranet communications
 - Annual employee engagement surveys
- Customers**
 - Annual Voice of the Customer surveys
 - Face to face meetings
- Suppliers and workers**
 - Annual supplier conferences, meetings and trainings
 - Online vendor portal
- Investors**
 - Communication, briefings and investor conferences
 - Feedback through social media and email (ir@lifung.com)
- Industry partners**
 - Dialogue and meetings
 - Industry collaboration initiatives
- Non-governmental and community organizations**
 - Dialogue and meetings
 - Partnership and projects with the supply chain partners
- Government**
 - Through industry groups and direct dialogue
- Academia**
 - Partnership and projects with academic institutions
- Media**
 - Communications, meetings, press conferences
 - Feedback through email (media@lifung.com)

In 2018, Convenience Retail Asia Limited conducted a survey with internal stakeholders to determine material issues for shaping its sustainability roadmap. Results from the materiality assessment are summarized below and focus on product responsibility, employment and labor standards and the environment.

- Priority Issues**
 - Product Responsibility**
 - Product quality assurance and recall procedures
 - Customer data and privacy
 - Product and service related complaints
 - Intellectual property rights
 - Employment and Labor Standards**
 - A safe and healthy workplace
 - Employment system
 - Child and forced labour
 - Environment**
 - Electricity consumption and efficiency
 - Packaging material consumption and efficiency

Global Brands Group conducted a materiality assessment led by a third-party consultant in 2017 to engage its internal and external stakeholders in identifying material issues for the development of its 'Global Brands for Global Good' strategy. Priority issues identified from the materiality assessment are grouped into four aspects, employees, supply chain, the environment and community engagement.

- Priority Issues**
 - Employee Focus**
 - Career development
 - Diversity and inclusion
 - Employee wellbeing
 - Supply Chain Focus**
 - Safe and fair working conditions
 - Human rights and supplier management
 - Environment**
 - Raising awareness and climate action
 - Responsible consumption
 - Product responsibility
 - Community**
 - Employee engagement and giving back
 - Collaborating with stakeholders and partners

The material issues raised by our stakeholder groups during these regular exchanges, together with our actions, are reflected in this report.

Human Rights & Labor

Fung Group is committed to upholding internationally-recognized human rights and labor standards in our own operations and across our supply chains. We are proud to support the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the United Nations Universal Declaration of Human Rights, and we adhere to local laws and regulations in every jurisdiction where we operate. These principles form the foundation of the Group's human rights and labor policies, which also define our approach and priorities in deploying programs in our operations and across our supply chain. In this regard, the four priorities of equitable and ethical workplaces, occupational health and safety, empowerment and digital economy and responsible automation, guide our actions outlined below.

Equitable and Ethical Workplaces

Promoting fairness, respect and diversity for everyone in our operations and supply chain are core values of Fung Group. Our approach is to ensure equal treatment and opportunities for our colleagues in the workplace and to work towards eradicating forced and child labor in the supply chain.

Fung Group Companies - Gender by Employee Group

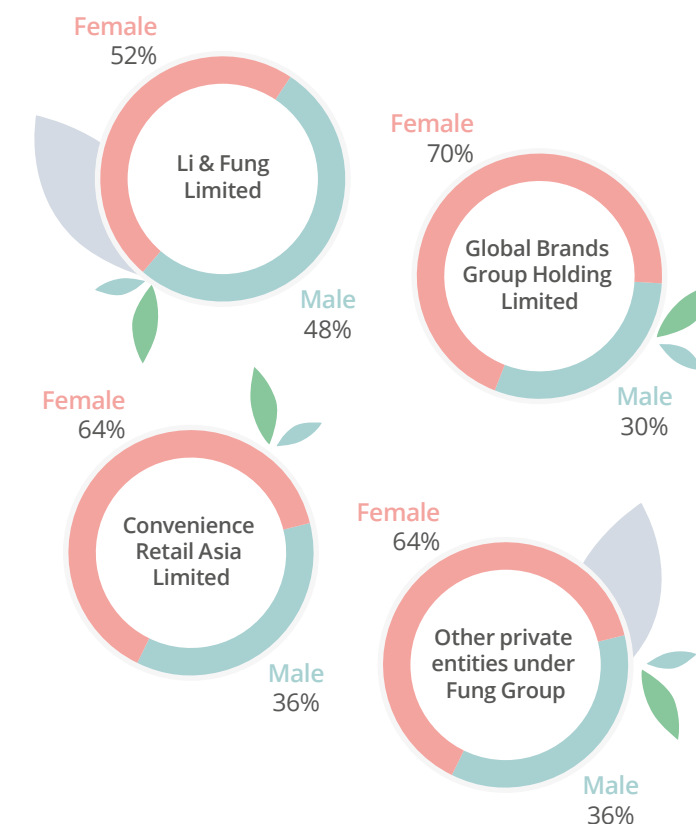
At Fung Group, we treasure the principles of equal opportunity and treatment, and fairness in accountability and rewards. Female employees represent 57% of our total workforce, and close to 40% of our management team.

Diversity & Inclusion

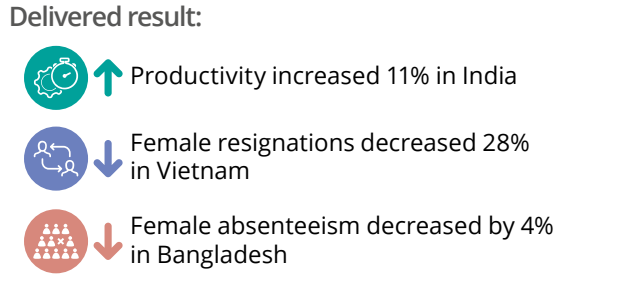
The Fung Group of companies operates in more than 50 countries with approximately 39,900 people. We are committed to building an inclusive workplace, where diversity of gender, ethnicity, thought, sexual orientation and ability are valued. The Group launched a Diversity & Inclusion initiative in 2017 to raise awareness, change perceptions and empower our colleagues to foster a collaborative workplace. In 2018, we partnered with a Hong Kong-based not-for-profit organization, Community Business, to conduct presentations that highlight lesbian, gay, bisexual and transgender awareness across our Hong Kong, Taiwan and China offices. Monthly articles and videos are shared covering topics on unconscious bias, mental health awareness, linguistic and cultural diversity and addressing sexual harassment and generational diversity in the workplace.

55
workshops on Unconscious Bias were conducted

400+
colleagues attended in 2018



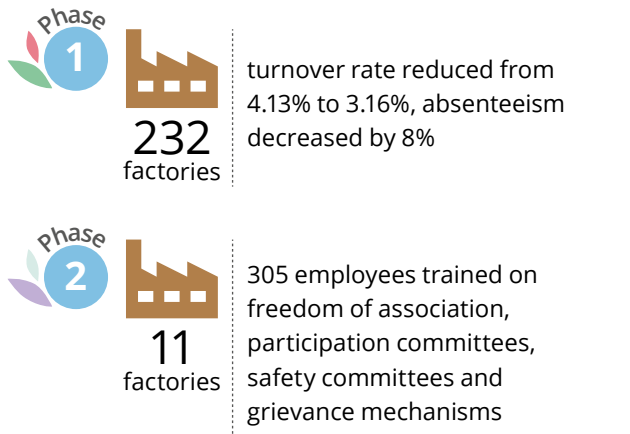
Li & Fung and Global Brands partnered with BSR to implement the HERhealth project in factories located in less developed countries. Factory workers, most of whom are female, were trained with the knowledge on nutrition, health and financial literacy to enhance their living conditions and livelihoods. Since 2014, we have:



Grievance Mechanisms

Effective mechanisms for information sharing, consultation, and negotiation is crucial in establishing an equitable workplace. Li & Fung and Global Brands worked together with ILO Better Work to establish industrial relations practices into 170 factories. Better Work’s advisory services begin with the development of a performance improvement consultative committee. The committee is comprised of workers and management representatives and serves as a platform to facilitate worker-management dialogue. With effective collaboration and consultation mechanism in place, it results in a more committed workforce and improved performance at the workplace.

The Social Dialogue program was developed in partnership between Li & Fung and Just Solutions Network to strengthen the relationship between factory workers and management through constructive dialogue for the factories in Bangladesh. Below is a summary of the results from phase 1 (Feb 2016 to Dec 2017) and progress of phase 2 (launched in July 2018):



In the post-training opinion surveys, 98 per cent of respondents indicated they learned new skills and knowledge that were useful to them in their work.

Eradicating Modern Slavery

At Li & Fung, the Risk Management and Sustainability Committee offers guidance on the company’s policies and actions relating to addressing modern slavery and human trafficking in the business and supply chain. The company’s Disclosure Statement on Modern Slavery is available [here](#).

In 2018, Li & Fung undertook a due diligence assessment of its supply chain locations and identified China and Bangladesh as the key risk countries for modern slavery. This is due to the geographical breadth and variation in types of exploitation, including forced overtime and debt-bondage. Some countries in Southeast Asia, Middle East and North

Africa were at a higher risk of forced labor because of practices related to the recruitment of foreign migrant workers. Li & Fung has joined forces with industry coalitions and external organizations to take action in mitigating these risks:



signed the pledge on responsible recruitment, committing the company to integrate responsible recruitment into its social compliance standards



utilized the “Apprise” mobile app to survey migrant workers in their own languages on their workplace conditions



partnered with Ethical Trading Initiative (ETI) to engage suppliers in China to pilot a new modern slavery digital education package targeting factory management. The tool is developed by Swedish-based training company, QuizRR

Eradicating Child Labor and Advocating for Children’s Rights

In 2018, Li & Fung developed a standard operating procedure to assist colleagues working regularly at production sites. Training was conducted for colleagues in Bangladesh, Guatemala, India, Portugal, Sri Lanka and Vietnam to enable them to communicate relevant code requirements to factories and assist them in identifying suspected cases of child labor while working onsite with suppliers.

Li & Fung and Global Brands worked closely with organizations specializing in the protection of children’s rights within the supply chain. Li & Fung partnered with the Center for Child Rights and Corporate Social Responsibility (CCR CSR) to train factories and suppliers in Bangladesh, China and other core sourcing countries to prevent child labor and hazardous forms of work for young workers. Global Brands worked with ChildHope in 2018 to launch a fundraising campaign to support projects that protect children from violence and injustice in key sourcing countries such as Bangladesh and India.

Occupational Health and Safety

Ensuring a healthy, safe workplace and enhancing the wellbeing of our colleagues and workers are core elements of our human rights and labor programs. We also adhere to stringent standards and requirements in delivering products that are safe for people and our planet.

Health and Safety Governance

We are committed to maintaining a healthy and safe environment in every part of our business operations. All Li & Fung logistics facilities have implemented comprehensive occupational health and safety management systems with fifteen distribution centers holding Occupational Health and Safety Assessment 18001 and Hazard Analysis Critical Control Points (HACCP) certifications. Promoting health and safety awareness is crucial to fostering a culture of safety in the organization, as well as regular talks and training on safe workplace practices, fire and emergency prevention drills being held across all of our facilities. In 2018, there were no fatalities in our workplaces globally.

Li & Fung served as an advisor to the Bangladesh Accord on Fire & Building Safety (the Accord) and the Alliance for Bangladesh Worker Safety (the Alliance) to improve safety conditions of garment factories. Results from

the Accord and the Alliance programs demonstrated the value of collective action in driving workplace safety. The company is also a partner of the Life & Building Safety (LABS) Initiative, in collaboration with IDH, The Sustainable Trade Initiative (IDH) and other brands and retailers. The LABS Initiative has developed a scalable program to mitigate fire and electrical hazards, and structural building safety risks in apparel and footwear producing countries in Southeast Asia.

Safe workplaces

192

supplier factories score

100%

on worker safety under the Accord and the Alliance programs in Bangladesh

Enhancing Employee Wellbeing

At Fung Group, we implement health and wellness programs globally to help our colleagues build awareness of their physical and emotional wellbeing. In 2018, we launched the 360 Wellness program with a series of Lunch and Learn sessions and internal e-newsletters to promote awareness of physical and mental wellness at the workplace as well as the skills to foster wellbeing and a positive mindset.



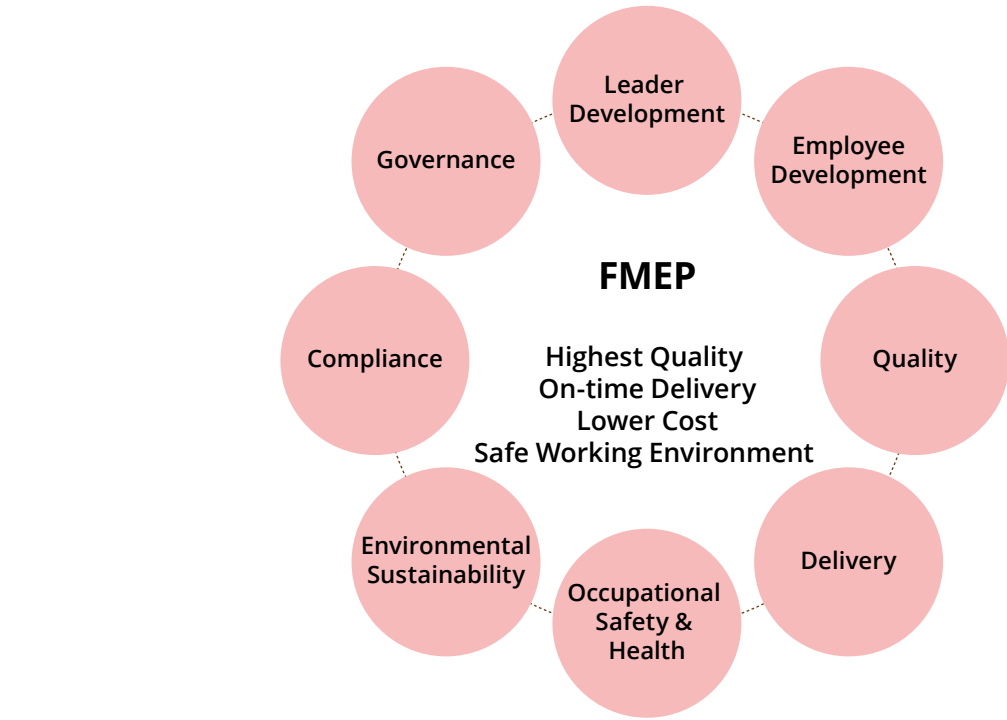
Food Safety Awareness Program

Product safety has always been a top priority at Convenience Retail Asia Limited. There are policies and management system frameworks in place to ensure that all products comply with regulatory safety and health requirements.



Empowerment

People are valuable resources and we partner with organizations to engage and support those across our global networks to develop the skills and knowledge that can improve livelihoods for themselves and their families.



Partnering to Build Talent for the Future

In 2018 Global Brands teamed up with other retail industry partners to support the 12-week mentorship program under the [New York Fashion Tech Lab](#) that supports women innovators in harnessing their entrepreneurship when running businesses. Explorium Hong Kong collaborated with nonprofit organizations such as Young Founders School to help high school students cultivate leadership and design-thinking skills through technology-focused boot camps, the goal being to co-create a more sustainable future.



Capacity Building Programs and Resources

At Fung Group, we have offered programs to equip our suppliers and workers with the skills to develop sustainable businesses and drive their continuous improvement. Our capacity-building programs covering 22 key subjects in labor practices, workplace health and safety, environmental performance, etc. In 2018, 273 training sessions were organized with a total of 6,353 participants. To learn more about our programs download the brochure from this [link](#).

Businesses today are facing stringent social and environmental regulations and pressure to lower cost. The Fung Manufacturing Excellence Program (FMEP) aims to empower Li & Fung suppliers to become more sustainable and competitive. The chart above illustrates the key components of FMEP. As part of FMEP, we launched an End of Line QC application for accurate, real-time data at the production lines. This application digitizes production data, improves efficiency and quality at the sewing line. Besides, the solution provides transparent records to support accurate calculations of piece rates for workers. The application is currently operational in seven factories across three countries.

Digital Economy and Responsible Automation

Fung Group is embracing the rise of digital technologies, the Internet of Things and big data to deliver technology-enabled programs and solutions that are contributing to the wellbeing of our people and the sustainable growth of the communities where we operate.



WorkerApp

The WorkerApp, created by Li & Fung and the Fung Academy, aims to improve the lives of factory workers through technology and innovation. It is a digital platform that enables two-way communication between workers and factory management and engages workers through surveys, announcements and educational content about finance, personal hygiene, wellbeing and other topics. It is designed to improve the quality of life and capabilities of workers. It also helps factory management better understand workers' needs and expectations of the work environment so that the factory can improve conditions and ultimately, workers' loyalty and satisfaction. The App was launched in 2018 initially

in Vietnam and India with content available in local languages. More languages will be available as we continue to roll out the app in other countries.



Vietnam

deployed to 10 suppliers, +15,000 workers, 26,000 screen views in just 6 weeks



Indonesia

invited 50+ suppliers in Oct 2018 to review and 12 suppliers on board

HERfinance Digital Wages Program

In 2018, Li & Fung took part in the Digital Wages program developed by BSR with support from the Bill & Melinda Gates Foundation for factory workers in India and Bangladesh. Implementing digital payroll at factories provides a transparent and secure process for the factory workers to receive wages correctly and on time. The workers, who are mostly women, benefit from ownership of a formal saving account and being able to save money from their payroll, thus reducing their vulnerability to unexpected economic shocks.

Mobile Learning Solution for Remote Workforce

Circle K, the convenience store business of Convenience Retail Asia Limited, launched a mobile learning solution that supports employee training in remote locations. The trial was initially rolled out in 2018 for Circle K colleagues and will be extended to its bakery and eyewear chains.



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 principles of pollution prevention and the management and implementation of environmental responsibility programs into our operations and supply chains as we work to mitigate global climate change. We will discuss further about our efforts around resource efficiency and climate action, as well as responsible manufacturing and circular economy, in this section.

Resource Efficiency and Climate Action

At Fung Group, we inspire and support our people to adopt good practices in protecting our environment. A highlight of our efforts in 2018 was our Sustainability Expo hosted by Explorium Hong Kong and the Li & Fung Foundation. The expo featured a short documentary produced by Hong Kong- non-profit organization, Eco Drive, to raise awareness about the single-use plastic crisis and to urge action in alleviating the problem. Over 220 colleagues and representatives of other companies and non-governmental organizations gathered for a panel discussion with sustainability experts to share good practices in reducing the use of disposable plastic in their daily lives.



Fung Group 2017-18 Environmental Data

	Li & Fung		Global Brands Group		Convenience Retail Asia	
	2017*	2018	2017**	2018	2017	2018
GHG scope 1 (tCO ₂ e)	4,434	7,337	350	119	2,888	4,206
GHG scope 2 (tCO ₂ e)	52,678	44,058	5,096	2,370	36,157	35,705
Electricity ('000kwh)	93,662	88,640	13,345	5,695	62,682	63,911
Water (m ³)	418,127	448,091	5,378	62,212	188,737	209,886
Paper (Reams)	212,964	306,758	29,763	2,611	-	-
Packaging materials (tons)	-	-	-	-	1,376	1,370

* Consumption and emission data in 2017 has been adjusted to reflect the company's continuing operations for consistent presentation.

** Due to the divestment of parts of the Global Brands operations on 30 October 2018, only those Global Brands owned and operated sites post divestment were included in this report. Water consumption for 2018 includes an estimation for all Global Brands full-time employees.

Environmental Footprint

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

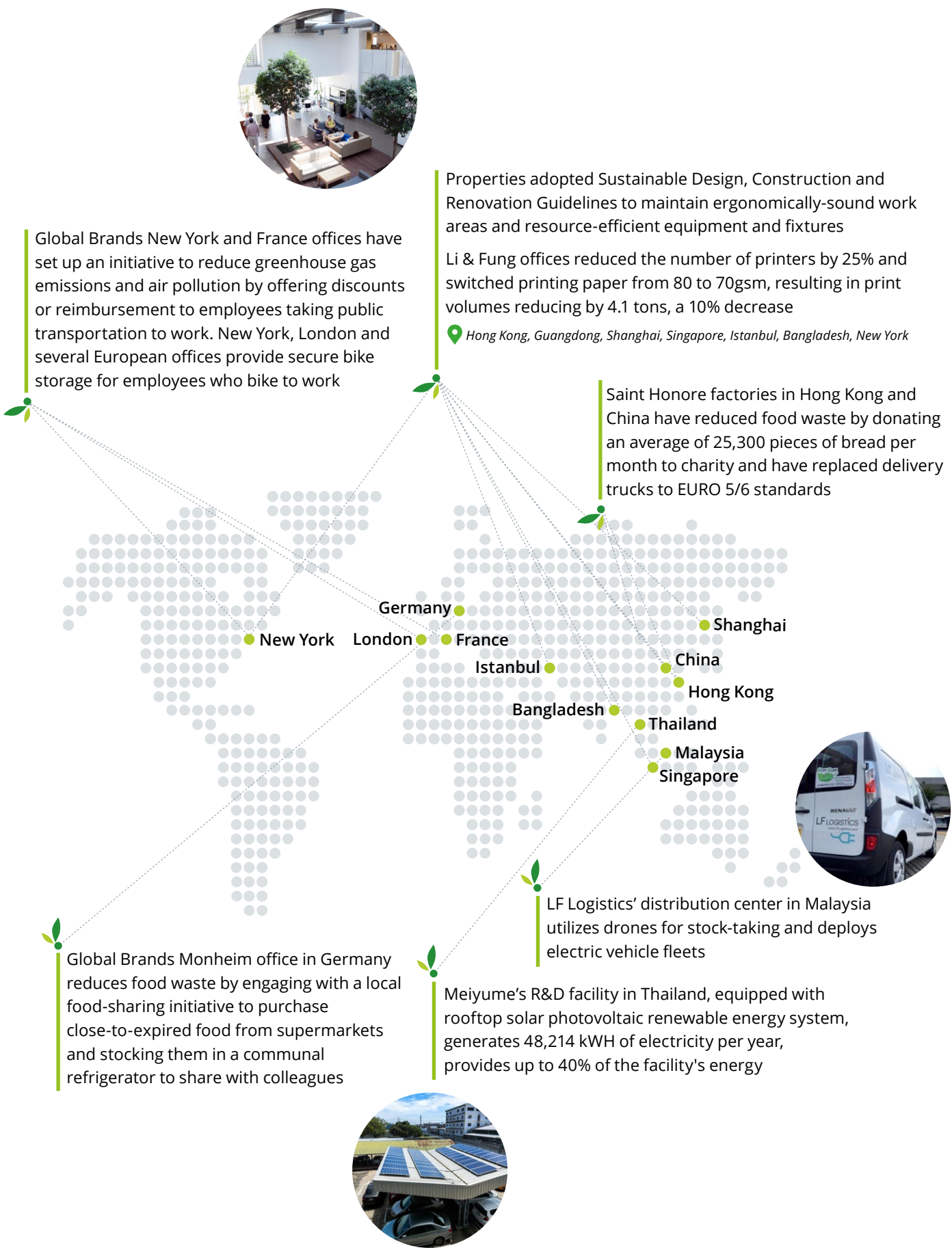
Total GHG emissions and electricity consumption at Li & Fung decreased in 2018. The increase in energy consumption as result of the expansion of the logistics business was offset by the consolidation of overall business activities. Increases of water and paper consumption was primarily due to the extended coverage of consumption data across its global operations and the expansion of the logistics business.

Total GHG emissions at Convenience Retail Asia Limited increased due to the rise in refrigerant consumption by air-conditioning systems and cold storage facilities from its operations. In the second half of 2018, production equipment was replaced with more energy-efficient models to reduce consumption.

Sustainable Workplace and Efficient Operations

Below are some of the sustainable workplace programs and good practices in reducing GHG emissions and minimizing waste to landfill that we have implemented across our network of operations.

Follow this link [here](#) to read more about the Fung Group of companies' footprint reduction initiatives

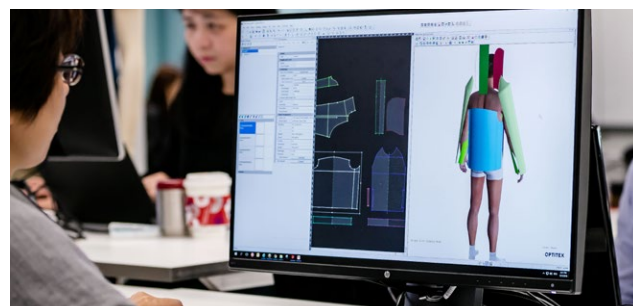


Responsible Manufacturing and Circular Economy

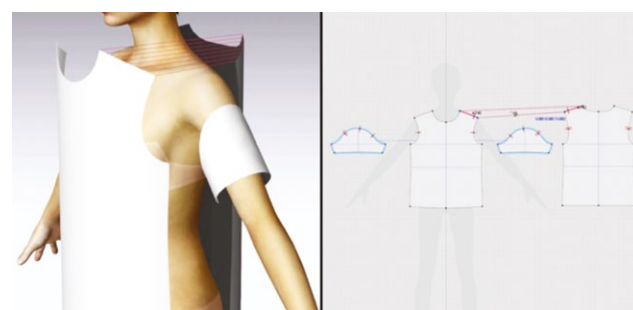
The Ellen MacArthur Foundation is the advocate to accelerate the transition to new business models that incorporate a circular economy. Fung Group is a member of the Ellen MacArthur Foundation's Make Fashion Circular initiative. Through this initiative, we collaborate with member companies who share the goal of transitioning the industry into a circular system. Our focus is to build the evidence base to promote innovative operating models that increase the reuse of clothing, with a focus on the scalability potential of these models.

The Fung Group of companies is committed to minimizing environmental impact across our supply chain. Sustainable product design, responsibly-sourced materials and well-managed manufacturing operations are all areas of opportunity.

3D Virtual Design & Sampling



Li & Fung, Global Brands and Cobalt Fashion are utilizing 3D virtual design to support their customers to quickly share concepts, perfect designs, select materials and tweak product attributes with



significantly lower environmental impact through reducing wastage in product sampling and production and minimizing the frequency of travel and transportation. Cobalt Fashion rolled out a virtual lab in 2018 that can create virtual catwalks and build up an entire digital library of yarn, stitches and silhouette to support its customers' requirements.

Sustainable Sourcing and Circular Textiles



In 2018, Cobalt Fashion launched 22 Factor, a brand that evolved from a sustainable sourcing project in 2017. Knitwear from this project utilizes luxury, dead-stock yarn salvaged from factories to create premium quality product at a fraction of the price. Cobalt Fashion partnered with 3H handicrafts, a social enterprise that offers migrant women the opportunity to make a living by producing handicrafts using salvaged yarns.



Photo courtesy Fabscrap



Global Brands worked with FABSCRAP and Green Zone in its US offices to collect fabrics scraps, samples and post-consumer textile waste for reuse and recycling. More than six tons of material collected from these offices were diverted from landfills in 2018.

Measuring Factory Performance

Li & Fung and Global Brands utilized the Higg Facility Environmental Module, developed by the Sustainable Apparel Coalition, to assess environmental impact in their supply chains. Over 600 factories were connected through the tool to share their environmental performance data in 2018.

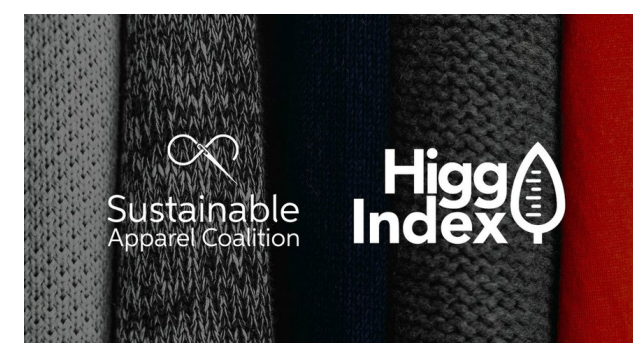


Photo courtesy Sustainable Apparel Coalition

Chemical Use Reduction

Li & Fung partnered with GoBlu to implement a digitized platform to manage chemical inventory in factories. The new program simplified tracking and identified areas for improvement and enhanced transparency of chemical management across the supply chain. Twenty factories in China and Bangladesh have been assessed in 2018 and the outcome from the pilot enabled visibility of their total chemical inventories and identification of priority chemicals for substitution.



Photo courtesy GoBlu

Energy Sensor Program

In 2018, the Fung Group of companies piloted a "smart factories" project in several factories in China and India. Energy sensors that were installed into the pilot factories reduced electricity consumption by 15% in China and 3% in India with a payback period of less than 12 months.



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 globally.

Code of Conduct and Business Ethics

Fung Group's Code of Conduct and Business Ethics is the keystone for all operations to operate based on the principles of 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.

Whistleblowing Policy

Implementation of the Code's guidance on anti-bribery and anti-corruption is supported by the Whistleblowing Policy established for 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.

Supplier Code of Conduct

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.

Business Ethics and Integrity Workshops

A Business Ethics and Integrity Education Working Group was established to further the Group's corporate compliance culture and work ethics through training and raising awareness across our operations. In 2018, the Working Group organized six instructor-led Business Ethics and Integrity workshops for

over 130 global senior leaders. These senior leaders then conducted sharing sessions with their teams to cascade the values of proper business ethics. The group has launched an e-Learning module on the Code of Conduct and Business Ethics that provides guidance for our colleagues in making ethical judgements when they are working with suppliers and customers. Over 1,100 employees have completed the training since the program launched in November 2018.

110
face-to-face workshops
were conducted

reached ≥
4,038 
colleagues participated
in 2017 - 2018

91
certified trainers in
22 locations

Shanghai &
Shenzhen hubs
Taiwan
Hong Kong
Southeast Asia
USA 

Business Ethics and
Integrity workshops
for senior leaders

6 sessions in
Hong Kong
(Jun - Aug)

133
global senior leaders
participated









Code of Conduct & Business Ethics
eLearning Module











incorporated into online orientation
program for new employees onboarding








UN Sustainable Development Goals

Fung Group welcomes the opportunity to support the Sustainable Development Goals (SDGs). We focus our attention and action on four global goals that are particularly aligned with our business, given our operational and geographical footprint. Our efforts towards these four goals and our priorities in accomplishing the Group’s sustainability roadmap are summarized in this section.

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact	Key Programs
<div> </div>	Equitable and ethical workplaces	<p>Promote equality, diversity and inclusion in our workplaces and factories through the work with industry partners and non-profit organizations to create ethical and fair environments in our operations and our supply chain. We dedicate our efforts towards eradicating modern slavery and child labor and hazardous forms of work for young workers in the supply chain</p> <p>Effective communication and grievance mechanisms are crucial for organizations to achieve sustainable growth. We work with partners to develop programs that enable better communications between employees and management.</p>	<p>Diversity and Inclusion program to raise awareness and empower our colleagues to foster collaborative workplaces  P.16</p> <p>HERhealth Project to enhance the capacity of female factory workers in less developed countries  P.17</p> <p>Better Work and Social Dialogue programs to strengthen worker-management communication  P.17</p> <p>Mekong Club Apprise mobile app to support migrant workers  P.18</p> <p>QuizRR digital education package on modern slavery for factories in China.  P.18</p> <p>CCR CSR programs to train suppliers and factory workers in China and Bangladesh to prevent child labor  P.18</p>

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact	Key Programs
<div> </div>	<p>Occupational health and safety</p> <p>Empowerment and capacity development</p>	<p>Good health is fundamental to enabling our employees and those of our business partners and suppliers to live fully and reach their greatest potential. We advocate for safe and healthy workplaces as well as promoting and raising awareness of occupational health and safety at our operations and in the supply chain.</p> <p>Adhering to stringent standards and requirements in the delivery of products that are safe and of consistent quality is crucial to best serve our customers and our planet. We uphold product responsibility through the sourcing of sustainable materials, responsible manufacturing and product safety standards.</p> <p>Engage and support the people that work with us in our operations and the supply chain in developing the skills and knowledge to improve both their own and their family livelihoods.</p>	<p>Comprehensive occupational health and safety management system adopted for logistics operations.  P.18</p> <p>The Alliance and the Accord programs to improve workplace safety for factories in Bangladesh  P.18</p> <p>360 Wellness program to raise awareness of physical and mental wellness at the workplaces  P.19</p> <p>Saint Honore bakery chain adopted high standard of quality management and food safety system  P.19</p> <p>Programs to cultivate skill sets for women and students to co-create sustainable future  P.19</p> <p>Capacity-building programs to equip suppliers and workers with the skills to develop sustainable businesses and drive continuous improvement  P.20</p>

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact	Key Programs
<div></div> <div></div>	Digital economy and inclusive growth	<p>Our work in this area reflects the belief that improving lives start with poverty alleviation. Through our business we support job creation for people in emerging markets and economic growth, helping provide decent work and protecting human rights.</p> <p>Through empowering our people in utilizing technology, they can build their capacity and be ready in this era of the digital economy.</p>	<p>WorkerApp mobility solution to facilitate communication between workers and factory management  P.21</p> <p>HERfinance digitalizing payroll for workers in India and Bangladesh  P.21</p> <p>CRA e-Learning platform for employees at remote workplaces  P.21</p>
<div></div>	Resource efficiency and climate action	<p>Commit to finding new solutions to enable responsible consumption and encourage sustainable supply chain practices and resource efficiency.</p> <p>By developing smart factories and digitalizing the supply chain, we strive to foster responsible consumption practices across our global network of operations.</p>	<p>Environmental management system to measure the Group's environmental footprint  P.23</p> <p>Rooftop solar panels providing 40% of energy needs through renewable energy at Meiyume's Thailand facility  P.24</p>

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact	Key Programs
<div></div>	Responsible manufacturing and circular economy	<p>Through industry-wide stakeholders collaboration and joint action to create sustainable business models that incorporate circular economy principles.</p> <p>Provide sustainable design and manufacturing solutions. Prioritize materials that are from sustainable sources to reduce our impact on the environment.</p>	<p>3D design and virtual sampling to minimize wastage from product sampling  P.25</p> <p>Cobalt utilizes dead-stock yarn to manufacture premium quality knitwear  P.25</p> <p>Global Brands set up collection points in their offices to collect fabric scraps, collecting six tons of material for reuse and recycling  P.25</p> <p>Higg Facility Environmental Module (Sustainable Apparel Coalition) to monitor factory environmental performance  P.26</p> <p>Digitized chemical inventory platform in factories to reduce use of priority chemicals  P.26</p> <p>Energy sensor program to help factories reduce electricity consumption  P.26</p>

Awards and Indices

Li & Fung



Platinum Award



Silver Award for the
Servicing and Trading sector



Certificate of Excellence 2017/18
(Hong Kong Management Association)



Convenience Retail Asia



Meritorious Family-Friendly
Employers 2017/18
(The Family Council of Hong Kong)



Charter on External Lighting
戶外燈光約章

Platinum Award
(The Environment Bureau, HKSAR)



Platinum Award



Qualifications Framework Top Employer



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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.