

UN Global Compact Communication on Progress 2019



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Left – Li & Fung’s Logistics business formed a strategic partnership with leading bespoke solar developer and asset management company, NEFIN.

Middle - Meiyume’s Collection brand’s genderless ‘You Do You’ campaign

Bottom - Upcycled yarn from Cobalt Fashion

Statement of Continuing Support

The Fung Group of Companies (the “Group”) is pleased to publish its Communication on Progress for 2019. This report outlines the steps that we have taken to promote the United Nations Global Compact (UNGC) Principles within our Group of Companies, as well as throughout our supply chains and among our stakeholders.

Fung Group remains 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 our communities. These commitments will be more important than ever as the world seeks to recover from the global COVID-19 crisis, which is expected to strain public resources and exacerbate inequalities, especially in the developing world where many of our operations are based.

Considering these challenges, we believe our businesses must use the Global Compact principles and the Sustainable Development Goals (SDGs) to drive collective action and collaboration, and we are committed to doing our part to promote an inclusive and sustainable recovery in the months ahead.



Victor Fung
Group Chairman, Fung Group

2019 Highlights

Safe and Fair Workplaces

Company

- Over 9,000 colleagues from Li & Fung, Cobalt, Living Style and Global Brands Group trained to **end modern slavery**
- Fung Group launches its updated **Global Anti-Discrimination and Anti-Harassment Policy**
- Meiyume's Collection brand launches **genderless 'You Do You' range of make-up**

Communities and the Supply Chain

- Convenience Retail Asia (CRA) donated 400,000 safe-to-eat surplus food products to charitable organizations **fighting hunger**
- The Li & Fung Foundation **"Make Life Better" volunteer recognition program** has funded 483 entrepreneurs, 85% of whom are female, across 40 countries
- **Updated Fung Group Supplier Code of Conduct** with strengthened provisions on human and labor rights, including inclusion and diversity and ending modern slavery
- Cobalt and Meiyume both launched a **Responsible Recruitment Policy** for suppliers to ensure all workers are recruited fairly

Environmental Resilience and Sustainable Products

Company

- Fung Group joined forces with 32 leading fashion companies to sign the **Fashion Pact**, committing to reducing the environmental impact of the fashion industry
- Li & Fung **reduced absolute waste generation** by 46% and **increased its capture of recyclables** by 16%, over a baseline year of 2017, for operations in Hong Kong.

Communities and the Supply Chain

- Fung Group staff spent over **5,100 hours on environmental activities**, including collecting waste from coastlines and cityscapes, and building firebreaks in national parks.
- Fung Group is one of the largest adopters of the Higg Facility Environmental Module (FEM) with **1,023 suppliers reporting environmental data**
- Meiyume identified over 50% material footprint reduction opportunities for its plastic products since launching the **Magic Drawer Life Cycle Assessment (LCA)**
- **Fung Group Business Ethics and Integrity Program** has reached 25 Locations and over 7,300 colleagues through digital learning since its inception in 2017
- Li & Fung received an **award for Sustainability Excellence** at the Hong Kong Corporate Governance Excellence Awards 2019 led by the Chamber of Hong Kong Listed Companies (CHKLC). The award recognizes our Sustainability Strategy and longstanding commitment to enhancing our integration of responsible environmental, social and governance (ESG) practices in our global operations

Anti-corruption

Fung Group of Companies



Fung Group is a multinational group headquartered in Hong Kong whose companies are engaged in supply chain solutions, logistics and the distribution and retailing of consumer products.

The Group's trading and logistics operations are operated by the publicly-listed¹ **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. The Company aspires to build the Supply Chain of the Future to help customers navigate the digital economy and 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 its joint venture, CAA-GBG

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**.

LI & FUNG LIMITED
Privately-held Entity

SUPPLY CHAIN SOLUTIONS

LOGISTICS

ONSHORE WHOLESALE

LH PEGASUS
Owned with Hony Capital

MEIYUME (Beauty)

COBALT FASHION (Sweaters)

LIVING STYLE GROUP (Furniture)

GLOBAL BRANDS GROUP
SEHK 787

OWNED & LICENSED BRANDS

BRAND MANAGEMENT CAA-GBG

FUNG RETAILING LIMITED
Privately-held Entity

CONVENIENCE RETAIL ASIA LIMITED
SEHK 831

KIDS & TOYS

FASHION APPAREL & OFF-PRICE RETAIL

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

The Fung Academy, which equips the Fung Group for business success by supporting it to develop knowledge and strategies needed to compete in a rapidly changing global business environment. The Academy also operates **Fung Business Intelligence**, Fung Group's knowledge bank and internal think tank, which provides research and consultancy on sourcing, supply chain and retail industries in China and globally to support the Group's strategic development.

Explorium, located in Shanghai and Hong Kong, aims to foster learning, experimentation and innovation on the opportunities and business models that will shape the future of retail and supply chains.

Li & Fung Foundation is dedicated to engaging all Fung Group colleagues by encouraging awareness and efforts towards improving physical and mental wellbeing, environmental resilience and supporting local communities.

Victor and William Fung Foundation, which promotes leadership development through scholarships and fellowships, as well as thought leadership with thinktanks and tertiary education institutions. The Victor and William Fung Foundation nurtures future world leaders by supporting university students to experience different cultures and environments early in their careers. Across 31 universities worldwide, the Fung Scholars Program supports more than 6,000 Fung Scholars and Fung Fellows.

In total, Fung Group employs approximately 34,000 people across over 50 countries, with a total revenue of over US\$17.7 billion as of December 2019. 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.

¹ Effective May 2020, Li & Fung was privatized and delisted from the Hong Kong Stock Exchange. The Fung Family retains 60% of the voting shares.

Fung Group Sustainability Strategy

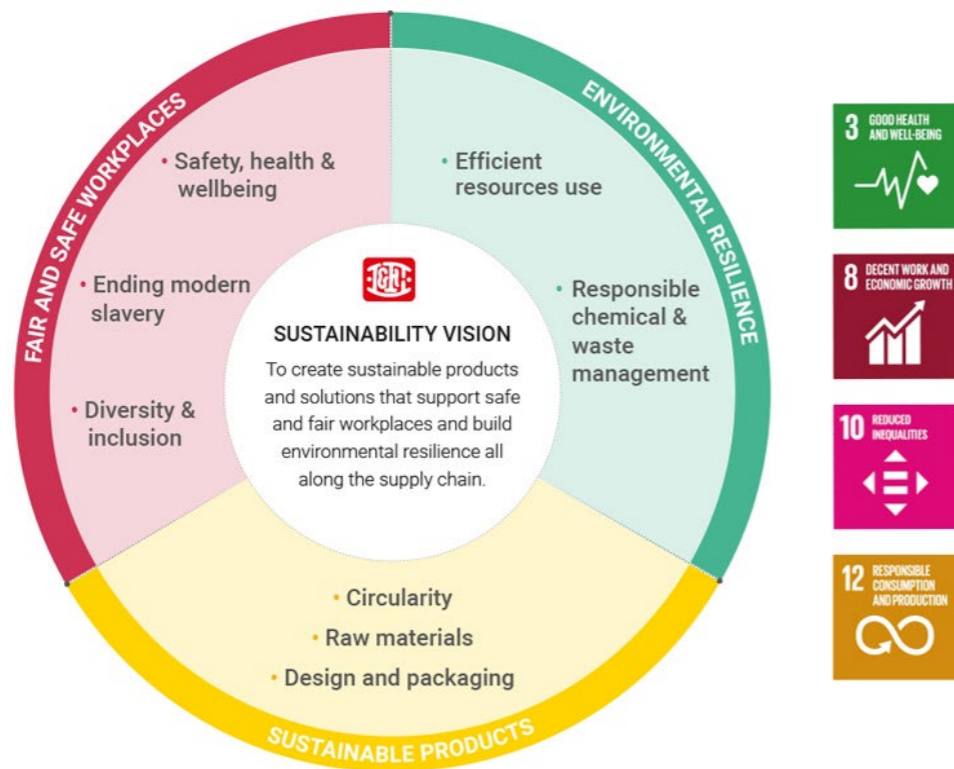
Sustainability is a business and global imperative.

Our aim is to build sustainable supply chains that support healthy economies, societies and ecosystems, contributing to the global effort to build an inclusive, sustainable future for all.

To achieve this, we create sustainable products and solutions, support safe and fair workplaces and build environmental resilience all along the supply chain. We do this through our business strategies and the operations of our companies, and by engaging with our business partners and in communities where we operate.

We have been a signatory to the UN Global Compact since 2002 and have aligned our strategies with its 10 Principles and the 2030 United Nations Sustainable Development Goals (SDG), particularly in the four areas where we can have the greatest impact: Good Health and Wellbeing, Decent Work and Economic Growth, Reduced Inequalities and Responsible Consumption and Production.

We oversee a range of initiatives that bring our customers, industry partners and communities together to effect change in our three focus areas: **safe and fair workplaces; environmental resilience and sustainable products and solutions.**



Approaches to Sustainability

Our approach to managing sustainability is built on a strong foundation of corporate governance, which operates both at the Fung Group and company levels.

Fung Group

In 2019, Fung Group increased resources dedicated to sustainability to enhance our collective sustainability vision, shared goals and knowledge at the group level.

Key activities in 2019 included:

- Raising awareness on key sustainability trends, organizing employee engagement events and facilitating topic-specific working groups to foster a stronger sustainability culture
- Creating opportunities for companies to showcase their sustainability leadership and implement innovative solutions through industry partnerships
- Supporting companies to accelerate their sustainability strategies in alignment with the Fung Group values and key industry commitments
- Facilitating collaboration and knowledge sharing across functions and companies with senior-level representation from across Fung Group. In 2019, the Sustainability Committee met four times and discussed topics ranging from health and safety, inclusion and diversity, responsible recruitment, circular economy, climate change, and sustainable materials.

Li & Fung Limited

At Li & Fung Limited, Risk Management & Sustainability Committee was established in 2001. 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 2019 and topics included sustainability, overall supply chain management and partnerships, including the risk mitigation strategy for modern slavery, as well as the

revision of the Supplier Code of Conduct to reflect the latest changes in applicable laws and regulations, international standards, customer values and requirements.

Convenience Retail Asia Limited (CRA)

The CRA Board of Directors (“the Board”), the Group’s highest governing body, is ultimately accountable for leading and overseeing sustainability of the Group. The Group’s Corporate Social Responsibility (“CSR”) Steering Committee (the “Committee”), headed by the Chief Executive Officer and the Chief Operating Officer, has been set up to oversee the Group’s strategies, policies, initiatives and performance on sustainability matters, principally in the areas of employment, community involvement, product responsibility and environmental protection. In 2019, the Committee had two meetings to review the overall strategies, goals, plans, actions and results.

The CRA Working Committee coordinates sustainability activities across the Group, supported by four working teams formed within various business units, namely the Environment Team, the Social Team, the Training and Workplace Safety Team, and the Food Safety and Supply Team. It reports to the Committee on a regular basis its actions, performance and achievements. The Committee is thus able to make relevant recommendations to the Board and facilitate the decision-making process.

Global Brands Group (GBG)

GBG’s Board of Directors has responsibility for sustainability oversight. Sustainability strategies are set centrally, while implementation is carried out through the business in coordination with the Social & Environmental Affairs team, which reports to the CEO.

Engaging Key Stakeholders

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

We participate in a range of initiatives that bring our customers, industry partners and communities together to effect change in our three focus areas : [safe and fair workplaces](#) ; [environmental resilience](#) and [sustainable products and solutions](#).

Examples of our strategic industry and community partners are highlighted 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)



Global Fashion Agenda (GFA)

Since 2016, Fung Group has been a strategic partner to the Global Fashion Agenda (GFA). We support this leading organization in its mission for the fashion industry to prioritize sustainability. We also contribute supply chain expertise to GFA's thought leadership, including input to the Pulse of the Fashion Industry performance updates, and the CEO Agenda that sets priorities to align the industry towards a more sustainable future. In turn, we leverage these materials to evolve our sustainability strategy.

We also support GFA's Policy Engagement work, which advocates for practical, effective policy solutions to accelerate the shift to a circular economy.

Fung Group leaders engage in GFA's annual Copenhagen Fashion Summit, which convenes industry leaders and experts to set bold sustainability goals and drive solutions forward. The 2019 Summit began with a call to action that led to the launch of the Fashion Pact in August 2019.



We engaged in GFA's Copenhagen Fashion Summit to set bold sustainability goals and drive solutions forward.

Fung Group: Launch of CEO Agenda 2020 at World Economic Forum in Davos

In January 2020, Fung Group convened with fashion industry leaders at the World Economic Forum in Davos, Switzerland for the launch of GFA's [CEO Agenda 2020](#).

Alongside the launch, GBG COO Patrick Ho joined a roundtable with key players from industries, such as logistics, transportation, software and chemicals, who play a critical part in fashion's supply chain and are important stakeholders in securing a sustainable future. The discussion highlighted the need to "Redesign Growth" for a business model that supports economic prosperity while reducing reliance on natural resources. Patrick emphasized the importance of the supply chain community working together to find solutions that are deeper and wider in impact, and the role Fung Group can play.



The Fashion Pact



Fung Group joined forces with 32 of world's biggest fashion and textile brands to sign The Fashion Pact in August 2019 at the G7 Summit. The signatories have committed to improving sustainability standards in the fashion industry by taking action to stop global warming, restore biodiversity and protect the oceans.

Business Environment Council

As a signatory to the Business Environment Council (BEC) Low Carbon Charter, Fung Group contributes to the collective commitment towards Hong Kong's decarbonization and the targets and strategies in support of the Climate Action Plan 2030+ of the HKSAR Government. Fung Group is a signatory to the Charter along with 67 other major companies in Hong Kong.



Ocean Conservancy Arctic Shipping Pledge

Li & Fung's Logistics business signed the Arctic Shipping Corporate Pledge in October 2019, launched by Nike and the Ocean Conservancy. As a signatory, Li & Fung is one of 20 consumer goods and shipping logistics companies that commit to not intentionally ship goods through the Arctic Passage, an environmentally-sensitive route.



We are one of 20 consumer goods and shipping logistics companies to commit to not intentionally ship goods through the Arctic Passage.

Ellen MacArthur Foundation (EMF)

Fung Group has been part of EMF's Make Fashion Circular initiative since its launch in 2017. The initiative drives collaboration and innovation between industry leaders and other stakeholders to create a new textile economy aligned with the principles of a circular economy — one that ensures clothes are made from safe and renewable materials, new business models increase their use, and old clothes are turned into new.

ILO and IFC's Better Work program

Li & Fung and Global Brands Group engage closely with Better Work, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC), to support improved social impact in global supply chains. Better Work offers a comprehensive program for its member factories that includes an in-depth social compliance assessment with regular advisory services to support the sustainable improvement of key findings.



Better Work's program engages closely with workers throughout its assessment and advisory process. Li & Fung and Global Brands Group had a total of 192 factories in the supply chain engaged with the Better Work program in 2019.

Ethical Trading Initiative (ETI)

ETI is an alliance of companies, trade unions and NGOs working collaboratively through projects, research and advocacy to drive the application of ETI's principles in international supply chains. Headquartered in the UK, ETI is one of the leading multi-stakeholder initiatives operating in the area of human rights at work. Its Base Code is an internationally-recognized set of labor standards founded on the conventions of the ILO. A critical aspect of ETI membership is reporting on progress in implementing the ETI Base Code and principles across the supply chain, so that ETI can monitor progress over time and ensure continuous improvement. As a new Foundational member of ETI, Li & Fung submitted its first report in January 2020, graduating to full membership.

Mekong Club

Fung Group is a member of the Mekong Club, a Hong Kong-based, non-governmental organization committed to ending modern slavery within the private sector by raising awareness and providing practical tools to address the problem within supply chains.

Center for Child Rights and Corporate Social Responsibility (CCR CSR)

Fung Group is a member of CCR CSR, a Hong Kong-based organization that specializes in helping companies improve their direct and indirect impact on children and accordingly, further responsible businesses and supply chains. CCR CSR works in a growing number of Asian countries including China, Hong Kong, Myanmar, Vietnam, Bangladesh, Laos, Malaysia and Indonesia.



UNGC Principles in our Policies and Processes

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.

The Fung Group of companies is committed to the UNGC's Ten Principles and has integrated the framework into both our companies and supply chains.

Fung Group's Code of Conduct and Business Ethics

The Fung Group and Group Companies' Code of Conduct and Business Ethics (Code) requires all employees to embed the Ten UN Global Compact Principles along with other key international standards into business operations. Policies and key operating guidelines (KOGs) for addressing the Code are integrated into all our existing and new business acquisitions and through our recruitment, training, performance assessment, disciplinary and grievance processes.

The Code also requires all employees to work with suppliers to ensure human and labor rights are upheld throughout the supply chain. For ease of reference and as a constant reminder, the Code and its accompanying policies and guidelines are available on One Family, our internal communications platform, and externally on our website. Compliance with the Code is overseen by Human Resources (HR), Legal and/or Corporate Governance divisions.

Li & Fung and LH Pegasus: <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/ethics.pdf>

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

The Li & Fung Anti-Bribery Policy (the Policy) clearly outlines Li & Fung's zero-tolerance approach to bribery and commitment to complying with all applicable anti-

bribery laws. The Policy covers the following:

- Scope of persons or companies and extended to persons or companies who perform services for Li & Fung or on its behalf anywhere in the world
- Forms and examples of bribery
- Bribery laws concerning public officials
- Reporting channel for any suspected or actual cases of bribery
- Consequences for employees committing bribery, which include dismissal or termination of employment, and criminal sanction by governmental authorities (such as imprisonment and unlimited fines in many jurisdictions) if applicable

Li & Fung's Business Ethics and Integrity Education Working Group, established in 2017, includes members from Learning & Development (L&D), Legal, Corporate Governance, Digital Learning, HR and business units. Following the workshops held for senior leaders in 2018, Li & Fung introduced a train-the-trainer program, enabling the "Do the Right Thing" workshops to reach over 4,000 colleagues of all levels in 25 locations in 2019. With the accompanying e-learning module, Li & Fung has enabled colleagues to enhance their skills and knowledge for putting our policies into practice. By the end of 2019, 7,367 colleagues completed the digital learning resource, nearly doubling the 4,038 colleagues that were reached in 2018. Mandatory business ethics training will continue to be rolled out, along with refresher courses, to reinforce high expectations for ethical behavior in all business activities.

Since 2017, the Business Ethics & Integrity Program has reached:

Over **4,000 colleagues** via workshops in



25 locations

10,927 colleagues through



digital learning

Fung Group's Supplier Code of Conduct

Managing supply chain risk starts with the Fung Group Supplier Code of Conduct (Supplier Code), which is adopted and branded by most Fung Group companies (Li & Fung Trading, Global Brands Group, LH Pegasus).

In 2019, new provisions were added to the Supplier Code related to responsible recruitment and ending modern slavery, diversity and inclusion as well as more stringent requirements related to chemical management and the treatment of hazardous wastewater.

The principles enshrined in the Supplier Code are based on the Ten UN Global Compact Principles along with other key international standards, including the International Labour Organization (ILO)'s 1998 Declaration on Fundamental Principles and Rights at Work, as well as local law. The Supplier Code is available to suppliers in multiple languages and its accompanying standards incorporate guidelines on social, environmental and security standards, as well as practical resources for implementing standards within factory operations. All suppliers must commit to adhere to these minimum standards as a condition of doing business with us.

We provide regular onboarding training to new factories and our colleagues so they understand the key principles of the Code and the consequences of non-compliance. In 2019, Li & Fung hosted 51 training sessions in key sourcing countries for colleagues and suppliers. The training highlights all key changes, their potential impact and requirements for adherence.

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 a 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.

Li & Fung and LH Pegasus: https://www.lifung.com/wp-content/uploads/2019/10/LF_CodeOfConduct_2Oct2019.pdf

Global Brands Group: https://s3.amazonaws.com/content.stockpr.com/globalbrandsgroup/files/pages/about/corporate-responsibility/GBG_Supplier_Principles.pdf

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



Safe and Fair Workplaces



We are committed to creating safe and fair workplaces and work closely with our suppliers, industry peers and external partners to achieve this. We focus our initiatives on three pillars - Safety, Health and Wellbeing, Ending Modern Slavery, and Inclusion and Diversity, which are driven by policies and programs targeting our people and our operations, our supply chain and our communities.



Safety, Health and Wellbeing – Our People and Operations

Fung Group - Health & Wellbeing Campaign

In 2019, the Li & Fung Foundation and the Inclusion & Diversity teams organized a four-month Health & Wellbeing campaign to bring different topics including fitness and nutrition, mental health, emotional wellbeing and health awareness to colleagues and to highlight the importance of each to their daily life. The campaign also featured a variety of interactive and educational activities, including a panel session on health and wellbeing, slow yoga lessons and professional health consultations, which enabled our colleagues to benefit from learning how to incorporate mindfulness into their lives and to relax and meditate in the workplace. Over 45 health and wellbeing events were held across the globe.

Convenience Retail Asia - Mobile Learning Solution for Remote Workforce

Convenience Retail Asia launched an e-learning platform to provide easy-to access training opportunities to employees at different locations. The platform enables colleagues to attend courses, learn in a more interactive and interesting way and record

their learning progress. An e-course for Circle K store employees was first introduced, sharing knowledge about the company’s background, store operations, safety procedures, point-of-sale system and the app “OK Stamp IT”. For Saint Honore store employees, e-courses to share knowledge on festive products and the customer service experience were provided. Going forward, the platform will offer new e-courses on topics including sustainability and whistleblowing, with interactive elements for staff.

Safety, Health and Wellbeing – Communities and Supply Chain

Fung Group - Empowering and Educating Workers through the WorkerApp

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

The WorkerApp², created by Li & Fung and the Fung Academy and launched in 2018, aims to improve the lives of factory workers through technology. It is a free,

digital platform that enables two-way communication between workers and factory management and engages workers through surveys, announcements and educational content about finance, gender, personal hygiene, wellbeing and other topics. 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.



To date, we have successfully launched the LF WorkerApp to 57 factories in four production countries, reaching over 20,800 workers in English, Vietnamese, Bahasa, Hindi, Kannada, Tamil and Bengali. The app aims to help factory management engage workers through surveys, announcements and educational content on health, safety and productivity topics. Key achievements in 2019 include:

- Number of average monthly active users in 2019 has increased by 433% over 2018
- Partnered with MasterCard to offer financial literacy lessons to workers using the app, accumulating over 3,000 views in the last three months
- Enhanced the app’s functionality by adding survey tools and dashboards to allow for enhanced communication between workers and management

Li & Fung - Social Dialogue Project

In partnership with Just Solutions, Li & Fung developed the Social Dialogue 2.0 program to strengthen the relationship between factory workers and management through constructive dialogue. Running since 2018 in 20 factories in Bangladesh, it builds on the success of the first version of the program, which yielded a reduction in employee turnover rate to 3.16% from 4.13%, a decline in absenteeism by 8%, and 96% positive feedback from participants.

Training has since been provided to over 700 participants that aims to evolve the dialogue a step further by creating an atmosphere of trust between employees and management. Social Dialogue 2.0 will run through to November 2020 to help ensure the benefits of social dialogue are realized in accordance with the Bangladesh Labor Act and Labor Rules. An impact assessment is planned for 2020 to review the progress made by the participating factories.

Li & Fung – Worker Safety in Vietnam and Bangladesh

Li & Fung is a founding member and sits on the steering committee of the Life & Building Safety Initiative (LABS), an industry-driven initiative to mitigate preventable fire, electrical and structural building safety risks in key apparel and footwear producing countries. The Sustainable Trade Initiative (IDH), facilitates the establishment and operation of LABS in targeted countries to work towards a harmonized safety standard for apparel and footwear factories.

Since August 2019, Li & Fung has supported IDH’s rollout of the program in Vietnam to both mitigate risk and encourage a safety mindset within factories. It includes an initial safety assessment to identify risk and provide factories with a clear, timebound CAP, and access to a safety hotline.

² Effective July 2020, the WorkerApp has been transferred to Elevate Global Limited.

Li & Fung also worked closely with the Alliance for Bangladesh Worker Safety (The Alliance) to conduct detailed engineering inspections in the areas of structural, electrical and fire safety to assess risk at factories in our supply chain and support the remediation of issues in alignment with the industry.

The Alliance completed its mandate in 2018, with a majority of factories, including 118 in Li & Fung's supply chain, having fully remediated identified critical issues. In 2019, Nirapon was launched to support the ongoing industry effort to conduct safety monitoring and training of suppliers and to oversee helpline activities. As a Nirapon member, Li & Fung supports the organization's ongoing efforts towards sustainable solutions that ensure worker safety is prioritized.

Li & Fung worked closely with the Accord on Fire & Building Safety in Bangladesh (The Accord) throughout its term. While the Accord's initial tenure in Bangladesh finished in May 2018, Li & Fung continues to offer on-the-ground support to factories in the Accord program.

Convenience Retail Asia - Fighting Hunger and Reducing Food Waste

Convenience Retail Asia's Saint Honore has established a program to donate all surplus safe-to-eat food products to various charitable organizations fighting hunger in Hong Kong, including Foodlink Foundation, Feeding Hong Kong and the Women Service Association. In 2019, 400,000 units of bread and packaged cakes were donated through this program, which supports feeding those in poverty in local communities and also reduces unnecessary food waste.

End Modern Slavery and Child Labor

Fung Group – E-Learning on Modern Slavery

In January 2019, Fung Group developed an e-learning training to educate colleagues on modern slavery. The e-learning takes around 25 minutes to complete and addresses key concepts of modern slavery, including risk indicators and best practices for prevention and remediation. It was rolled out to all apparel and footwear sourcing teams as mandatory training. The e-learning is available in English and Chinese, and will be translated into Bengali.



Over 9,000 colleagues from Li & Fung, Cobalt, Living Style and Global Brands Group completed the e-learning on modern slavery, with further roll-out planned for 2020.

Ethical Trade Initiative (ETI): Modern Slavery Working Group and Learning Map

As a member of the ETI, Fung Group companies gain access to the expert knowledge and support from ETI's dedicated Modern Slavery Strategy Unit, which covers emerging risks and best practice solutions. As part of the working group, Fung Group provided input to the ETI's response to the UK Government's public consultation on proposed changes to the Modern Slavery Act (2015), which followed the 2019 independent review of the Modern Slavery Act.

In November 2019, as a part of ETI's "Ethical Recruitment as Prevention of Involuntary Work" project, three Fung Group companies (Li & Fung, Cobalt and Meiyume) piloted a Learning Map with various resources, including China Recruitment Practice Survey Findings, Guidelines on Ethical Recruitment and Forced Labour in China, and videos related to modern slavery. In China, and videos related to modern slavery. The Learning Map is easily available to suppliers via their mobile phone and over 170 suppliers of all three companies have accessed the training content to date.

Mekong Club – Apprise Audit and Virtual Due Diligence

One tool we are using to enhance our due diligence is the Apprise platform, developed by the Mekong Club and the United Nations University Institute in Macau (UNU). It is an innovative voice app that enables more workers to be engaged during an audit in a safe, effective and anonymous way. During a typical factory audit, the auditor has limited time to interview workers. There may also be confidentiality concerns from workers, or language barriers. This is even more challenging in the engagement of migrant workers. Apprise uses a mobile app to ask workers questions in their local language via a headset, which has been specially developed to uncover red flags for forced labor in line with the ILO indicators³.



In 2019, the app was further enhanced to include additional data analysis features and four more languages (bringing the total number of available languages to eleven). Li & Fung tested Apprise in 22 factories in Bangladesh, Malaysia, Thailand and Vietnam with more Fung Group companies set to test it in 2020.

Fung Group - Responsible Recruitment Policy

One of the greatest drivers of modern slavery in all economic sectors is the exploitation of migrant workers occurring at the hands of some unscrupulous recruitment agencies and/or labor brokers. Abusive recruitment practices, including a worker's payment of excessive recruitment fees and related costs, are the most common entry point for modern slavery. In 2019, the ILO issued General Principles and Operational Guidelines for Fair Recruitment stating that companies should include "human rights due diligence assessments of recruitment procedures and should address adverse human rights impacts with which they are involved." In addition, Li & Fung and Global Brands Group, along with 140 other brands, retailers and suppliers, are signatories to the [American Apparel and Footwear Association \(AAFA\) Commitment to Responsible Recruitment](#).

In line with these commitments, Li & Fung, Global Brands Group and LH Pegasus updated the Supplier Code of Conduct to include stronger provisions on responsible recruitment and drafted a policy to ensure that Responsible Recruitment is implemented across their businesses and supply chains.

³ ILO indicators of Forced Labour (2012): https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf

In 2019, Fung Group also partnered with the NGO Verité to organize a two-day training for factory staff in Taiwan. 16 factories from Li & Fung and Meiyume attended the workshop to learn about the common risks and challenges in third-party recruitment and the employment of foreign migrant workers, and shared experiences and best practices on how to improve visibility and minimize risk in the recruitment process.



Center for Child Rights and Corporate Social Responsibility - Advocating for Children's Rights and Ending Child Labor

Fung Group signed a memorandum of understanding with the Center for Child Rights and Corporate Social Responsibility (CCR CSR) to embed child rights throughout our business to prevent and remediate child labor in the supply chain.

Li & Fung's Miles division supported CCR CSR's Child Friendly Spaces program in 2019, collaborating with two factories in China that employed a high percentage of migrant worker parents. The project created a childcare room inside the facility and CCR CSR helped to identify and train the childcare providers. The program was a win-win; parents worked knowing that their children were in a safe environment, children had the opportunity to spend their summer vacation close



to their parents and factory owners had a happier and more productive workforce.

In 2019, Fung Group started working with CCR CSR to develop an e-learning to raise the awareness of key staff on child rights and child labor prevention and remediation, which will be finalized in 2020. Fung Group companies also worked with CCR CSR to distribute "Summer Preparedness" leaflets to suppliers on the risk of child labour, particularly in the summer months. The leaflet is available in Chinese, Vietnamese, Bangla, Burmese and Bahasa Indonesian.

For non-compliances that involve underage workers, we work in partnership with CCR CSR to develop responsible remediation plans that are in the best long-term interests of the child and which consider the educational, social and economic needs of any child concerned. Child labor remediation is usually accompanied by in-factory responsible recruitment training for factory management. Training increases factories' awareness of, and ability to prevent, child labor from occurring. Through this multi-layered approach, we support sustainable management practices to prevent underage recruitment.

Global Brands Group - ChildHope

To support global communities, Global Brands Group raised funds for its ongoing partnership with ChildHope, an organization providing access to education and basic healthcare to over 72,000 children globally, including those in many of our key sourcing countries such as Bangladesh and India. GBG offered financial support and clothing donations to a Grambangla Unnayan Committee project in Bangladesh that ensures child, adolescent and female waste pickers are equipped with knowledge and skills to help improve their lives and their health. Additionally, through trivia nights, raffles, sample sales and a charity swim, our global offices raised funds, including a matching donation from the Li & Fung Foundation.

Inclusion and Diversity

The Fung Group of companies operates in more than 50 countries with approximately 39,900 people.

As a global business, it is critical to understand, embrace and operate in a multicultural world – both in our own operations and in the supply chain.

We are committed to building an inclusive workplace, where diversity of gender, ethnicity, thought, sexual orientation and ability are valued

Fung Group – Global Inclusion & Diversity



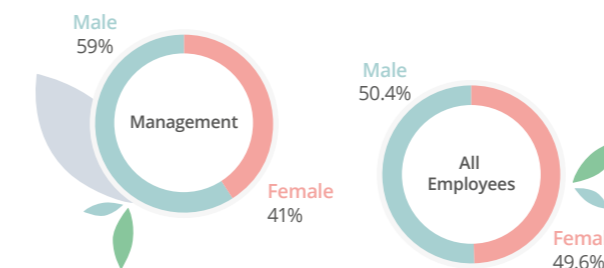
A refreshed campaign emphasizing inclusion was introduced in 2019 to focus on involving and respecting the differences in people, ideas and cultures

Launched in July 2017, our Global Inclusion and Diversity (I&D) initiative emphasizes our culture of respect for all individuals and of valuing our differences and similarities. Our objective is to educate and create awareness among our colleagues, creating a collaborative working and learning environment.

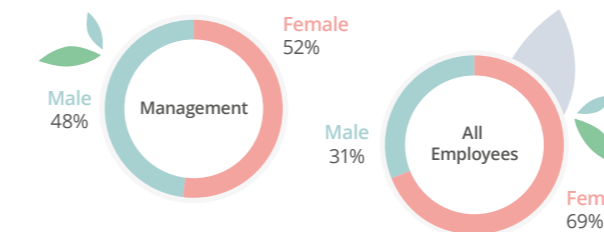
As Fung Group continues to learn and evolve on this journey and recognizing that an inclusive workplace is a precondition to furthering diversity, a refreshed campaign emphasizing inclusion was introduced in 2019 to focus on involving and respecting the differences in people, ideas and cultures. Highlights in 2019 include:

- A **Global Anti-Harassment & Anti-Discrimination Policy** was renewed with training for HR teams and compulsory e-learning modules for all managers and employees. You can follow this link to read our [anti-harassment and anti-discrimination policy](#)
- **31 "I&D Ambassadors"** across the world came together to communicate and diligently advance our journey and build our practices of I&D

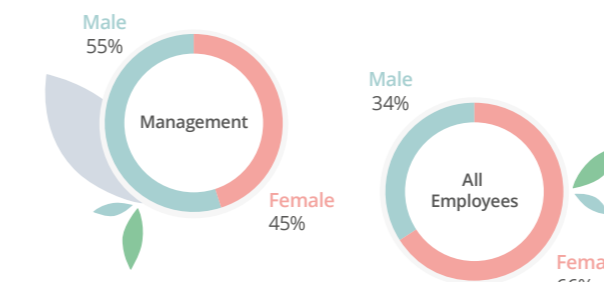
Li & Fung



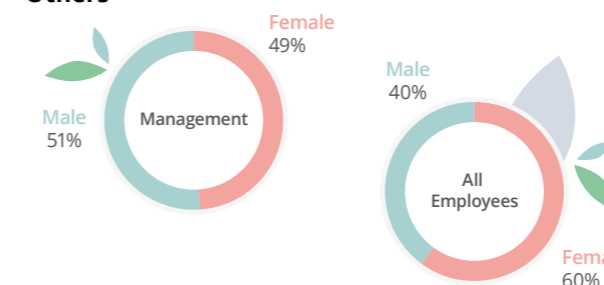
GBG



CRA



Others



- **Ongoing monthly articles** on our intranet, OneFamily, accompanied by informative videos to foster an environment of learning and open communication about I&D. In 2019, we covered issues such as International Women's Day, Black History Month, Health Awareness, Pride Month and Emotional Wellbeing
- Over 60 workshops engaging 1,000 employees on **"Unconscious Bias"** to open the doors of communication
- Introduced **LGBT+ Inclusion workshops** with pilot sessions in our Hong Kong, Shenzhen and Shanghai offices

Li & Fung - Skills Development Program in Bangladesh

In collaboration with the Li & Fung Foundation, Li & Fung developed a program to support Dhaka-based contract cleaners. Mostly young men from disadvantaged communities, the curriculum is focused on improving English language skills and providing training on the business, etiquette, health & safety and life skills. The aim of this program is to support participants, enabling them to complete their education and gain greater career opportunities.



Fung Group - Funding for Seng Girls Vocational Training School

In Qinghai China, nomadic tribal beliefs are deep-rooted and being born a girl is widely considered to be penance for wrongdoings in a previous life. Many girls are orphaned or abandoned and end up in poor conditions where they are badly treated. Even though education is available for many of them, it is not a realistic option. Over US\$275,000 has been raised by Fung Group colleagues, including a matching donation from the Li & Fung Foundation, to support a brighter future for girls at the Seng Girls Vocational Training School.

Global Brands Group - partnership with Ellevate

Global Brands has partnered with the Ellevate Network, an organization of professional women focused on helping each other grow and succeed in their careers. Through this partnership, nearly 100 female GBG employees became Ellevate members, giving them access to various professional development tools and resources, including a 12-week peer mentoring program.



Environmental Resilience

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 integrated the principle of pollution prevention into our operations and supply chains and we responsibly manage our environmental footprint as we work to mitigate global climate change.

We will discuss our initiatives for resource efficiency and climate action, as well as responsible emission and waste management in this section.



ENVIRONMENTAL RESILIENCE

- Efficient resource use (energy, water, materials)
- Responsible chemical, emission and waste management



Efficient Resource Use – Our four walls Fung Group - Our 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. The table below outlines performance against key environmental metrics for Li & Fung, Global Brands Group and Convenience Retail Asia.

Fung Group 2018-19 Environmental Data

	Li & Fung			Convenience Retail Asia			Global Brands Group		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
GHG scope 1 (tCO ₂ e)	4,434	7,337	8,327	2,888	4,206	5,898	350	119	325
GHG scope 2 (tCO ₂ e)	52,678	44,058	55,544	36,157	35,705	38,353	5,096	2,370	3,774
Electricity ('000kwh)	93,662	88,640	99,398	62,682	63,911	66,326	13,345	5,695	9,341
Water (m ³)	418,127	448,091	497,952	188,737	209,886	181,140	5,378	62,212	6,965
Paper (Reams)	212,964	306,758	171,333	-	11,650	8,760	29,763	2,611	6,388
Packaging materials (tons)	-	-	-	1,376	1,370	1,193	-	-	-

Li & Fung – GHG Footprint

Scope 1 comprises emissions from the consumption of diesel and petrol by company-owned vehicles, natural gas for heating and of refrigerants by chillers. Scope 2 emissions arise from purchased electricity.

In 2019, Li & Fung’s electricity consumption and GHG emissions increased in absolute quantities and intensities over 2018 and its baseline year of 2017. The increases are primarily a result of the substantive expansion of the Logistics’ business and an overall increase in both the number of locations entering data into the online environmental management system and the capture of resource consumption data.

Given these shifts, Li & Fung did not achieve its Three-Year Plan intensity reduction targets of 10% for both electricity consumption and GHGs emissions, despite ongoing investments in efficient equipment, technologies, systems and vehicular fleets, and initiatives to support behavioral change.

Li & Fung reduced absolute waste generation in 2019 by 46% and increased the capture of recyclables by 16%, over a baseline year of 2017, for operations in Hong Kong. In addition, Li & Fung is investigating the substantive challenge of capturing GHG emissions along its supply chain and Logistics business’ distribution network, with the aim of reporting Scope 3 emissions and preparing to set Science-based Targets.

In 2019, Li & Fung’s Logistics business formed a 15-year strategic partnership with leading bespoke solar developer and asset management company, NEFIN, to set a new benchmark for sustainability. NEFIN has over a decade of expertise in solar development and is currently developing artificial intelligence solutions to monitor and manage renewable energy assets more efficiently and effectively. This collaboration with NEFIN involves the installation of a solar photovoltaic (PV) system on the rooftop of LF Logistics’ headquarters, the LiFung Centre in Shatin,

showcasing 336 pieces of shingled modules together with monitoring and control systems. It will produce an estimated 145,000 kWh per annum of electricity to the grid, which will avoid approximately 86.6 tonnes of carbon dioxide equivalent per year that would have been emitted from local energy generation. This is equivalent to planting 4,165 trees a year!²



Global Brands Group – GHG Footprint

Scope 1 emissions are direct emissions from owned or controlled sources like natural gas combustion onsite for heating. Scope 2 emissions are indirect emissions from the generation of purchased energy. All locations over which Global Brands has operational control on the last day of the current fiscal year are captured in the GHG Scope 1 and 2 accounting.

Operational control, as defined by the standards of the GHG Protocol, is present in locations where Global Brands has the full authority to introduce and implement its operating policies at the operation.^[1] For locations where Global Brands was unable to acquire all utility invoices, the company either extrapolated or used intensity factors from the United States Energy Information Administration (US EIA) Commercial Buildings Energy Consumption Survey (CBECS)^[2] to estimate energy use.

Global Brands will use FY2020 as a baseline moving forward for all scope 1 and 2 emission goals. A baseline was not previously established due to the organization's significant evolution over the last several years⁴.

Convenience Retail Asia (CRA) – GHG Footprint

In 2019, CRA experienced an increase of total emissions compared to the preceding year. This increase in overall consumption was driven by the higher use of electricity and refrigerants in factories as CRA expanded its frozen dough supply chain in Hong Kong and the Mainland.

CRA is now reviewing its production processes and the choice of equipment, with the objective of enhancing efficiency in both production and resource consumption. CRA also added technical staff to look after the maintenance of its cold chain system.

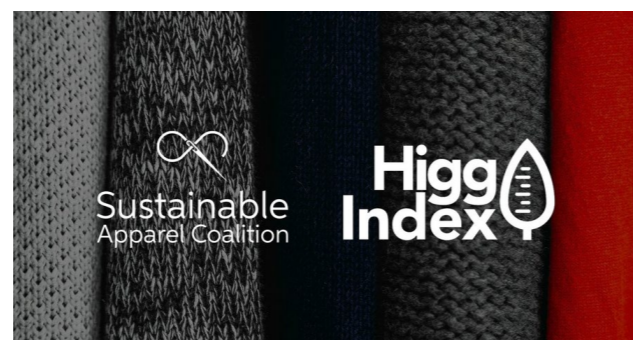
At Saint Honore factories in Hong Kong and Shenzhen, automatic washing machines for cleaning kitchenware and tools were introduced to enhance water use efficiency, and a Saint Honore factory in Shenzhen implemented a system to recycle greywater from washing basins and reuse it for flushing toilets. Solar panels were also installed at a Saint Honore factory in Shenzhen to produce cleaner and renewable energy.

Efficient Resource Use – Supply Chain

Sustainable Apparel Coalition (SAC)

As a founding member of the SAC, Fung Group has been pleased to collaborate with industry leaders towards a more sustainable industry and contribute to the rollout of the Higg Index. We continued to focus on broad adoption of the Higg Environmental Module in 2019, with 1,023 of Li & Fung's suppliers reporting, including those in the supply chains of Global Brands Group and Cobalt. This recognizes that measuring supply chain environmental impacts at scale via the Higg Index is critical to driving continuous

improvement among our supply base. In addition, the data we collect via the Higg Index continue to improve our understanding of our indirect environmental impacts, supporting the development of a baseline for our own continuous improvement.



Li & Fung: Technology to Support Energy and Water Reduction

Li & Fung is using new a new software tool called Environmental Impact Measurement (EIM) to measure, track and reduce the environmental footprint of the denim washing and finishing processes. Developed by Jeanologia, a world leader in sustainable and efficient finishing technologies for the textile industry, the EIM provides quantitative information at the product level about energy and water consumption, as well as qualitative information on chemicals used and health and safety hazards for workers.

The tool was leveraged in 2019 to reduce energy and water in the production of denim products, a traditionally water- and energy-intensive finishing process. The software allows all parties involved in the development of the product to view its overall environmental impacts, while also creating a baseline against which teams can measure future projects. It has now become a systematic requirement within the denim team that each new development provide an EIM score, which is benchmarked against the 2019 baseline. Select Li & Fung customers are now also able to see the product's environmental footprint before

the goods are even produced, which allows them the option to select the style which offers the lowest environmental impacts.

Meiyume – Life Cycle Assessments

The Meiyume Lifecycle Assessment (LCA) initiative was launched in late 2019 to assess the environmental footprint of the products created by Meiyume. With the LCA data obtained, Meiyume seeks to drive footprint reduction through product design, material selection and production process optimization.

By working with strategic suppliers in 2019 and 2020, Meiyume is on track to complete a pilot LCA for all its product categories by the end of 2020. Since the launch of the initiative, Meiyume has identified opportunities of over 50% material footprint reduction for its plastic products.



Responsible Chemical and Waste Management – Our People and Operations

Fung Group - Reduction in Single-use Plastics

In 2019, Fung Group signed The Fashion Pact, which includes commitments to protect the oceans. Initiatives taken to reduce single-use plastic across the Fung Group are outlined below.

Convenience Retail Asia (CRA) established a new cross-business team to explore sustainable packaging solutions and actions to reduce plastic packaging and

consumables in both CRA factories and in stores. The team is responsible for studying plastic inventory, conducting an in-depth analysis of plastic items targeted for reduction, developing action plans and reduction targets and raising awareness within stores. In 2019, CRA implemented both the “Go Plastic-Free” initiatives at its Saint Honore retail stores and a “No Straw Day” at Circle K retail stores. Collectively these initiatives have recorded a reduction of 15% on the use of single-use plastic products, compared to that of 2018.

Global Brands Group started 2019 with CEO-led sustainability townhalls across offices that included a screening of the film “A Plastic Ocean”. The townhalls were an important step to escalate the organization's commitment to environmental sustainability, starting with a single-use plastic ban across all operations.

The policy adoption resulted in an estimated reduction in office waste of 1.28 tonnes of plastic utensils and coffee straws, single use cups, plates, bowls, and bottled water in the past year. To support this effort, Global Brands provided reusable utensils, water bottles, bamboo coffee mugs and reusable shopping bags to employees.

In 2019, **Li & Fung** announced that it would phase in changes that would lead to a ban on single-use plastic by 2020. A detailed review was undertaken to identify all the types, quantities, use and frequency of single-use plastic in our operations, as well as alternatives with reduced environmental impact, ranging from reusable serving ware, cups, glasses and cutlery to non-fossil fuel-based, biodegradable options. Furthermore, a roadmap for replacing existing stock with preferred alternatives was developed. A global campaign was then launched to raise awareness of the global climate and plastic waste crisis, to share tips on how to take action and to inform colleagues of the ban on single-use disposable plastic.

⁴ <https://www.greenfreightasia.org/> <http://nefinco.com/en/home-en/>

Responsible Chemical and Waste Management – Communities and Supply Chain

Li & Fung - Better Chemical Management Program

The use of hazardous chemicals in the global textile, apparel and footwear industry affects the health and wellbeing of the people who wear clothing, those who produce it and the environment. To address this risk, Li & Fung launched the Better Chemical Management Program (BCM) to monitor, reduce and ultimately eliminate hazardous chemicals in its supply chain. Li & Fung partnered with sustainability accelerator GoBlu on a pilot program to eliminate key chemicals from wet processing facilities in the supply chains of its private label business.



The Better Chemical Management Program focuses on tracking and managing chemical inventories using GoBlu's digital platform, providing full visibility on chemical risk to brands and retailers.

The program, which was initiated in 2017, focuses on tracking and managing chemical inventories using GoBlu's digital platform, BHive. The BHive platform allows a facility to efficiently upload its chemical inventory on a mobile device. The platform provides feedback on the risk of these chemicals including whether they meet leading chemical standards such as ECO PASSPORT9, GOTS, bluesign® and the ZDHC MRSL10. This information can be shared with brands and retailers for full visibility into a facility's chemical

inventory without the need for testing. In 2019, the results of the pilot included:

- Chemicals at high risk of containing restricted substances or with no proof of chemical compliance were reduced by 23%
- Chemicals certified and accepted by a leading chemical standard increased by 22%.
- Suppliers improved their chemical management practices by implementing recommendations in the areas of chemical management systems, chemical compliance assurance, awareness and knowledge of restricted chemical requirements, sustainability capabilities, and overall environmental management practices

As brands, retailers, end consumers and stakeholders increasingly demand cleaner fashion and reasonable prices, the BCM program enables Li & Fung to build a supply chain that can meet these needs.

Fung Group – Caring for our Environment

At Fung Group, we encourage colleagues to build awareness of environmental issues and to take action to care for our environment.



Since its launch in 2012, our **Clean Up Our World** campaign has brought together over 18,500 colleagues, friends and family members in support of almost 300 environmentally-beneficial activities, including raising awareness, improving the

environment and cleaning up communities: beaches, waterways, shorelines, parks, trails, mountains, and cities.

In 2018, we introduced the **RETHINK Challenge**, a campaign which challenged our colleagues and members of the public to stop using single-use disposable containers for one week. Through this challenge, people from over 24 countries and territories pledged to ditch single-use disposable plastic and opt for more sustainable alternatives. As a result, RETHINKERS developed sustainable habits that continued long after the challenge.





Sustainable Products

Fung Group seeks to convene our customers, business partners and influence our industry to create more sustainable products. Our initiatives focus on taking steps to establish circularity initiatives in our supply chain; procuring and sourcing higher volumes of sustainable materials, products and packaging in our direct and indirect supply chains; and improving the environmental health of our communities.

SUSTAINABLE PRODUCTS

- Circularity
- Raw materials
- Design and packaging



Circularity

Circular economy is a methodology to reduce waste and produce more environmentally-responsible products. A circular economy seeks to eliminate waste throughout a product's lifecycle and re-capture its resources at the end of its use, as opposed to the traditional linear model of 'take, make, dispose'. In March 2020, the European Commission proposed the 'Circular Economy Action Plan' as part of the European Green Deal to boost the development of circular business models. Fashion is one of the industries highlighted by the Action Plan to reduce its sheer amount of waste.

However, businesses often struggle to adopt a circular business model. One key obstacle is to establish the necessary reverse supply chain – taking waste back from customers and transforming it into useful raw materials. This is difficult for a few reasons: (1) high reverse logistics cost; (2) poor visibility into products returned; and (3) costly labor resources to process the goods. These obstacles must be addressed to scale circular economy.

Cobalt: Circular Leap Asia

In collaboration with Forum for The Future, an international NGO that assists businesses to be more sustainable, Cobalt explored the development of services to help retailers manage their reverse supply chains. Together with Cobalt's sustainable design and sustainable packaging capabilities, the program aims to enable customers to adopt circular economy and launch 'circular' products effortlessly.



Raw Materials

Global Brands Group - Sustainable Materials

Effective 1 January 2019, Global Brands Group committed to abstain from sourcing fur for any products as part of its animal welfare policy to ensure responsibly-sourced raw materials of animal origin. The policy also includes using only down and feathers certified by the Textile Exchange's Responsible Down Standard (RDS), not using wool from mulesed sheep, and not sourcing angora or ostrich.

In addition, GBG's North America apparel division launched bNY, "a responsible and conscious brand, rooted in sustainable and eco-friendly practices". Products are made with Better Cotton Initiative (BCI) cotton, recycled polyester and Lenzing™ Tencel". BCI cotton brings together all value chain partners in a unique global community committed to developing BCI as a sustainable mainstream commodity. BCI reduces the amount of water used due to better irrigation processes, and increases yield for farmers, leading to higher profits. Tencel, lyocell and modal fibers are produced by environmentally-responsible processes from sustainably-sourced natural wood.

Cobalt - 22 Factor



Cobalt's [22 Factor](#) brand uses upcycled virgin yarn from luxury fashion brands to create premium quality knitwear at a fraction of the price. Its on-demand

3D knitting service offering features high-definition virtual sampling and simulation technology, allowing designers to visualize their designs and create detailed prototypes down to the exact color, style and material, and all entirely online, without creating a single physical sample.

Li & Fung's sourcing team undertook an analysis in 2019 of all the fiber materials sourced for customers' garments to identify the impacts along its supply chain and alternatives that could be sourced with reduced environmental and social impacts. Each material was prioritized based on the results of lifecycle assessments using resources and data available on various low impact fibers through the Textile Exchange, certification schemes such as GOTS and BCI and the Higg Material Sustainability Index.

Design and Packaging

Environmental Attributes in Sourcing and the Adoption of Virtual 3D Design



3D virtual design avoids environmental impacts from travel and transportation and reduces wastage from the sampling and product production processes.

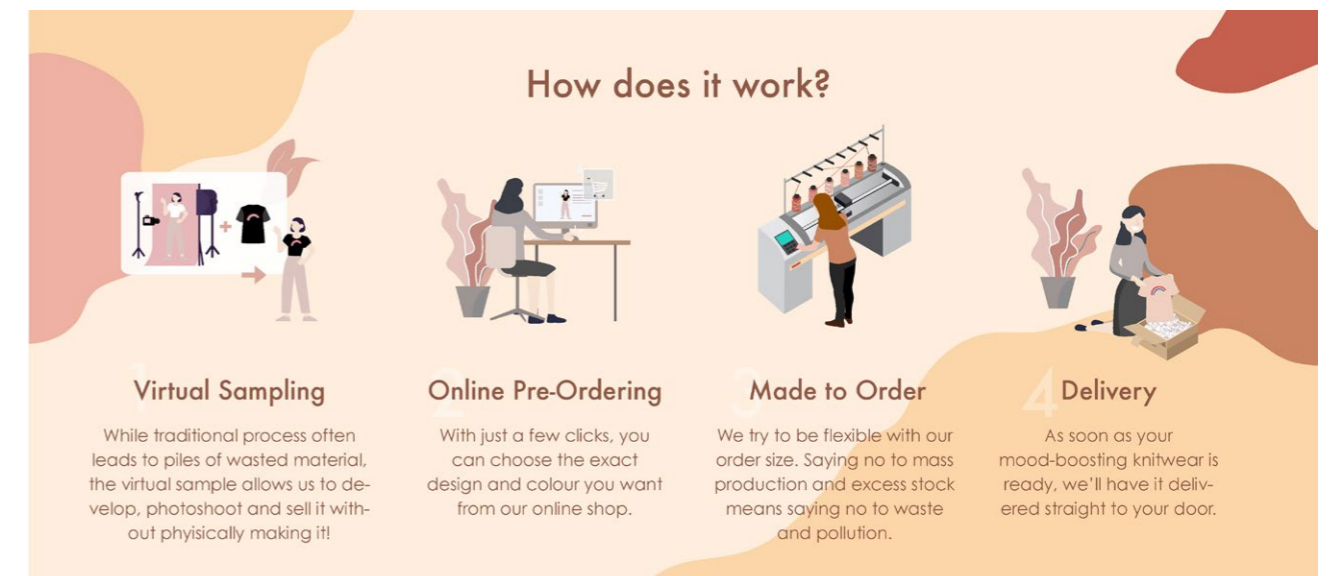
Fung Group companies are committed to meeting and encouraging customer requests for sustainably-sourced materials and products with reduced environmental impact from well-managed factories. Virtual 3D design and sampling for our customers not only enables us to quickly share concepts, perfect designs, select materials and tweak product attributes, but to avoid environmental impacts from travel and

transportation and reduce wastage from the sample and product production processes. In 2019, the Fung Academy and Masters' students from the Hong Kong University of Science and Technology studied the economic, environmental and social impact of 3D design technology for two garments, from initial design to the final sample stage. Results showed that the use of digital sampling reduces the overall lead time by 45%, reduces cost by 69%, and reduces environmental impact by 55% with substantive reductions in GHG emissions and water consumption.

Global Brands Group and **Li & Fung** use 3D design and sampling across the business, enabling real time collaboration on concepts, designs, materials and product attributes with customers and suppliers. This

agility during the design process allows the companies to quickly react to and meet customers' and suppliers' needs, while avoiding the environmental impact associated with physical samples, travel and waste in the product development process.

22 Factor, a knitwear lifestyle start-up powered by **Cobalt Fashion**, a leading knitwear specialist in the knitwear industry, has unveiled an on-demand 3D knitting service offering. The offering takes an eco-responsible digital approach, revolutionizing traditional knitwear manufacturing and allowing designers and brands to produce garments in smaller quantities and minimize excessive production.










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 (SDG 3, SDG 8, SDG 10 and SDG 12) that are particularly aligned with our business, given our operational and geographical footprint; however, our work contributes to all seventeen goals.


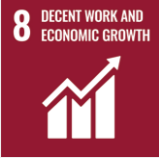




Our efforts in contributing towards these seventeen goals and our priorities in accomplishing the Group's sustainability roadmap are summarized in this section. SDG 17 on partnerships for the goals is embedded throughout each of our priority areas as outlined below.



Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact (2019)	Key Programs
   	Safety, Health and Wellbeing	Measurable improvement in safety, health and wellbeing in all Fung Group companies globally and in core factories in key countries	<p>Our People and Operations</p> <ol style="list-style-type: none"> Fung Group Health & Wellbeing Campaign CRA - Mobile Learning Solution for Remote Workforce <p>Communities & Supply Chain</p> <ol style="list-style-type: none"> Fung Group - WorkerApp Li & Fung Social Dialogue Project Li & Fung - Worker Safety in Vietnam and Bangladesh (LABS, Alliance and ACCORD) Saint Honore's Fighting Hunger and Reducing Food Waste Program

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact (2019)	Key Programs
  	End Modern Slavery and Child Labor	<p>Responsible recruitment policies implemented in our own operations and core factories in our supply chain in key countries, providing greater protection for workers during the recruitment phase, both by Fung Group businesses and suppliers</p> <p>9,000 Fung Group staff and core suppliers in China, Malaysia and Taiwan with increased understanding on modern slavery identification and prevention</p>	<p>Our People and Operations</p> <ol style="list-style-type: none"> Fung Group – E-Learning on Modern Slavery <p>Communities and Supply Chain</p> <ol style="list-style-type: none"> ETI – Learning Map and Working Group Mekong Club – Apprise Audit Updated Supplier Code and new Responsible Recruitment Policy (RRP) CCR CSR's Child Friendly Spaces and Child Labor Remediation Program Global Brands Group - ChildHope
   	Inclusion and Diversity	<p>All Fung Group businesses have improved their working environment to ensure all individuals are treated with respect and dignity and can contribute fully, with equal opportunities</p> <p>More open communication through a cohort of 1,000 employees with increased awareness of the impact of unconscious bias</p>	<p>Our People and Operations</p> <ol style="list-style-type: none"> Updated Global Anti-Discrimination and Harassment Policy Fung Group I&D campaign <ul style="list-style-type: none"> 31 "I&D Ambassadors" globally Awareness raising campaign on One Family and social media 60 Unconscious bias workshops LGBT+ Inclusion workshops Global Brands Group - partnership with Ellevest <p>Communities and Supply Chain</p> <ol style="list-style-type: none"> Li & Fung - Skills Development Program in Bangladesh Fung Group - Funding for Seng Girls Vocational Training School

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact (2019)	Key Programs
     	Efficient resource use	<p>All of our owned and operated buildings are actively working to improve their environmental performance with metrics related to energy, water and waste, with established baselines</p> <p>The ability to transparently collect and share data on resource use in the supply chain and support suppliers with resource efficiency programs</p>	<p>Our People and Operations</p> <ol style="list-style-type: none"> 1. Environmental Management System Tracking 2. LF Logistics' Rooftop Solar System 3. Saint Honore factories' measures to enhance water use efficiency 4. Solar panels at Saint Honore factory in Shenzhen <p>Communities and Supply Chain</p> <ol style="list-style-type: none"> 1. Sustainable Apparel Coalition and Higg FEM adoption 2. Li & Fung and the Environmental Impact Measuring (EIM) tool 3. Meiyume's Lifecycle Assessment Initiative

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact (2019)	Key Programs
     	Responsible chemical, emission and waste management	<p>All of our owned and operated buildings are actively working to improve their environmental performance with metrics related to chemical, emission and waste, with established baselines</p> <p>The ability to transparently collect and share data on resource use in the supply chain and support suppliers with responsible chemical, emission and waste management programs</p>	<p>Our People and Operations</p> <ol style="list-style-type: none"> 1. Fung Group – Initiatives to Reduce Single-use Plastics <p>Communities and Supply Chain</p> <ol style="list-style-type: none"> 1. Clean Up Our World campaign 2. RETHINK campaign 3. Li & Fung Better Chemical Management Program

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact (2019)	Key Programs
    	Circularity	Pre- and post-consumer waste reduced through circularity	1. Cobalt: Circular Leap Asia
 	Raw materials	Procurement and sourcing volumes of sustainable materials, products and packaging increased in the direct and indirect supply chains	1. Global Brands Group – Sustainable Materials 2. Cobalt - 22 Factor 3. Li & Fung – material impact analysis

Relevant SDGs	Fung Group Sustainability Priorities	Action and Impact (2019)	Key Programs
 	Design and packaging	Reduced waste and adoption of environmentally-responsible packaging alternatives Designers with an increased understanding of sustainable and circular design concepts	1. Global Brands Group, Li & Fung and Cobalt – 3D Design and Sampling

Awards and Indices

Li & Fung received an **award for Sustainability Excellence** at the Hong Kong Corporate Governance Excellence Awards 2019 led by the Chamber of Hong Kong Listed Companies (CHKLC). The award recognizes its Sustainability Strategy and longstanding commitment to enhancing the integration of responsible environmental, social and governance (ESG) practices in global operations. Li & Fung was again recognized as a Caring Company by the Hong Kong Council of Social Service (HKCSS) with the 15-year plus Logo.

Global Brands Group has supported Delivering Good's work in the community since 2005. As a founding member of the organization, Global Brands was among a group of industry leaders that received recognition for its contributions to the One Million Pairs of Socks campaign, which was honored with the charity's **Delivering Good Impact Award**.

Convenience Retail Asia received a special mention in the Non-Hang Seng Index (Small Market Capitalization) Category at the Best Corporate Governance Awards 2019, by the Hong Kong Institute of Certified Public Accountants.

Circle K (Hong Kong) received a Joint Energy Saving Award 2019 in the Smart Energy Award program by CLP and **Saint Honore (Hong Kong)** received a Platinum Award of Charter on External Lighting from the HKSAR Environment Bureau. Both companies received the 2018/2019 Caring Companies Logo, by HKCSS, with Circle K receiving it for 15 years plus and Saint Honore receiving it for 10 years plus.



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