LI & FUNG

ESG REPORT 2025

To deliver value in global supply chains by living our values around people, partners & planet

CONTENTS



1 About This Report

2 Message from Our CEO

3 2025 Performance at a Glance

4 External Recognitions

5 About Li & Fung

6 Our Approach to ESG

6.1 ESG Governance
6.2 Risk Assessment and Management
6.3 ESG Strategy
6.4 Stakeholder Engagement
6.5 Materiality Assessment

7 Being a Responsible Business

7.1 Corporate Governance
7.2 Business Ethics and Anti-corruption
7.3 Customer Service
7.4 Digital Trust

8 Responsible Sourcing

8.1 Responsible Sourcing
8.2 Our Approach
8.3 Eliminating Child Labor
8.4 Promoting Responsible Recruitment
8.5 Ensuring Work Safety
8.6 Promoting Gender Equality

9 Environmental Sustainability

9.1 Managing Our Footprint across Supply Chain
9.2 Responsible Water Management
9.3 Chemical Management
9.4 Taking Actions for Decarbonization
9.5 Circularity and Resource Efficiency
9.6 Biodiversity and Nature

10 Growth and Empowerment

10.1 Attracting Talent
10.2 Creating a Diverse, Equitable and Inclusive Workforce
10.3 Empowering Our People
10.4 Promoting Wellbeing

11 Community Engagement

Appendix I

ESG Performance Indicators

Appendix II

HKEX Reporting Guide Index

Appendix III

GRI Standards 2021



1

ABOUT THIS REPORT

Li & Fung Limited ("Li & Fung", "the Company", "we", "our", "us") is pleased to present our annual Environmental, Social and Governance ("ESG") Report ("the Report"). Driven by our ESG strategy, the Report is available on the Li & Fung website and discloses and highlights our ESG priorities and key achievements towards living our values around people, partners, and planet in 2025.

Boundary and scope

The ESG Report illustrates Li & Fung's overall performance in environmental and social dimensions and covers all principal operations and subsidiaries. The Report covers the period from 1 January 2025 to 31 December 2025. It encompasses 73 entities of the Company's trading and distribution businesses in our 46 offices across the world. While the reporting methodology remains consistent, the reporting boundary and scope of this Report have been updated from the Li & Fung 2024 ESG Report to reflect the expansion of our operations in Europe.

Reporting principle

This Report aims to provide a balanced representation of Li & Fung's performance under our ESG strategy. In particular, the selected content aims to reflect how Li & Fung's activities influence ESG topics and the impact they have on our operations and supply chain.

The content of this Report is determined through a systematic materiality assessment process, which includes identifying ESG related topics, assessing their materiality and relevance as well as topic boundaries, preparing the information reported, and reviewing and addressing stakeholder feedback on Li & Fung's ESG reporting. This Report covers key issues that are related to different stakeholders.

To ensure a comprehensive understanding of Li & Fung's ESG performance over time, a summary of Li & Fung's 2025 CSR performance relative to various quantitative KPIs, with a comparison to previous years, is disclosed in the Performance Summary section. Information about the standards, methodologies, assumptions and/or calculation references, and source of key conversion factors used for these KPIs are stated wherever appropriate. As far as reasonably practicable, consistent methodologies are adopted when calculating these KPIs, and any changes that could affect a meaningful comparison will be stated.



Reporting framework

This Report references selected disclosures, or parts of their content, from the GRI Sustainability Reporting Standards. For climate-related disclosure, we adopted the disclosure recommendations developed by the Task Force on Climate-Related Financial Disclosures (TCFD). Additionally, our sustainability disclosures voluntarily align with the Environmental, Social and Governance (ESG) Reporting Guide issued by the Stock Exchange of Hong Kong Limited (HKEX).

Endorsement and approval

This Report was endorsed by the ESG Committee and approved by the Group CEO on 10 July 2026, following the confirmation review by the Board of Directors.

Contact and feedback

Your feedback is valuable to our continuous improvement, and we welcome any comments and suggestions you may have on this Report or our ESG reporting in general. Please share any comments or suggestions regarding the Li & Fung's performance to media@lifung.com (Corporate Communications team).

2

MESSAGE FROM OUR CEO

Dear Stakeholders,

The past year reinforced a simple point for Li & Fung: ESG is strongest when it is built into the way we make decisions, not added at the end of a report. Our customers rely on us to navigate a more demanding supply chain landscape - shaped by regulation, climate pressure, geopolitical uncertainty, new technology and higher expectations from workers and consumers. In that environment, good ESG execution is becoming a strategic moat. It helps us protect trust, reduce risk, respond faster for customers and build a supply chain that is harder to disrupt or replicate.

I am proud of the progress our teams made in 2025, not because every issue is solved, but because the work became more concrete, more measurable and closer to the business.

Governance, ethics and responsible technology: Trust starts with how we run the company. We continued to strengthen governance and compliance, responsibly integrate new technologies, including AI, and maintain our long-standing ISO 27001 certification. These are not back-office controls. They support data protection, quality, ethical conduct and the confidence customers and partners place in us.

People and culture: Our people turn strategy into execution. In 2025, we expanded learning and development, and more of our offices were recognized as a "Great Place to Work". Colleagues also organized and participated in 27 community engagement activities. That matters to me because culture is tested in the daily choices people make, not only in policies.

Climate action and resource efficiency: Decarbonization remains a business priority. We continued to advance our Science-Based Targets, with five major offices now powered by 100% renewable electricity. Even as our European footprint expanded, we reduced Scope 1 and 2 emission intensity and lowered water and energy consumption intensity. Progress like this comes from steady operational discipline, not one-off initiatives.

Supply chain visibility and excellence: We continued to improve transparency through advanced risk mapping and enhanced audits. In 2025, Li & Fung ranked first among 14 international companies in The Centre for Child Rights and Business child labor benchmark, outperformed industry averages across all five assessment areas. We were also included on the CDP Supplier Engagement Leaderboard (A List), and our Higg FEM portfolio scores improved by 25% from the 2019 baseline. These results matter, but the real value is the capability behind them: better visibility, faster response and stronger supplier engagement.

In 2026, our task is to make this advantage more consistent across the business. We will focus on sharper governance, practical decarbonization, human rights due diligence, responsible use of technology and stronger supplier capability. Done well, ESG will not sit beside our commercial strategy; it will strengthen it.

Thank you to our colleagues, customers, suppliers and partners for the work behind this progress. We will continue to earn trust in the same way it was built - decision by decision, factory by factory and relationship by relationship.

Joseph Phi

Group Chief Executive Officer
Li & Fung Limited
June, 2026



2025 PERFORMANCE AT A GLANCE

GOVERNANCE



89% of our employees completed the new ethical business training curriculum

Zero legal cases of corrupt practices concluded



Zero data breaches recorded

ENVIRONMENTAL SUSTAINABILITY

Supported factories score **8.6%** above industry average on Higg FEM (Based on ~17,000 participating factories globally)

Higg Index

25% Improvement vs. 2019 Baseline
Average portfolio score reached 63/100 (8% YoY growth).



40% Reduction
Scope 1 & 2 (market-based) emissions vs. 2021 baseline





100%
Renewable Electricity
– Now achieved across 5 offices



62% Reduction
Water consumption vs. 2021 baseline

RESPONSIBLE SOURCING



4,576
Tier 1 factories across **28** economies

906
Factories monitored by unannounced spot checks

14,154 Suppliers' participants trained on key compliance topics



21,557 direct responses on workplace treatment from **808** factories including **27** lower tiers facilities in 2025.

GROWTH AND EMPOWERMENT

Gender parity in senior management[1]

46% female vs **54%** male



26,655 hrs
Employee training programs

7.5 hrs
Average training hours per employee



1 Within Li & Fung generally, senior management comprises employees at Grade 2 and above who make up the senior-most 6% of the organization (General Managers, Vice Presidents, Senior Vice Presidents, Presidents and C-Suite)

4 EXTERNAL RECOGNITIONS

CDP Discloser 2025

A Supplier Engagement Assessment (SEA)

B- Climate Change

Founding member, representation on the Higg FEM Strategic Council, and on the Public Affairs Strategic Council

Cascale

Representation as one of the **elected Board of Directors members since 2022**

amfori Trade with purpose

Member of the OECD garment and footwear advisory group

OECD

EBCA European Branded Clothing Alliance

Member of the Steering Committee for the European Branded Clothing Alliance, with participation in various task forces

Gold Medal

GOLD | Top 5% ecovadis Sustainability Rating SEP 2025

1st rank among **14** global companies in the 2025 child labor benchmark, achieving 'Very Strong' ratings across key assessment areas

THE CENTRE FOR CHILD RIGHTS AND BUSINESS

LF India, Bangladesh, China and Türkiye have been certified as **'Great Place to Work'**

Great Place To Work. Certified JUN 2024-JUN 2025 CHN

bsi ISO/IEC 27001 Information Security Management CERTIFIED



About Li & Fung

Li & Fung specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide.

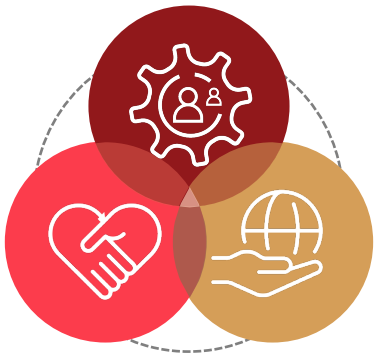
The company has a rich history and heritage in export trading and global supply chain management that dates back to 1906.

ABOUT LI & FUNG

Founded in 1906, Li & Fung has evolved from an export trading house into a global supply chain partner for leading retailers and brands. Our trading business comprises Supply Chain Solutions and Onshore Wholesale across the Americas, Europe, and Asia.

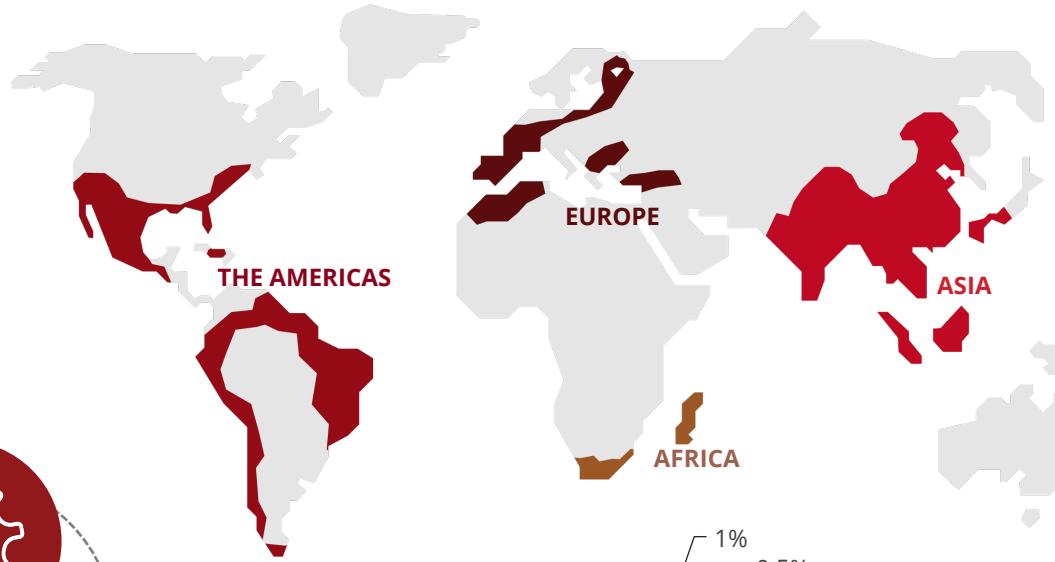
We provide end-to-end supply-chain services, from product design and raw-material procurement to production oversight and quality control, specializing in high-volume, time-sensitive categories such as apparel, footwear, accessories and household goods. With nearly 3,568 people in offices across more than 28 economies, we combine market knowledge, operational experience and technology to help partners and customers respond quickly and responsibly to changing demand.

Our aspiration is to deliver value in global supply chains by living our values around **people, partners and planet.** Our core values around Humility, Entrepreneurship and Family form the basis for our culture, business strategies and brand, bringing us together and guiding what we do.



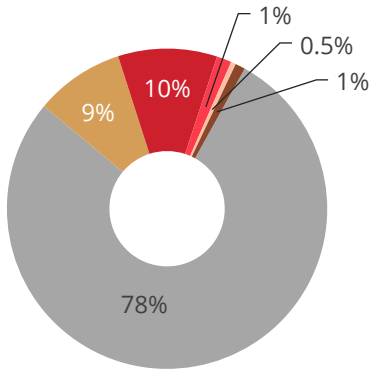
OUR PURPOSE

For over a decade, innovation, collaboration and speed define how we work. By connecting cross-functional teams, leveraging market and production insights, and applying digital tools, we accelerate product development, reduce risk and improve supply-chain resilience. These approaches help partners adapt to changing consumer trends while focusing on longer-term environmental and social performance.



OUR SUPPLY CHAIN

In 2025, we sourced goods from 4,576 Tier 1 factories in 28 production economies, with 896 factories contributing 80% of the value of goods shipped to our customers. These 896 factories represent almost 19% of our total active factories.



Greater China	3,611	78%
Indian Subcontinent	402	9%
Greater ASEAN	447	10%
Europe & Türkiye	65	1.5%
LATAM	17	0.5%
Rest of the world	34	1%
Grand Total	4,576	100%

PRODUCTION ECONOMIES	FACTORIES	EMPLOYEES WORLDWIDE	FEMALE (2,077)	MALE (1,490)
28	4,576	3,568	58%	42%



Our Approach to ESG

As an active and responsible business leader in the supply chain solution industry, Li & Fung is committed to adopting leading ESG practices and promoting the global sustainability agenda to create positive value for people, society and planet.

6

OUR APPROACH TO ESG

6.1 ESG GOVERNANCE

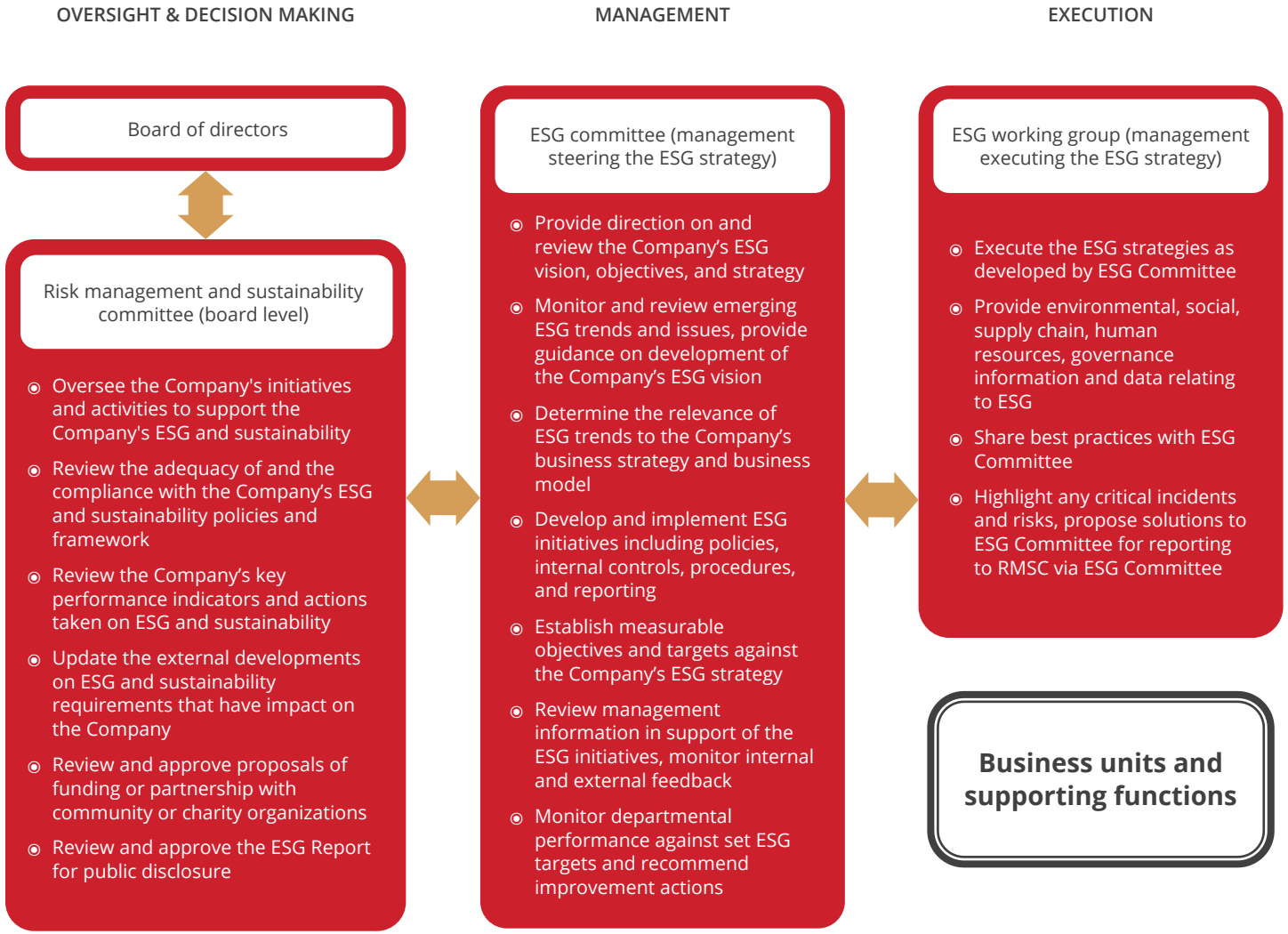
Li & Fung believes that a robust governance framework is the cornerstone of integrating sustainable development into the Company's operations and management. Our ESG governance structure ensures that ESG activities and emerging issues are escalated quickly to the Board and management for attention and action.

The Risk Management & Sustainability Committee (RMSC) under the Board oversees corporate ESG strategies, policies, frameworks, company KPIs, funding proposals and approves the ESG report. Chaired by the Group Chairman, the RMSC comprises members of the Board and its meetings are also attended by representatives from key functional divisions.

Under the RMSC, we have an ESG committee which consists of senior business management and key function heads from the Vendor Compliance, Human Resources, Corporate Governance, and Group Information Technology teams. The committee members are well equipped to work closely with our businesses to strategically embed our sustainability initiatives into all that we do. Endorsed by the ESG Committee Charter, the committee is also responsible for steering directions, supervising the execution of the ESG strategy, developing ESG related actions, and monitoring performance and progress.

At the regional level, we established an ESG Working Group, which acts as a facilitator in each region to help implement ESG actions locally. The ESG Working Group includes local representatives from various functions and is led by the ESG committee. They coordinate with different functions to address environmental and social impacts in line with our ESG strategy.

The accompanying graphic delineates the key responsibilities of our 3 levels of ESG governance structure:



6 OUR APPROACH TO ESG

6.2 RISK ASSESSMENT AND MANAGEMENT

Li & Fung is committed to a holistic ESG risk assessment and management strategy across our global supply chain and internal operations. Our approach is systematically aligned with the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), ensuring that environmental, social, and climate-related considerations are integrated into our core business decisions and governance frameworks.

To maintain resilience in an ever-changing global environment, we employ a four-stage integrated risk management framework:

1 Risk Identification & Classification

We continuously monitor our operations to identify physical risks (e.g., climate-driven supply chain disruptions) and transition risks (e.g., evolving carbon regulations). This ensures strict compliance with environmental laws, labor standards, and ethical practices.

2 Climate-Related Risk Assessment

Identified risks undergo rigorous qualitative and quantitative analysis. We assess potential financial and operational impacts, utilizing stakeholder engagement to capture emerging ESG trends and localized vulnerabilities.

3 Strategic Integration & Mitigation

Assessment findings directly inform our operational strategies. We develop mitigation plans, such as resource efficiency enhancements and supply chain diversification, prioritized by risk severity and likelihood for optimal resource allocation.

4 Risk Mitigation through Capacity Building

We recognize that training and awareness are vital risk management tools. By providing targeted, localized training to our global teams and suppliers, we bridge the gap between risk identification and operational execution. This proactive empowerment enhances technical proficiency, ensures compliance with emerging standards, and significantly reduces the likelihood of operational ESG failures.



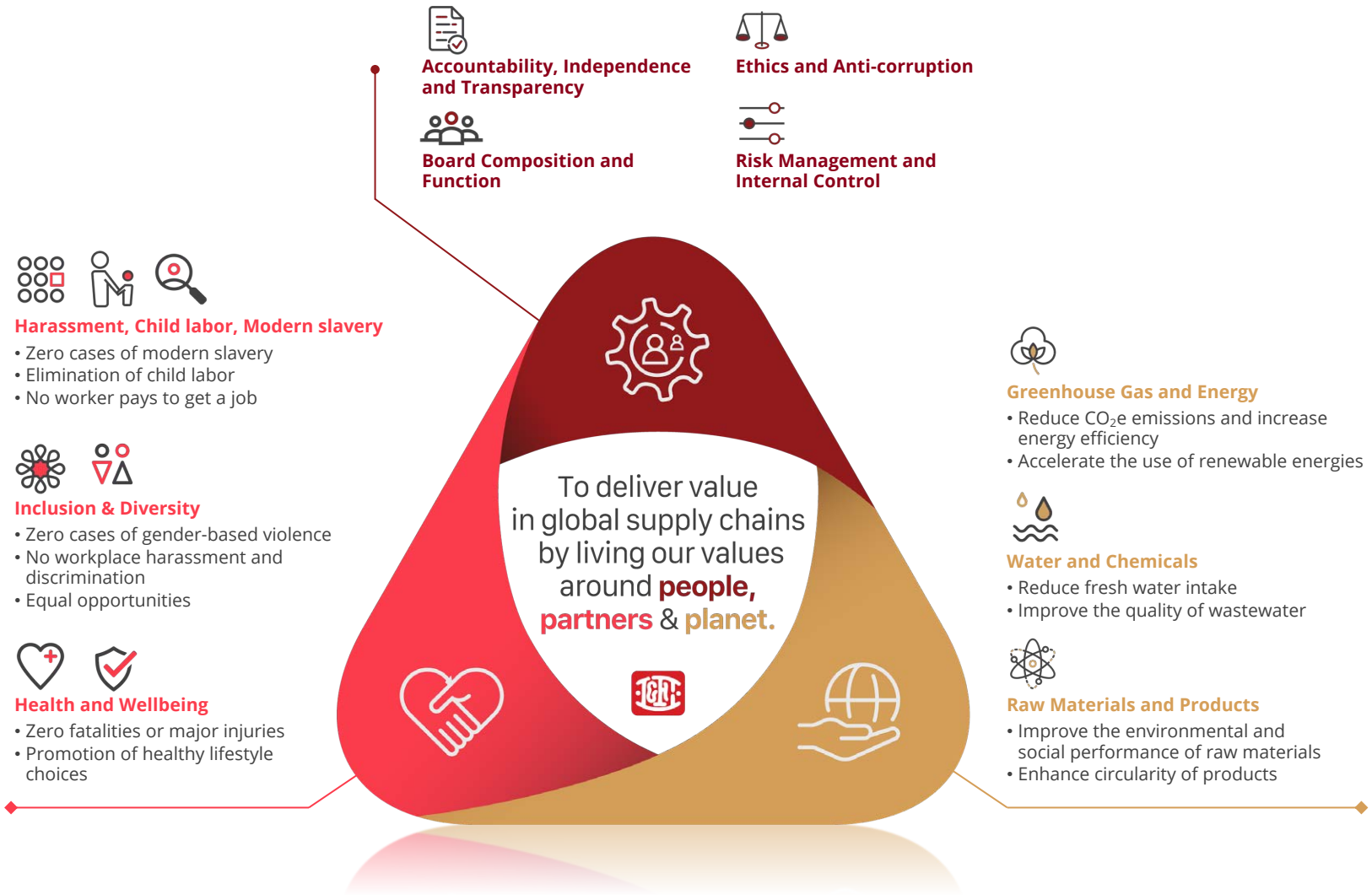
Li & Fung acknowledges that building a climate-resilient enterprise is an iterative and long-term journey. We incorporate measurement metrics into our risk mitigation and training activities to track their effectiveness, allowing us to refine our curriculum and strengthen our overall ESG efforts. We remain dedicated to agile adaptation, ensuring our risk frameworks stay ahead of the evolving expectations of stakeholders and global regulatory bodies.

6 OUR APPROACH TO ESG

6.3 ESG STRATEGY

At Li & Fung, we are dedicated to being a transformative force in the supply chain solutions industry by embedding robust ESG practices into the heart of the global sustainability agenda. Our business mission — to deliver value in global supply chains by living our values through people, partners, and planet — serves as the blueprint for our long-term ESG strategy. By aligning our roadmap with the United Nations Sustainable Development Goals (UN SDGs), we focus our resources on the environmental, social, and governance issues that matter most to our business and stakeholders.

Our strategy is inherently dynamic, informed by insights from our annual materiality assessments. By concentrating on these critical priorities, we align our sustainability efforts with market expectations, transforming potential risks into catalysts for innovation. Committed to the highest standards of transparency, we regularly measure our performance and refine our actions to ensure that Li & Fung remains a proactive contributor to global prosperity and environmental stewardship. Our ESG Focus Areas are detailed in the framework.



** Our current ESG priorities and commitments are included in the diagram.*

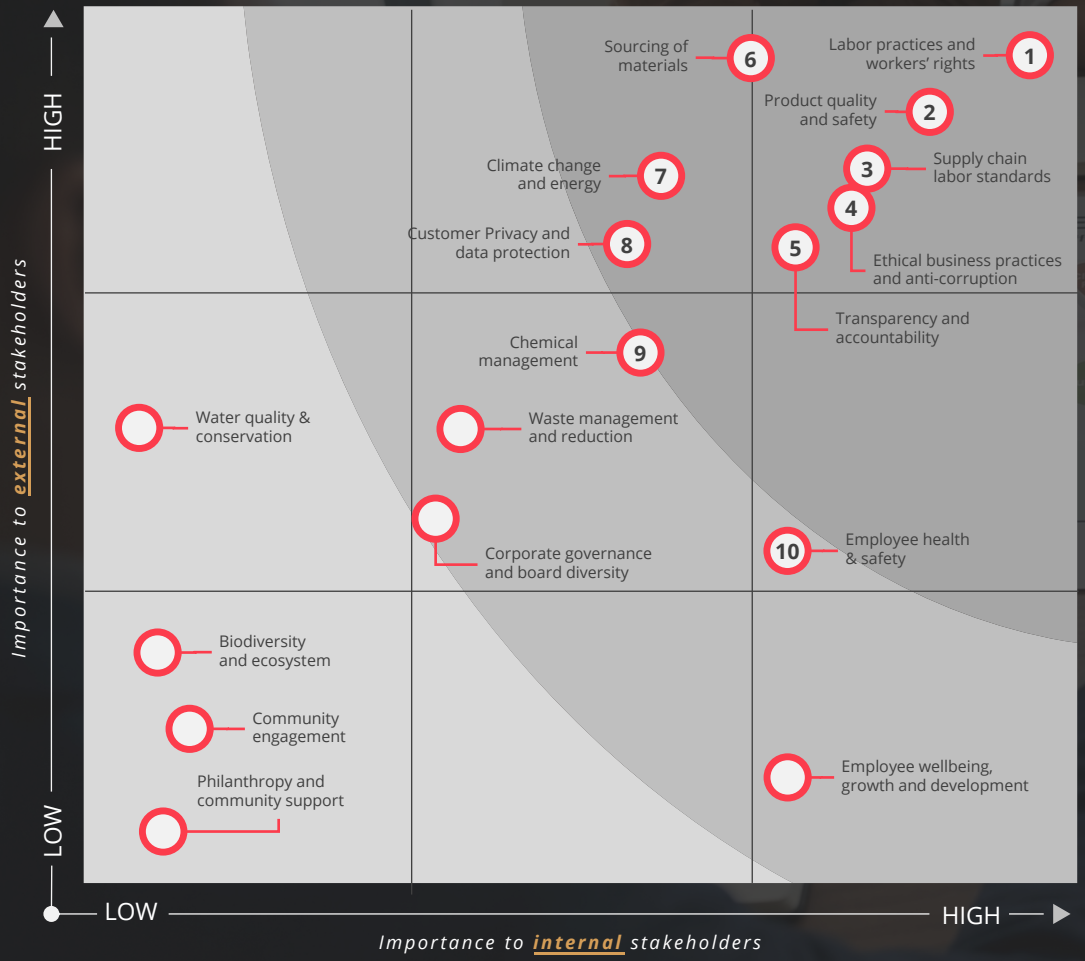
6 OUR APPROACH TO ESG

6.4 STAKEHOLDER ENGAGEMENT

Li & Fung is closely connected to the ESG landscape, actively collaborating with a wide range of stakeholders such as NGOs, industry organizations, and academic institutions. These partnerships help us stay updated on the latest trends in sustainability, regulatory changes, and best practices concerning environmental, social, and governance issues. By engaging with these stakeholders, we foster dialogue and collaboration, ensuring that we meet the evolving expectations of consumers, investors, and regulatory bodies. Through joint initiatives, partnerships and knowledge-sharing, we enhance our understanding of ESG challenges and opportunities, allowing us to implement robust sustainability strategies across the supply chain. This commitment to stakeholder engagement not only strengthens Li & Fung's ESG efforts but also supports the creation of a more sustainable future for the industry and the communities we serve.

STAKEHOLDER GROUPS	COMMUNICATION CHANNELS
INVESTORS, SHAREHOLDERS, ANALYSTS, AND CREDITORS	• Investor relationship and company website • Meetings, briefings, and investor conferences • Company announcements • Annual general meeting
CUSTOMERS	• Company website • Customer direct communication and meetings • Customer feedback and complaints
EMPLOYEES	• Annual conference, town halls, workshops • Regular meetings and employee emails • Employee engagement activities • One Family intranet • Annual engagement surveys • Employee training and sharing sessions • New joiner orientation and feedback survey • Employee performance evaluation
SUPPLIERS AND BUSINESS PARTNERS	• Communication, meetings, and training • Capacity building programs • Online vendor portal • Supplier Code of Conduct • Selection assessment • Performance assessment
COMMUNITIES (Non-governmental organizations, trade organizations, government, academia, and media)	• Dialogue and meetings • Collaboration or partnership initiatives • Engagement with industry groups and academics • Company website • Community activities

6 OUR APPROACH TO ESG



6.5 MATERIALITY ASSESSMENT

Li & Fung conducts an annual materiality assessment to evaluate, revise and reaffirm the ESG issues most critical to our business resilience and stakeholder interests. Under the oversight of the Board and the Risk Management & Sustainability Committee (RMSC), this process ensures our strategic roadmap remains synchronized with the evolving ESG landscape. Guided by the emerging principles of impact and financial materiality, we employ a structured five-step approach:

- **Identification:** Mapping a comprehensive universe of ESG issues, including emerging climate-related physical and transition risks, specifically tailored to the global supply chain.
- **Stakeholder Mapping:** Pinpointing key internal and external stakeholder groups—including investors, customers, employees, and suppliers—whose insights are vital to our long-term value creation.
- **Engagement:** Leveraging surveys, interviews, and focus groups to capture a diverse range of perspectives, ensuring we understand the depth of stakeholder concerns and expectations.
- **Analysis & Evaluation:** Prioritizing issues based on their potential impact on the environment and society, alongside their strategic and financial significance to Li & Fung.
- **Board Review & Validation:** Subjecting the prioritized results to rigorous review and validation by the Board and senior management to guide ESG disclosure and strategic resource allocation.

In our latest cycle, we analyzed and prioritized 17 core ESG topics. This ongoing dialogue serves as a critical "sense-check", ensuring our sustainability initiatives remain aligned with our core business drivers. By integrating these insights into our overarching ESG strategy, we enhance transparency while strengthening our capacity to mitigate risks and capitalize on innovation opportunities.

While our 2025 materiality assessment has been updated to meet the latest regulatory reporting standards, we are actively preparing for the formal implementation of a full Double Materiality Assessment in the upcoming reporting cycle. This strategic evolution will enable more granular disclosure of our outward impacts on society and the environment, as well as the inward financial implications of ESG factors on Li & Fung's long-term enterprise value.



Being a Responsible Business

As a company with over one hundred years of history, Li & Fung is committed to conducting business with integrity, transparency, and accountability. We create long-term value for our customers, partners, and communities through innovation and operational excellence.

We put customers first by anticipating their needs, protecting their interests, and embracing new technologies to improve efficiency and service. At the same time, we and our suppliers are committed to reducing our environmental impact and supporting responsible supply chains to help build a better future.

BEING A RESPONSIBLE BUSINESS

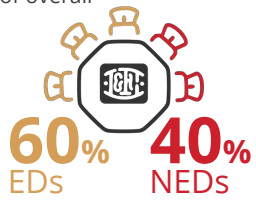
7.1 CORPORATE GOVERNANCE

Governance is the foundation of our sustainable business operations. At Li & Fung, we endeavor to uphold principles of good corporate governance with an emphasis on four pillars (i) Independence, accountability and transparency, (ii) Board composition and function, (iii) Ethics and anti-corruption, and (iv) Risk management and internal control. We strictly abide by all laws and regulations in our operations, and in accordance with those of the economies in which we operate.



7.1.1 CORPORATE GOVERNANCE

Our Board of Directors comprises three executive directors and two non-executive directors. They bring a wide range of professional expertise, skills, and cultural backgrounds, fostering diverse perspectives in decision-making. The well-balanced board composition reinforces a strong independent review and monitoring function of overall management practices.



The Board is responsible for setting the overall values and strategies of Li & Fung and oversight of its operations, financial performance, corporate governance, and ESG. To effectively discharge their duties, the Board has established four committees – Audit Committee, Risk Management and Sustainability Committee, Nomination Committee, and Remuneration Committee. Each committee has its defined terms of reference. Their key functions are as follows:

THE BOARD

- Set overall values, standards and strategy of the Group
- Review operational and financial performance
- Approve major acquisitions and disposals
- Oversee risk management and internal control system
- Oversee significant operational, financial, corporate governance, ESG matters

THE BOARD COMMITTEES

Audit Committee

- Oversee financial reporting, internal controls
- Review external and internal auditor reports
- Review corporate governance

Nomination Committee

- Evaluate board composition
- Recommend suitable prospective directors

Risk Management and Sustainability Committee

- Oversee risks and mitigation
- Oversee ESG initiatives, activities, policies, KPIs
- Approve ESG funding proposal and ESG report

Remuneration Committee

- Review directors and senior management remuneration

BEING A RESPONSIBLE BUSINESS

Our Audit Committee, together with the Risk Management and Sustainability Committee, provides oversight of corporate governance, financial reporting, risk management, and internal control systems of the Company and its subsidiaries.

In 2025, the Audit Committee engaged with the external auditor, PricewaterhouseCoopers (PwC), to perform independent financial audits to ensure compliance with applicable reporting standards. PwC also reported to the Audit Committee that PwC noted no significant matters relating to our internal control procedures, risks of fraud or illegal acts, and any risk of non-compliance with laws and regulations. The Corporate Governance Division (CGD), which is independent from management operations, is supervised by the Group Chairman. CGD carried out internal audits, conducted independent investigations of alleged fraud and misconduct, supported efforts to uphold ethics and anti-corruption, and reviewed PwC's independence to ensure compliance with Li & Fung's policy on non-audit services provided by external auditors. Any major observations of control weaknesses in financial, operational and compliance operations and recommendations are escalated by CGD and PwC to the Audit Committee and Risk Management & Sustainability Committee.

In 2025, the Nomination Committee evaluated the board composition and considered that the board and its committees remain the right mix of expertise, experience and skills. The Remuneration Committee advised the Board on the board members and senior management remuneration.

Below illustrates a balanced mix of executive and non-executive directors in each committee:

Board and Board Committee Members

			Board of Directors	Audit Committee and Risk Management & Sustainability Committee	Nomination Committee	Remuneration Committee
	Mr. Spencer Fung	**Executive**	◉✦	◉✦	◉✦	◉
	Mr. Joseph Phi	**Executive**	◉	◉	◉	◉
	Mr. Ed Lam	**Executive**	◉	◉	—	—
	Mr. Ming Mei	**Non-executive**	◉	◉	◉	◉✦
	Mr. Michihiro Higashi	**Non-executive**	◉	◉	—	—

✦ *Being Chairman of the Board or the corresponding committee*

BEING A RESPONSIBLE BUSINESS

7.1.2 RISK MANAGEMENT AND INTERNAL CONTROL

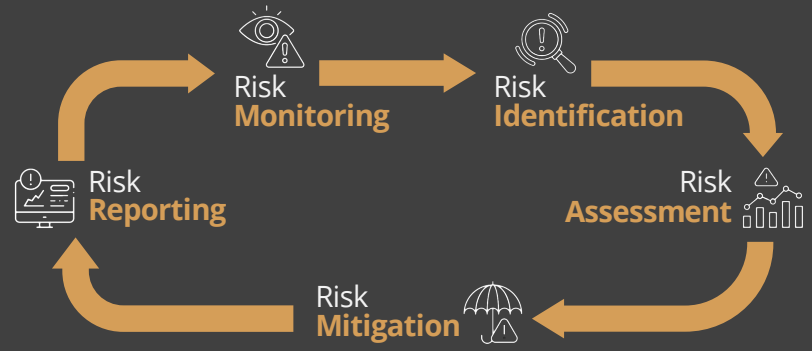
Risk management is the culture, capabilities and practices that Li & Fung integrates into its strategy, while internal control is the process effected by Li & Fung's Board, management, and people to provide reasonable assurance of the Company achieving its financial, operational and compliance objectives. Both risk management and internal control are integral parts of business operations and our approach to good corporate governance. The Corporate Governance Division (CGD), as endorsed by an Internal Audit Charter, is empowered to regularly audit operations to ensure compliance with Li & Fung's policies and Key Operating Guidelines (KOGs), and local laws and regulations.

Below illustrates the key roles and responsibilities of risk management and control at board, management and CGD.

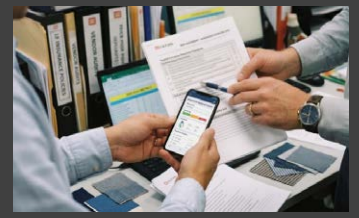
ROLE	ACCOUNTABILITY	RESPONSIBILITIES
Oversight	◉ Audit committee ◉ Risk management & sustainability committee	• Oversight of corporate governance, ESG, financial reporting, risk management and internal control systems
Risk assessment and reporting	◉ Corporate governance division	• Supporting the Board in the evaluation of risk management and internal control systems to identify areas for improvement • Review of corporate governance practices and advisory on company policies and guidelines • Independent investigations
Risk and control owners	◉ Business management/ functions	• Day-to-day execution and monitoring of internal controls • Polices and operating guidelines formulation and execution • Balance between business operational efficiency and exercising internal controls • Ensuring critical risks be reported to the Board, along with the status of actions taken to manage these risks

Our policies and KOGs are tailored to the needs of respective operating groups in the markets in which we operate. These policies and KOGs cover the key risk management and control standards for our operations worldwide, including key business processes, credit control, procurement and payment, trade compliance, capital expenditure, commitments, business travel, employee expense claims, use of artificial intelligence (AI) tools, and data protection and cybersecurity.

Li & Fung has adopted a risk management framework that depicts a system to enable operating groups to effectively **identify, assess, mitigate, report** and **monitor** key business risks. The system enables the management team to oversee risk management that is integrated into strategic planning, budgeting, decision-making and operations.



Li & Fung considers insurance to be an integral part of a risk management plan for the Company to mitigate financial uncertainties and enhance our operational resilience. In 2025, we engaged a professional insurance and risk management firm to review the Group's fraud and corruption prevention procedures and evaluate the product quality control measures and liability risks of selected business units focused on hardgoods sourcing. This facilitates our continuous improvement in risk management and review of the insurance coverage to ensure comprehensive insurance for our assets and business operations.



7 BEING A RESPONSIBLE BUSINESS

7.2 BUSINESS ETHICS AND ANTI-CORRUPTION

At Li & Fung, business ethics is more than a legal obligation; it is our foundation to sustain long-term value and build sustainable business. We believe that our reputation is our most valuable asset, built on the collective responsibility of every employee to uphold the highest standards of conduct. We uphold our values by embedding the Li & Fung Code of Conduct and Business Ethics (the LF Code) into our daily operations. By doing this, every employee acts as a steward of our values, ensuring that our zero-tolerance approach to bribery, extortion, and unfair competition is consistently applied across all markets and jurisdictions where we operate.

1 Robust policy framework

Our commitment to integrity is institutionalized through a comprehensive and evolving policy framework. This system ensures that our global operations are conducted with transparency and in full compliance with international standards:



Code of conduct and business ethics:
The LF Code serves as the cornerstone of our governance framework, providing a definitive guide for ethical behavior toward our customers, suppliers, and colleagues. Following a strategic revision in 2024, our Group CEO communicated key updates to all employees, specifically addressing the evolving technological landscape—such as AI tools and social media usage—and reinforcing our commitment to a respectful, harassment-free workplace. To ensure full alignment, the LF Code and its accompanying policies are accessible via our intranet and corporate website (www.lifung.com), with a mandatory annual acknowledgement and e-learning requirement for all staff. Furthermore, our e-declaration system ensures that any potential conflicts of interest are identified and handled independently by Human Resources and the Legal Department, institutionalizing a culture of transparency and accountability.

Anti-bribery policy:
We maintain a zero-tolerance approach to bribery and corruption, a commitment that is codified in our global Anti-Bribery Policy. This policy provides concrete examples and a clear set of rules to guide ethical decision-making across all operations. Its mandate is universal, applying to all directors, officers, and employees regardless of their location or position. Our ethical expectations extend to our entire business ecosystem, requiring all third-party stakeholders—including customers, agents, vendors, and contractors performing services on our behalf—to uphold these same rigorous standards anywhere in the world.

Guidelines on gifts, entertainment and hospitality:
These Guidelines establish a clear framework for giving and receiving gifts, entertainment, and hospitality, detailing prohibited scenarios for both internal and external stakeholders—including customers, suppliers, and public officials—while providing explicit guidance notes to ensure employees navigate interactions with public officials with the highest level of transparency.

Anti-Money Laundering Policies: To safeguard the interests of the Company and our partners, we enforce a stringent Third-Party Payment Guideline that mitigates the risk of fraudulent financial activity and unknown cashflows by strictly prohibiting payments to any party without a verified business contract. This financial rigor is complemented by our Trade Compliance Policy, which mandates absolute adherence to international sanctions, import/export controls, and global trade laws under all circumstances. To ensure these standards are effectively implemented, both the policy and comprehensive supporting resources are readily accessible on our intranet, providing employees with clear guidance on navigating complex international trade requirements.

Whistleblowing and reporting of concerns:
Every employee is obliged to report, without delay, to appropriate senior management where they become aware or form suspicion of any instance or behavior which is or may potentially be illegal, unethical and/or in violation of applicable policies and guidelines of the Company. To facilitate this, we provide dedicated, independent reporting channels, including direct communication with our Corporate Governance Division via a designated email (CorpGov@lifung.com) or the FaceUp Whistleblowing platform or by post, as disclosed in our website (www.lifung.com). FaceUp serves as a secure, third-party portal available 24/7 in 113 languages, allowing employees and external stakeholders—such as customers and vendors—to file confidential written or voice reports anonymously via web or mobile app. Central to this system is our strict non-retaliation policy, which ensures that any individual who raises a genuine concern or participates in an investigation is fully protected, maintaining the integrity and safety of our 'Speak-Up' environment.

BEING A RESPONSIBLE BUSINESS



2 Independent Investigations

To ensure the integrity of our policy enforcement, we maintain a rigorous and autonomous investigation process. All reports are investigated internally in accordance with established protocols. All reports (including the identity of the person making the report, if disclosed to us) and any investigation records and findings will be kept strictly confidential and accessible only by senior management and personnel undertaking the investigation, except (i) with your consent or (ii) where we are under a legal obligation to disclose that information to government authority. Independent investigations are undertaken by our Corporate Governance Division or independent management.

3 Due Diligence

Li & Fung is committed to driving ethical practices along our supply chain, therefore vendor ethical practices is also one of our key focus areas. In 2025, on a risk and rotational basis, vendors were selected from our key sourcing countries to complete a questionnaire from the Corporate Governance Division (CGD) on their anti-bribery and anti-corruption awareness. CGD reviewed the vendors' feedback and the relevant management followed up with vendors requiring improvement in ethical practices.

4 Culture and education

At Li & Fung, we believe that a policy is only as effective as the people who embody it. Throughout 2024 and 2025, we intensified our focus on the 'human element' of governance by mandating comprehensive education across our global workforce. Our digital curriculum includes bite-sized e-learning modules covering the LF Code, Anti-Bribery, Trade Compliance, and Anti-Harassment policies. These 24/7 accessible modules utilize interactive case studies and rigorous assessments—requiring a near-perfect score for certification—to ensure colleagues can translate ethical principles into daily practice. Since the launch of this refreshed curriculum in December 2024, 89% of our employees have successfully completed their training. To complement our digital efforts, we conducted specialized in-person workshops in 2025 on Anti-Harassment and Ethics Management, fostering deep-dive dialogues on navigating complex workplace ethics and reinforcing a culture of mutual respect.

In 2025, no legal cases concerning corrupt practices were concluded against the Company or its employees.

7.3 CUSTOMER SERVICE

At Li & Fung, product quality and safety are central to our sustainability agenda and essential for maintaining customer trust. As a global supply-chain service provider, we uphold rigorous standards and a comprehensive Quality Assurance framework that monitors products across the full lifecycle, from material selection to final delivery, protecting consumer health, minimizing environmental impact, and ensuring regulatory compliance. We embed continuous improvement, innovation and close collaboration with partners into our processes, and align our quality practices with broader ESG commitments to transparency, accountability and stakeholder well-being.

1 Supplier Selection

Suppliers are selected based on their quality, operational and ethical standards. Trainings and resources are provided to these suppliers for implementing required quality standards.

2 Quality Control Inspections

Quality control (QC) inspections are integrated throughout the whole process, including raw material evaluations, mid-production checks, and final product assessments before they reach the market.

3 Certification and Standard

Comply with international standards and certifications—such as International Organization for Standardization (ISO) and American Society of Testing Materials (ASTM)—and applicable industry regulations to ensure product safety and quality and demonstrate our commitment to continuous improvement.



Li & Fung Quality Assurance Procedure

LF Quality Assurance Procedure

To mitigate potential risks and ensure consumer protection, we adopt a comprehensive approach to ensure products are safe and comply with relevant regulatory requirements:

Risk Assessment and Management:
conduct thorough risk assessments for all products by evaluating potential safety hazards associated with materials, production processes, and end-use scenarios. Through this assessment, we identify critical points of control that help us manage risks effectively.

Regulatory Compliance:
monitor evolving product-safety regulations across our markets, and ensures adherence to applicable local, national and international requirements, enabling proactive responses to regulatory changes and consumer concerns.

Testing and certification:
partner with accredited third-party laboratories to perform safety testing on our products. This includes analyses for harmful substances, flammability, mechanical safety, and chemical composition. Our products are only released to the market after passing these stringent safety tests.

Product recalls and incidents:
in the rare event of a safety incident, we follow established recall and consumer notification protocols — conducting prompt investigations, implementing corrective actions to prevent recurrence, and maintaining transparent communications to preserve trust and accountability.

BEING A RESPONSIBLE BUSINESS

CASE STUDY



ADAPTING AI QC SCHEDULING PLATFORM

Due to the diverse product portfolio and extensive supplier network, the QC inspection schedule could be complex and time consuming. In 2025, we implemented an AI (Artificial Intelligence) driven QC scheduling platform to simplify inspection planning process and replace the manual process.

The system automatically matches inspectors to inspections based on skillset, experience, customer preferences and product category. It also factors in factory locations, travel distance and other customized requirements. Inspection bookings are synced from our Mobile QC system and are locked five calendar days before the inspection to ensure schedule stability.

The platform has simplified multi factor scheduling and optimized inspector deployment and job rotation. It has reduced travel time and distances. By streamlining operations and improving allocation accuracy, the platform has increased inspection effectiveness and efficiency, leading to higher customer satisfaction and greater confidence in our QC services.

CASE STUDY

OPTIMIZING PRINT-SUPPLIER NETWORK AND PACKAGING COLOR MANAGEMENT

One of our customers places extensive seasonal series comprising many SKUs with low quantities per item, while retaining consistent packaging and branding elements (for example, identical color tones and hangtags). This profile created heightened risk of color variation between orders and unnecessary set-up waste.

In 2025, our QA team worked with the customer to establish a packaging color inventory and to rationalize the print-supplier network. We issued uniform color parameters to participating print suppliers and centralized print-proof approvals to eliminate repetitive color-tuning and duplicated proof shipments.

The initiative ensured consistent color reproduction across the product series, reduced color-tuning cycles and minimized material and time waste. One principal print partner reported estimated improvements of 20% reduction



in printing-accessory waste, **10% reduction in printing-material waste**, a **20% shorter production cycle**, and approximately **30% lower courier costs** to the US for proofing. Together, these gains delivered measurable reductions in resource use and lead-time variability while strengthening brand consistency and cost predictability.

BEING A RESPONSIBLE BUSINESS

CASE STUDY

ADVANCING SUPPLY CHAIN INTEGRITY THROUGH THE MQC DIGITAL ECOSYSTEM

In 2025, Li & Fung continued to pioneer digital solutions that bridge the gap between supply chain speed and uncompromising quality. By centralizing our quality efforts within the **Mobile Quality Control (MQC)** system, we have successfully integrated AI-driven compliance with frontline empowerment. This ecosystem acts as a sophisticated "digital gatekeeper", ensuring that every product we deliver meets the highest standards of excellence and reliability.

The foundation of our enhanced product oversight is the integration of the Fabric or Garment Test Report Platform. Traditionally, verifying material safety and durability required manual cross-referencing — a process vulnerable to human error and delays. In 2025, our AI-driven tools automatically synchronize with the platform to verify test results in real time. If a report is missing or fails to meet our rigorous standards, the MQC system triggers an immediate "Red Alert", a hard-stop protocol that prevents shipment authorization. For our customers, this ensures guaranteed compliance and a "zero-leakage" strategy that protects their brand reputation and ensures consumer safety by preventing sub-standard goods from ever entering the market.



Beyond automation, we have leveraged the MQC system to enhance the agility of our frontline Quality Assurance (LFQA) teams. Recognizing that administrative burdens can delay the resolution of urgent issues, we introduced a "One-Click Escalation" feature. This allows our inspectors to instantaneously flag critical concerns via a single button, automatically populating essential data — such as Style, PO, and specific defects — onto a centralized leadership dashboard. This shift from manual reporting to instant visibility has transformed our customer service model by enabling us to resolve high-risk issues with unprecedented speed, minimizing production bottlenecks and ensuring on-time delivery without sacrificing quality. These escalations are reviewed weekly by management, allowing us to identify systemic trends and proactively offer our customers data-driven insights to improve their future production cycles.

By combining automated AI safeguards with streamlined human oversight, we are creating a more resilient supply chain where digital precision and human expertise work in harmony to deliver superior products to the global market.

7 BEING A RESPONSIBLE BUSINESS

7.4 DIGITAL TRUST

At Li & Fung, we are committed to the highest standards of digital trust, encompassing cybersecurity, data privacy, and integrity. We safeguard data for our customers, partners and colleagues by leveraging a risk-based framework and integrating a robust governance management system. As a global company operating across multiple jurisdictions, our practices are compliant with the applicable data protection and cybersecurity requirements in the jurisdictions where we operate. By fostering a culture of awareness, we safeguard personal and customer data and commercially sensitive information while enabling the business to operate efficiently at scale.

Embedding Governance & Accountability

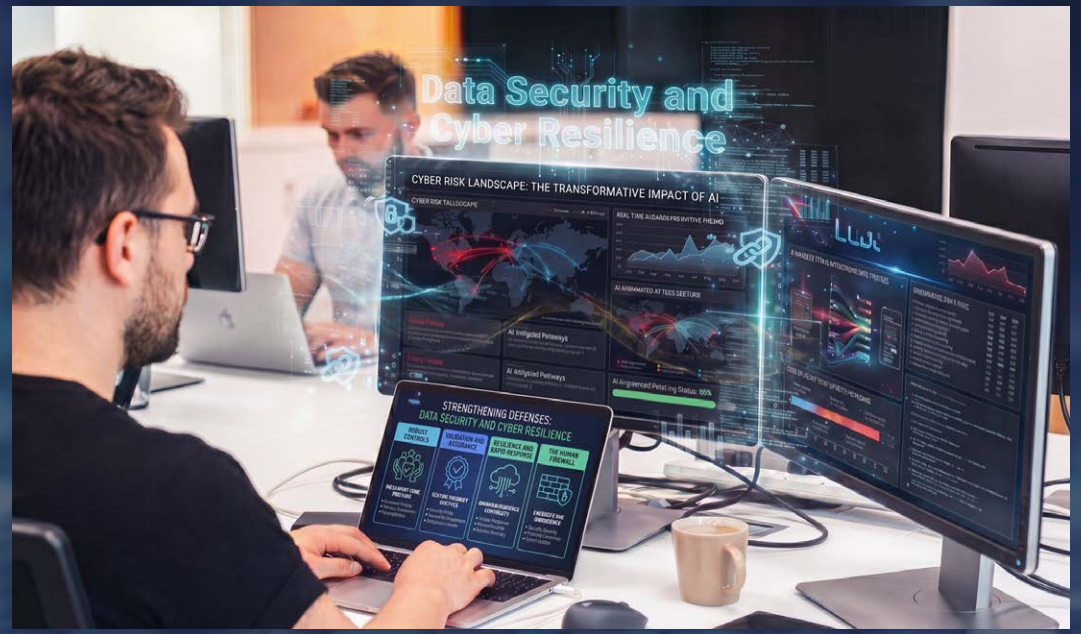
Cybersecurity and privacy are governed through a structured management system with defined oversight and execution responsibilities. The Board Risk Management and Sustainability Committee (RMSC) provides oversight of cybersecurity and privacy risks, including program effectiveness and incidents reporting. A Security Steering Committee supports management governance by approving security policies, reviewing key risks, prioritizing investments, and tracking remediation progress. Cyber Security Operation managed by the Group Information Security Team within One Tech, which maintains the Information Security Management System (ISMS) and ensure incident readiness. To drive consistent global implementation, Li & Fung employs a **"Three-Lines"** model:





- **Information Security Office:** Manage ISMS and policy lifecycle, conducts risk assessments, provides security architecture guidance, and oversees threat detection and response, third-party security, and awareness activities.
- **Privacy and Legal Teams:** Privacy impact assessments, data subject request handling, records of processing, cross-border transfer governance and regulatory engagement.
- **Business and Group IT Teams:** Execute core technical controls, including identity and access management, endpoint protection and data protection, as well as system hardening and secure change management.

7 BEING A RESPONSIBLE BUSINESS



Data Security and Cyber Resilience

At Li & Fung, we apply world-leading measures to ensure data security and cyber resilience, including below approaches:

Robust Controls: Guided by least-privilege principles, we implement robust identity controls, including multi-factor authentication (MFA), conditional access, and role-based access control (RBAC). We deploy endpoint security controls (EDR/XDR), email security and anti-phishing, secure configuration baselines, and encryption in transit and at rest. We manage the full data lifecycle, from classification to secure disposal, supported by Data Loss Prevention (DLP). To ensure operational resilience, we maintain immutable backups for critical systems and disaster recovery plans with defined recovery objectives (RPO/RTO), while embedding security into the development lifecycle through design reviews, code scanning and controlled change processes.

Validation and Assurance: Li & Fung ensures the maturity of its security program through regular risk assessments, audits and independent testing. Our oversight includes enterprise-level risk assessment and strict third-party security due diligence for critical suppliers, while internal audit verifies the entire IT management process including IT general controls (ITGC), access and change management, software development lifecycle practices, etc. We further validate our resilience through independent testing and assurance including penetration testing, ransomware readiness activities and tabletop exercises. Where applicable, we maintain ISO/IEC 27001 surveillance and recertification activities to support continuous improvement of our ISMS. External security assurance activities were completed in 2025, including penetration testing, a NIST assessment by PwC and Marsh, the AIG Security Assessment, and audits such as the CSP SWIFT review. Security and privacy are embedded in our operating model through governance, ISO-aligned controls, continuous monitoring and a trained workforce across regions.

Resilience and Rapid Response: We maintain a structured incident response capability supported by monitoring and escalation procedures. Our incident playbooks cover scenarios such as information leakage, ransomware, business email compromise (BEC) and third-party incidents. After incidents or exercises, lessons learned are documented, and corrective actions are tracked to closure to strengthen resilience and reduce recurrence risk.

The Human Firewall: Mandatory training and awareness education programs are delivered to build employee's knowledge around Information Security, Privacy & Data Protection, Responsible Use of Collaboration Tools and Responsible AI. Additional secure coding training is also provided for employees with technical roles. We provide continuous reinforcement via monthly security communications, regional webinars and simulated phishing exercises supported by targeted coaching and improvement actions. In the reporting period, over 80% of employees completed annual cybersecurity training.

7 BEING A RESPONSIBLE BUSINESS

CASE STUDY

AI GOVERNANCE READINESS SPRINT

As Artificial Intelligence reshapes the supply chain, Li & Fung is committed to "Safe Innovation". In June 2025, we refreshed our group-wide Use of AI Tool Guideline to strengthen governance and align with evolving regulatory expectations and our ISMS control framework. The guideline reinforces



human oversight for AI-influenced decisions with legal or significant impact on individuals and applies data minimization requirements that prohibit entering personal/sensitive data, trade secrets or protected intellectual property into external AI tools. It also emphasizes transparency and accuracy, requiring appropriate identification of AI-generated content where applicable and critical review for bias and accuracy prior to business use. The guideline prohibits transferring personal data or confidential information to public AI systems and generating content intended to infringe third-party rights. Governance requirements include periodic review as risks evolve and consultation with business owners and Information Security/Legal teams for new AI use cases.

To operationalize the Use of AI Tool Guideline, we conducted a focused rollout in 2025. This included risk and use-case workshops for priority functions including Product, Technology, Merchandising and HR, and the introduction of "human-in-the-loop" checkpoints for higher-impact workflows where applicable. The rollout improved consistency of controls across regions, supported faster approvals for compliant use cases and strengthened assurance for stakeholders. In 2025, over 1,000 employees participated our AI Risk and Governance workshops.

Looking ahead

AI is reshaping the cyber risk landscape—strengthening our Defenses when used responsibly, while also enabling more sophisticated threats such as realistic phishing and deepfakes, adaptive malware, and automated attack campaigns. To sustain digital trust, we will continue to leverage AI to enhance resilience while maintaining clear guardrails on how AI is used within—and against—our business. In the coming year, we will focus on four priorities:

bsi ISO/IEC 27001 Information Security Management CERTIFIED





1. **Strengthening governance and accountability** by operationalizing our "Use of AI Tools Guidelines" globally and aligning with emerging regulations;
2. **Improving people and preparedness** through role-based training and realistic simulations covering AI-enabled social engineering and prompt injection;
3. **Scaling processes** by embedding AI risk into vendor due diligence, contracting, and incident playbooks;
4. **Advancing defensive technology** through stronger zero-trust controls, AI-assisted detection and analytics, broader DLP coverage, and continued hardening of cloud security, encryption, key management, and immutable backup protections.



Responsible Sourcing

As a responsible and proactive leader in the supply chain solutions industry, Li & Fung is committed to adopting leading ESG practices and advancing the global sustainability agenda. Through these efforts, we strive to create positive value for our customers, society and planet.

8 RESPONSIBLE SOURCING



4,576
Tier 1 Factories

28
Production Economies

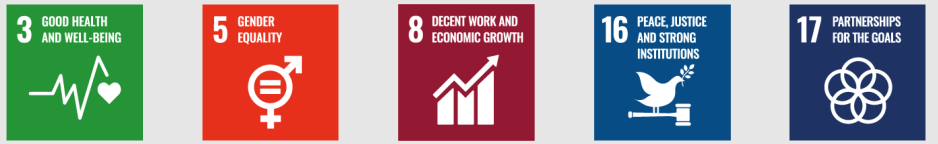
8.1 RESPONSIBLE SOURCING

As a global leader in supply chain solutions, Li & Fung is committed to embedding responsible sourcing practices across our business in alignment with rigorous environmental, social and governance (ESG) standards. We prioritize safeguarding worker rights, advancing environmental stewardship, promoting transparent governance, and driving continuous improvement throughout our global supplier network.

In 2025, we partnered with 4,576 Tier 1 factories across 28 markets. Of these, 19% accounted for 80% of the value of goods shipped to customers, enabling more targeted partnerships and supplier capacity building.

Building on more than a century of experience, we continue to strengthen transparency, supplier engagement, and data-driven oversight across our sourcing network.

Our Social Supply Chain Strategy prioritizes the **five pillars** aligned with the UN Sustainable Development Goals (SDGs)



Safe workplaces | **Gender equality** | **Ensuring fair labor practices** | **Upholding human rights** | **Stakeholder collaborations**

SUSTAINABLE DEVELOPMENT GOALS

8 RESPONSIBLE SOURCING

8.2 OUR APPROACH

Grounded in the OECD Due Diligence Guidance for Responsible Business Conduct, the ILO Core Conventions, UN Sustainable Development Goals and Guiding Principles on Business and Human Rights, our program is designed to assess and address adverse impacts across the supply chain while driving continuous improvement, transparency and accountability. Li & Fung applies a risk-based, rights-focused approach integrating ESG considerations into procurement, supplier management, and business strategy.

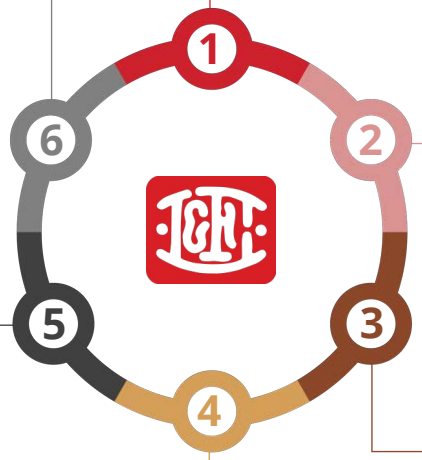
Prevention & assessment

We operate a layered system of prevention that combines governance-backed policies, including a robust Supplier Code of Conduct (Supplier Code), with pre-engagement and ongoing risk assessments using country, sector and facility-level indicators to prioritize action. Independent social and environmental audits enable us to identify vulnerabilities ranging from labor-rights violations to environmental hazards. These activities are supported by executive sponsorship and board and committee oversight to ensure clear accountability.

Remediation, engagement & performance

Where issues are identified, we require time-bound corrective action plans, invest in supplier capacity building, and provide worker-centered grievance and remedy pathways that prioritize safe, timely and meaningful outcomes for affected rights holders. We proactively collaborate with industry partners and civil society to raise standards and harmonize best practices.

By tracking performance and measuring impact, embedding findings into procurement decisions and performance metrics, and continuously refining processes based on lessons learned and stakeholder feedback, Li & Fung is committed to strengthening systems and maintaining transparency and accountability across the value chain.



EMBED RESPONSIBLE BUSINESS CONDUCT
Into policies & management systems

- Supplier Code of Conduct
- Specialized policies e.g., Forced Labor Policy, Child Labor Policy, Grievance Policy
- Webinars and Total Sourcing Platform to communicate policies
- E-learning and training to build capacity to implement

IDENTIFY & ASSESS ADVERSE IMPACTS
In operations supply chains & business relationships

- Regular risk Assessment
- Audits and spot checks
- Supplier onboarding (Sayari)
- Traceability systems (T4S)
- Recruitment risk screening (diginexAPPRISE)

CEASE, PREVENT OR MITIGATE
Adverse impacts

- Capability-building and e-learning with suppliers
- Engagement with industry initiatives to solve systemic issues.

TRACK
Implementation and results

- Follow up audits and verification
- Incident investigation
- Worker voice (diginexAPPRISE)
- Monitor and track progress via compliance dashboard

PROVIDE FOR OR COOPERATE
In remediation when appropriate

- Company and industry grievance mechanisms
- Remediation policy and process
- Industry joint remediation
- Standardized Child Labor remediation through the partnership with The Centre for the Child Rights for Business.

COMMUNICATE
How impacts are addressed

- Annual ESG Report
- Modern Slavery Statement
- Reports & policies publicly available on website

amfori Trade with purpose | diginex | BetterWork | MEKONG CLUB | THE CENTRE FOR CHILD RIGHTS AND BUSINESS | Sedex

8 RESPONSIBLE SOURCING

8.2.1 EMBEDDING DUE DILIGENCE INTO MANAGEMENT SYSTEMS

Policy commitments: aligning with global standards

Our Supplier Code sets clear, binding standards for human rights, fair labor practices, workplace health and safety, environmental protection and business ethics. Grounded in the UN Guiding Principles on Business and Human Rights, the ILO core conventions and applicable local laws, the Supplier Code applies to all suppliers and subcontractors across Li & Fung's global network. All suppliers must read and sign the Supplier Code on the Total Sourcing Platform. It is updated once every two years. A shortened version of the Supplier Code is available in thirteen different languages.

Key requirements include:

Fundamental Rights at Work: prohibition of child labor and forced labor, non-discrimination; freedom of association and collective bargaining; fair wages; reasonable working hours; safe and healthy workplaces.

Environmental performance: resource efficiency, pollution and waste prevention, responsible chemical management, and alignment with climate action objectives.

Governance and ethics: human rights and environmental due diligence, accurate recordkeeping, anticorruption and antibribery measures, and data transparency.

To address critical risks, we enforce targeted policies including our Combating Forced Labor Policy, Child Labor Policy and Responsible Recruitment Policy and require suppliers to comply with relevant global trade and regulatory requirements



In 2025, Li & Fung launched three new policies

Human Rights And Environmental Due Diligence Policy — This policy outlines Li & Fung's commitment to respect human and environmental rights and implement due diligence. It applies both to Li & Fung and business partners.

Grievance Mechanism Policy — This policy requires suppliers to establish effective grievance mechanisms within their own operations that align with Li & Fung's principles and standards. It also requires suppliers to facilitate workers' access to Li & Fung's own grievance mechanism. The policy applies to all workers regardless of migrant or employment status.

Occupational Health & Safety Policy — This policy re-affirms that the right to a safe and healthy work environment is a fundamental human right. It also ensures suppliers establish a Safety Management System to better safeguard workers' rights to a safe workplace.

Each policy has a clear purpose and is embedded in our due diligence framework, governance and supplier engagement processes to drive accountable, measurable outcomes.

Implementation and oversight

These policies are operationalized through supplier engagement, audits and corrective action plans, capacity building programs and worker centered grievance and remediation processes. Responsibility for implementation rests with our supply chain and sustainability teams. The ESG Committee provides oversight and regular reports to the RMSC to monitor effectiveness and progress against KPIs.

8.2.2 IDENTIFYING & ASSESSING ADVERSE IMPACTS

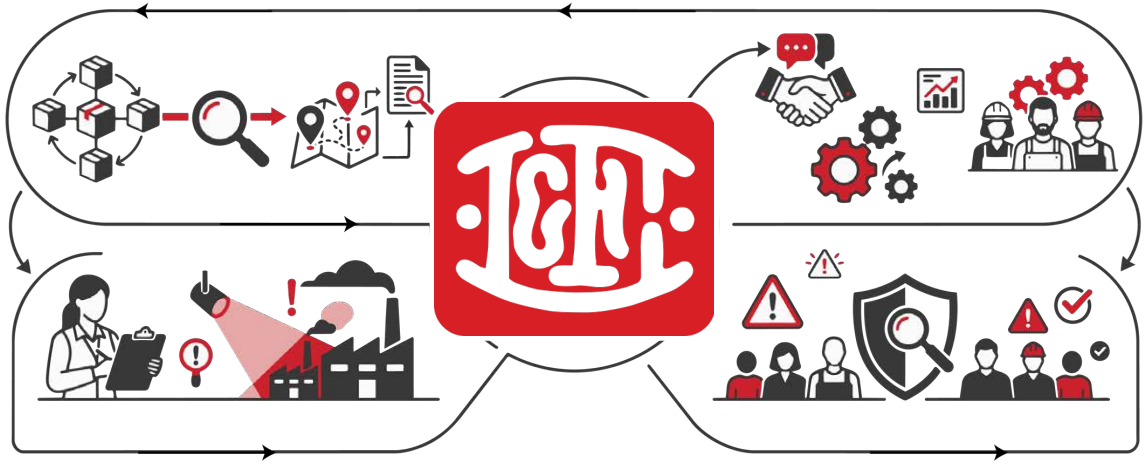
Policy integration & risk-based audits

Our supplier onboarding embeds global sustainability benchmarks to promote ethical, transparent partnerships. We enforce accountability through:

Independent third-party audits: Risk-based audits of Tier 1 suppliers are conducted by accredited independent auditors against BSCI, SMETA, Better Work and other applicable standards; audit frequency is set according to supplier and product risk.

Harmonized standards: We recognize nine industry standards to eliminate duplicative factory audits, increasing monitoring coverage to nearly 100% of our factories while streamlining compliance processes.

Partnership threshold: Suppliers must meet Li & Fung's minimum onboarding standards. In 2025, 737 suppliers were onboarded directly or with support to address identified gaps.



Proactive risk screening

In collaboration with Sayari, a specialist in corporate transparency and risk intelligence, we screen suppliers for ESG risks during onboarding, including potential links to forced labor and sanctions violations. Significant risks trigger immediate escalation and actions, such as suspension, remediation plans, or termination. Sayari also supports ongoing, risk-based monitoring after onboarding.

Supply chain mapping & traceability

Strengthening our understanding of our operations and supply chain is essential to identifying social and environmental risks. We therefore maintain robust policies and processes to support supply chain mapping and traceability — capabilities that are increasingly required by legislation in key markets. Suppliers are expected to provide product lifecycle information and supporting documentation on request. This includes conducting due diligence to identify relationships with sanctioned or high-risk entities as well as implementing targeted policies and controls to detect and prevent forced labor. Transparency for Supply Chain (T4S) is our in-house platform for supply chain mapping and chain of custody management. In 2025, traceability mapping was conducted across two customer programs. In total, 59 vendors and factories, including mills, were engaged in the process. The team mapped 110 unique styles, representing 241 purchase orders, and traced 123 unique styles linked to 277 purchase orders. The platform supports our ongoing efforts to build traceability systems that track the origin and flow of priority materials across suppliers and production stages.

Unannounced spot checks for deeper transparency

In 2025, we conducted 906 unannounced spot checks to strengthen visibility in the upstream supply chain and identify risks that are harder to detect in announced or routine audits, including forced labor and discrimination. Our internal compliance team completed 722 spot checks, including 28 with upstream suppliers. Independent third-party providers conducted the remaining assessments, including 30 specialized assessments focused on identifying forced labor and gender-related risks. Findings triggered root cause investigations and system-wide remediation to drive continuous improvement. These efforts contribute to SDG 5 (Gender Equity) and SDG 8 (Decent Work).

8 RESPONSIBLE SOURCING

8.2.3 PREVENTING & MITIGATING RISKS

Suppliers that fall below the required standards must complete remediation and corrective action plans (CAPs), with progress monitored regularly. In 2025, we completed nearly 8,000 internal and third-party audits, alongside routine spot checks, as part of our ongoing monitoring efforts. The monitoring identified issues in 617 facilities. Most have either resolved the issues or are actively implementing corrective actions. In rare cases where violations remain unresolved, we pursue responsible disengagement to help minimize impacts on workers and communities. In 2025, our issue resolution rate increased by 13% compared to 2024.

For non-compliances involving underage workers, we work with The Center for Child Rights and Business (The Centre) to design responsible, child centered solutions that meet the educational, social and economic needs of the child and follow recognized best practice. Our Vendor Compliance team handles and investigates complaints from workers and other sources, taking an end-to-end approach: we designate a responsible team, investigate root causes, collect and analyze evidence, manage remediation in collaboration with the business, and document all actions until closure.

8.2.4 TRANSPARENCY & REPORTING

We are committed to continuous improvement and maintain regular dialogue with internal and external stakeholders to inform and refine our strategy, governance and operational performance. Our annual ESG report outlines key audit outcomes, measurable progress against ESG goals, and the remediation efforts we have undertaken. In addition, we publish an annual Modern Slavery Statement to meet the requirements of the California Transparency in Supply Chains Act (SB 657) and the UK Modern Slavery Act 2015. Please refer to our 2025 Modern Slavery Statement.

8.2.5 EMPOWERING SUPPLIERS: CAPACITY-BUILDING FOR SUSTAINABLE IMPACT

Li & Fung delivers tailored capacity building programs for suppliers, covering human rights, fair labor practices, occupational health & safety, and other priority areas. Training combines practical guidance, risk assessment tools and follow up support so suppliers can self identify non compliances, remediate issues and align operations with our Supplier Code.

Training is provided as a means to sensitize suppliers about changes in Li & Fung's responsible sourcing standards and policies. In 2025, we hosted one global webinar and 19 in-country training sessions introducing Li & Fung's new Child Labor Prevention and Remediation Guideline, which defines the preventive measures suppliers must adopt, including minimum working age policies, robust age verification procedures and regular risk assessments. The in-person training sessions reached 2,261 participants from 1,243 factories (figures included under labor practices). Participant feedback was positive and indicated practical intent to change supplier practices.

Li & Fung also offers continue training for suppliers in areas which are considered priorities under the company's sustainability strategy. For example, in 2025 Li & Fung and its industry partners hosted 23 training sessions for 625 suppliers and 955 participants on forced labor. Li & Fung also conducted eight training sessions on anti-harassment and gender-based violence reaching 451 participants from 262 factories across key sourcing countries, including Bangladesh, China, Indonesia, India, Vietnam and Türkiye. The training focused on preventing and responding to workplace harassment and gender-based violence by raising awareness, building practical skills for safe intervention and reporting, and promoting an inclusive and respectful work environment.

Table X: Supplier Training
(Webinar & In-Person Offered by VCS and Industry Partners)

Training Topic	Sessions	Suppliers	Participants
HEALTH & SAFETY	81	989	2,520
HREDD	12	794	1,223
LF SUPPLIER CODE	16	721	1,206
LABOR PRACTICES	290	1,954	7,062
TRACEABILITY	5	29	53
OTHERS	197	929	2,090
	Total # of **SESSIONS** 601	Total # of **SUPPLIERS** 2,772	Total # of **PARTICIPANTS** 14,154

Mandatory E-Learning

Suppliers are also required to undertake three e-learning courses on Li & Fung's Total Sourcing Platform. All three training programs were launched in 2023 as a means of providing additional awareness and understanding on how to adhere to the Supplier Code of Conduct. Suppliers cannot do business with the company until they have completed the required training. The chart shows how many additional people and suppliers have been trained on these courses in 2025, building on previous training efforts from the past two years.

Course Name	# of Trainees	# of Suppliers
Child Labor Prevention & Remediation	1898	540
Recognizing Forced Labor	1896	536
Supplier Code of Conduct	1898	537

8.2.6 GRIEVANCE MECHANISMS

Or download FaceUp app with the code: lifung

FaceUp

FaceUp grievance platform

In 2023, Li & Fung introduced FaceUp, a third-party grievance and whistleblowing platform designed to increase access to confidential reporting across our supply chain. FaceUp accepts written and voice reports in multiple languages, helping to overcome both language and literacy challenges and enabling workers and other stakeholders to raise concerns about forced labor, child labor, discrimination, safety risks and related issues. Suppliers are requested to prominently display a QR code that links to the platform so workers can report directly and anonymously. The channel is further promoted by many Li & Fung customers to broaden awareness and uptake.

Policies and guidelines

In 2025, we introduced a Grievance Mechanism Policy and Guidelines for our supply chain. The policy establishes accessible, confidential and timely channels for workers, communities and other stakeholders to raise concerns, mandates fair and transparent investigation and remediation, and reinforces trust and accountability throughout our value chain.



Worker Voice – *diginexAPPRISE*

We partner with Diginex to gather worker feedback using diginexAPPRISE (APPRISE), a worker voice app that features a multilingual survey interface, voice functionality and targeted modules on working conditions, gender equality and responsible recruitment. APPRISE is designed to overcome language and literacy barriers and to provide actionable insights that complement our supplier engagement and remediation efforts.

In 2025, Li & Fung deployed APPRISE with 808 factories across ten markets and received a total of 21,557 responses. Survey data helped Li & Fung to identify key compliance issues related to recruitment fees & costs, employment contracts and health & safety.



21,557 Responses

10 Markets

808 Factories

Industry collaboration – *amfori* speak for change

To offer additional trusted reporting options for workers, we use grievance mechanisms provided by industry partnerships. We maintain an ongoing partnership with amfori's Speak for Change, which operates in Bangladesh, Cambodia, India, Türkiye and Vietnam and enables anonymous submissions by telephone, website or mobile application.

amfori Trade with purpose
SPEAK FOR CHANCE



8 RESPONSIBLE SOURCING

Industry collaboration

Li & Fung actively collaborates with leading industry organizations to amplify our impact and enable collective solutions to systemic challenges.

Li & Fung is a member of the American Apparel & Footwear Association (AAFA) and participates in the Social Responsibility Committee and the Forced Labor Working Group. Li & Fung is also a signatory to the AAFA and Fair Labor Association's Revised Commitment to Responsible Recruitment, addressing forced labor risks for migrant workers in global supply chains.

We partner with amfori to promote ethical and sustainable supply chains through BSCI standards, used by **over 66%** of Li & Fung suppliers in 2025.

In 2025, amfori **trained 482 peopl**e from **342 suppliers** in Li & Fung's supply chain across 9 countries on health & safety, HREDD, and labor practices.

Li & Fung has partnered with Sedex since 2011 and uses the Sedex platform to access verified SMETA audits. In 2025, **over 14%** of Li & Fung suppliers used SMETA standards. We also use SEDEX Radar - an online tool designed to identify risks to inform our due diligence processes.

In 2025, Sedex **trained 21 people** from **14 suppliers** in Li & Fung's supply chain across 8 countries on key labor and human rights topics.

In 2025, Li & Fung continued its active collaboration with the Mekong Club Manufacturing & Retail Working Group, where members exchange best practices and address industry challenges.

Through this partnership Li & Fung also enhanced its grievance mechanism management system and responsible recruitment guidelines.

Li & Fung is a member of The Centre for Child Rights and Business's Working Group and collaborates with other companies to identify challenges, share resources, and implement industry best practices on child rights. The Centre also serves as Li & Fung's specialist partner for child labor remediation, ensuring interventions prioritize the best interests of the child while helping prevent future occurrences. Through this partnership The Centre helped LF develop its Forced Labor Prevention & Remediation Guidelines.

We work closely with Better Work, a partnership between the ILO and the International Finance Corporation (IFC), to support improved social impact in the supply chain.

Better Work offers a comprehensive program for its member factories that includes an in-depth social compliance assessment, advisory services, and engagement with workers and their representatives. A total of **285 factories** in the LF supply chain are in the Better Work program.

In 2025, Better Work **trained 2300 participants** across **130 suppliers** in Li & Fung's supply chain.

8 RESPONSIBLE SOURCING

8.3 ELIMINATING CHILD LABOR

Strengthening child labor due diligence

Li & Fung is committed to respecting children's rights and eliminating child labor across our operations and supply chains. We aim to achieve this through four main pillars: first to develop robust governance framework through the Supplier Code and Child Labor Prevention and Remediation Policy and Guidelines; second to strengthen approaches and tools to ensure that we can effectively identify and assess risks associated with child labor in our supply chains; third to build programs and tools for prevention, mitigation and remediation; and fourth to build industry collaboration through partnerships with entities like The Centre for Child Rights and Business (The Centre).

In 2025, we partnered with The Centre on the second pillar of our strategy by recalibrating the risk matrix used for supplier spot checks. The matrix combines inherent risk such as country and operational risk factors with managed risk – such as supplier compliance performance, to produce an overall factory risk score. We use the risk score in combination with other key factors such as business leverage to prioritize which factories to select for spot checks.



Applying the revised matrix, we prioritized 13 factories in Bangladesh, China and Türkiye for immediate in-depth assessment. While no confirmed instances of child labor were found, the assessments exposed weaknesses in hiring procedures, working time controls, and health and safety systems. We worked directly with each factory on the improvements, which included enhanced recruitment and age verification procedures, strengthened record keeping, more robust working time controls, and upgraded health and safety practices. All 13 factories completed the agreed corrective actions and remain subject to ongoing monitoring and follow up.

Child-centric remediation

Addressing underage worker incidents is central to our ethical sourcing approach. In collaboration with The Centre, Li & Fung has adopted a structured child sensitive remediation process that prioritize the best interests of the child and seek long term outcomes (education, family support, safe alternative livelihoods) rather than punitive measures alone. In 2025, we identified six child labor cases and successfully remediated five. Remediation for the remaining case is under review with stakeholder partners. All involved factories cooperated fully, demonstrating the value of a collaborative approach to remediation.

CASE STUDY



SUPPORTING SOPHARY TO MOVE AWAY FROM CHILD LABOR AND INTO SKILLS TRAINING

Sophary, a 13-year-old from an economically vulnerable household, was at risk of child labor due to increased caregiving responsibilities and financial pressure after her mother's maternity leave. She was briefly employed at a nearby factory but was promptly identified and removed.

Following a home assessment, a tailored intervention provided by The Centre enabled Sophary to enrol in a local hairdressing and basic make-up training program. This solution allowed her to continue supporting her family while accessing safe, structured skills development. Financial assistance provided by the factory provided support for her family and ensured her continued attendance at the training program.

Since beginning training in November 2025, Sophary has demonstrated steady progress in technical and hygiene skills and gained exposure to real working environments. She also plans to undertake English language training to enhance future employability.

Impact

- Redirected from child labor to safe, age-appropriate vocational training
- Reduced household financial pressure
- Improved confidence and motivation
- Balanced family responsibilities with personal development
- Strengthened long-term employability prospects



This case demonstrates how early identification and integrated support can mitigate child labor risks while enabling sustainable livelihood pathways for vulnerable youth. Sophary is now on a path toward becoming a skilled worker with the potential to achieve long-term economic independence and contribute sustainably to her family's livelihood.

RESPONSIBLE SOURCING



Scaling child labor prevention in Bangladesh's lower tiers

Li & Fung participates in the Child Rights Action Hub in Bangladesh (The Hub), a multistakeholder initiative launched in May 2024 by The Centre for Child Rights and Business to tackle child labor risks at scale, with a focus on lower tiers of the readymade garment (RMG) sector. The Hub enables brands, suppliers and civil society partners to coordinate prevention, remediation and capacity building across upstream supply chains. Through the Hub, 14 participants from 11 lower tier factories in our supply chain completed in-depth training on age verification practices, legal protections, management of young workers, documentation requirements and safe working conditions. This partnership amplifies Li & Fung's efforts to scale child-labor remediation and expand access to decent work in the lower tiers of the RMG sector.

> "The training gave me practical tools to better manage stakeholders, including subcontractors, sub-suppliers and service providers."
>
> *– A participant of a garment factory (Bangladesh)*

Li & Fung improves its score in the 2025 Child Labor Remediation Feedback Report by The Centre

Li & Fung has been recognized for its strong performance in the 2025 Child Labor Remediation Feedback Report by The Centre. Launched in 2022, this annual assessment evaluates member companies' child labor remediation practices, with the aim of strengthening the protection of children's rights.

Li & Fung received a "very strong" rating in four of the five assessment areas and outperformed industry averages across all five, reflecting a proactive and hands-on approach to preventing and addressing child labor. This year's results also show an improvement in the Accountability category, with the score increasing from 9 to 10, while performance in the other areas remained consistent. Among 14 international companies selected for this annual feedback report, Li & Fung achieved the highest score and ranked first overall in 2025.

The report highlights Li & Fung's clear guidelines and continued investment in training, capacity building, and risk-based monitoring to identify and mitigate child labor risks across its supply chains. It also notes the company's close coordination with suppliers, factories, and local stakeholders throughout the remediation process, supporting accountability and helping to achieve sustainable outcomes for affected children and their families.

External benchmarking provides an objective measure of performance, helping organizations identify areas for improvement while encouraging the sharing of best practices across the industry to combat child labor.

Child Labor remediation policy and procedure	Case detection and reporting	Rapid assessment support	Accountability	Linkages to sourcing decisions
Our score: **10/10**	Our score: **9.5/10**	Our score: **10/10**	Our score: **10/10**	Our score: **7/10**
VERY STRONG	**VERY STRONG**	**VERY STRONG**	**VERY STRONG**	**MEDIUM**
Average of all assessed companies in 2025: **7.6**	Average of all assessed companies in 2025: **7.7**	Average of all assessed companies in 2025: **8.8**	Average of all assessed companies in 2025: **7.5**	Average of all assessed companies in 2025: **5.4**

LI & FUNG THE CENTRE FOR CHILD RIGHTS AND BUSINESS

8 RESPONSIBLE SOURCING

8.4 PROMOTING RESPONSIBLE RECRUITMENT

Combating forced labor is a critical priority for global supply chains. Many countries and regions now ban the import and sale of goods produced through forced labor. According to the ILO (2022), 66% of forced labor occurs in the private sector. Following the OECD Due Diligence framework, Li & Fung is committed to addressing forced labor risks in our operations and supply chains. In 2025, we formalized our Human Rights and Environmental Due Diligence (HREDD) Policy, setting out practices to assess and address risks, support suppliers, and ensure workers' access to grievance mechanisms and remedies.

Management systems

To strengthen our due diligence on combatting forced labor, Li & Fung has embedded clear commitment and mandatory supplier requirements into policies and guidance covering forced labor prevention, responsible recruitment, grievance handling and investigation, remediation and monitoring. In 2025, we developed a new Grievance Mechanism Policy and Guidelines for suppliers along with an accompanying SOP for staff. We also published Responsible Recruitment Guidelines in partnership with The Mekong Club, and we worked with The Centre for Child Rights and Business to develop Forced Labor Prevention & Remediation guidelines.

MEKONG CLUB

In 2025, Li & Fung continued its active collaboration with the Mekong Club's Manufacturing & Retail Working group, where members exchange best practices and tackle industry challenges. Here are the topics discussed and shared throughout the year:

April, EU omnibus law proposed changes and their legal and practical impacts.

July, Taiwan's labor migration landscape, and the practical challenges companies face in implementing the EPP.

November, practical steps on recruitment fee remediation.

December, responsible labour practices in India's cotton industry.

Through partnership with the Mekong Club and expert advisors, Li & Fung have enhanced its grievance mechanism management system and strengthened responsible recruitment reimbursement practices in the guidelines.

MEKONG CLUB

Combatting Forced Labor

Combatting forced labor policy

Requires explicit confirmation from suppliers that they do not engage in any form of forced labor including state-imposed forced labor.

Forced labor prevention and remediation guidelines

These guidelines provide steps to prevent and remediate forced labor. It emphasizes the company's Zero Tolerance Policy, and promotes preventive measures, effective remediation and accessible Grievance Mechanisms.

Responsible Recruitment

Responsible recruitment policy

Sets out requirements on responsible recruitment in line with the ILO General Principles and Operational Guidelines for Fair Recruitment (and the AAFA Pledge on Responsible Recruitment.

Responsible recruitment guidelines

These guidelines offer suppliers practical guidance and actionable steps for addressing recruitment-related challenges, including the reimbursement of recruitment fees to workers.

Grievance Mechanism

Grievance mechanism policy

The policy ensures suppliers establish effective grievance mechanisms within their own operations and requires suppliers to integrate Li & Fung's grievance mechanism into their own operations.

Grievance mechanism guidelines

The guidelines help suppliers implement trusted, confidential grievance mechanisms that protect workers from harm and retaliation.

Trade Compliance

Trade compliance policy

Requires Li & Fung staff to not engage in transactions that violate sanctions, import/export controls, or other international trade laws.

Global trade compliance certification

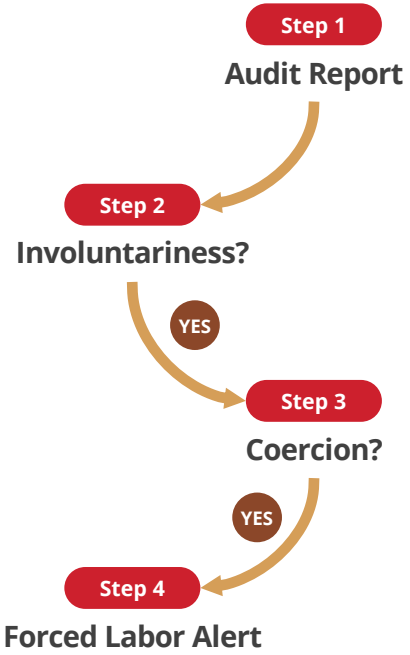
Sets out requirements on traceability and transparency.

RESPONSIBLE SOURCING

Risk monitoring - forced labor and responsible recruitment

In 2025, we continued to apply industry best practices to identify forced-labor and recruitment risks in our supply chain. We partnered with the RegTech company diginex and used its LUMEN platform to map our labor supply chain, identify gaps, and strengthen due diligence in the recruitment process. The assessment has four steps: first, the factory completes a self-assessment questionnaire (SAQ); second, workers are invited to participate in a survey; third, recruitment agencies engaged by the facility also complete an SAQ; and fourth, the collected data is analyzed to provide a comprehensive and transparent overview of recruitment practices and working conditions.

Li & Fung has also improved its internal procedures to screen for forced labor cases. We implemented a software feature in our compliance platform that scans audit reports for forced labor indicators. When an alert is raised, our team reviews the case—including relevant historical reports—to determine whether the indicators collectively constitute forced labor. If the review suggests a strong likelihood, we follow up by conducting a worker survey to assess conditions and/or commissioning a third-party audit focused on forced labor. In 2025, the system triggered 79 alerts across eight countries. Each trigger was investigated although no cases were identified through this medium.



In 2025, we commissioned forced labor focused audits at 30 factories in Bangladesh, Cambodia, China, India, Indonesia, Türkiye, and Vietnam. Factories were selected based on the presence of possible indicators identified via APPRISE worker surveys, LUMEN recruitment assessments, audit reports, and our Compliance Platform's forced labor screening. Although no cases of forced labor were identified, other serious issues such as unreliable records, late payments, and inadequate fire safety—were found at eight of the sites. All identified issues have been remediated or are currently undergoing remediation.

Remediation

In 2025, we expand our use of the LUMEN Platform to China to assess recruitment practices of domestic migrant workers. We also used LUMEN to assess recruitment practices of new facilities in Taiwan, Thailand and Türkiye. All 45 facilities which were assessed, directly recruited workers without the use of intermediaries. Through this process, Li & Fung identified one factory in China without an Employer Pays Principle policy. We collaborated with them to update their policy to include the principle.

In 2025, there were three cases with medium and strong indicators of forced labor in our supply chain – one in Bangladesh and two in Türkiye. All three cases involved forced overtime and verbal abuse. All three cases underwent remediation, which included training, strengthening of management systems and additional monitoring. There were also six cases, which involved worker payment of recruitment fees and related costs. Although repayment is still ongoing in some of the cases, USD 370 has already been reimbursed to workers in 2025. These actions underscore our commitment to upholding labor rights and ensuring ethical practices across our supply chain, highlighting the importance of embedding compliance into core business operations.

Building the Capacity of Staff to Combat Forced Labor

Staff are required to take nine compliance-related e-learning trainings, including one on forced labor. This information is covered in the Human Resources section of the ESG Report. Staff are also strongly encouraged to complete additional ESG-focused e-learning modules covering key global regulations related to forced and child labor, including the Uyghur Forced Labor Prevention Act (UFLPA), UK Modern Slavery Act, EU Corporate Sustainability Due Diligence Directive (CSDDD), EU Forced Labor Regulation, and Canada's Forced Labor and Child Labor in Supply Chains Act.

8.5 ENSURING WORK SAFETY

At Li & Fung, we are committed to strengthening occupational health and safety across our global supply chain. We prioritize high-risk areas, direct resources where they have the greatest impact, and implement practical, on-the -ground measures to reduce hazards and improve workplace systems. Through close collaboration with factory teams, customers and industry bodies, we build capacity and embed remediation into everyday operations, ensuring safer, more resilient workplaces.

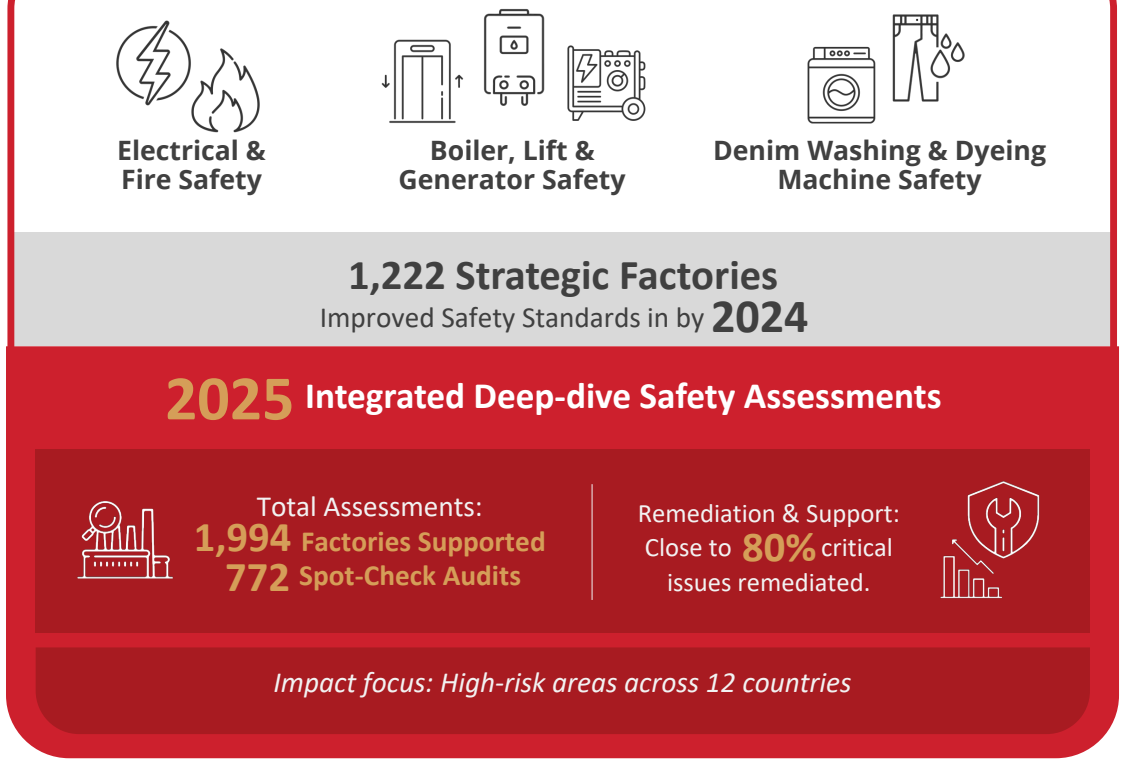
Governance and Industry Collaboration

In 2025, we strengthened our global governance by developing a new Occupational Health and Safety (OHS) Policy for the supply chain. See section 8.2.1 on Embedding Due Diligence into Management Systems for details. In Bangladesh, we also strengthened our Factory Onboarding SOP by requiring new factories to complete at least 90% of required electrical, fire and structure safety improvements before onboarding is approved. Li & Fung engineers verify remediation evidence prior to onboarding. Through customer partnerships, Li & Fung also supports industry health and safety initiatives such as the RMG Sustainability Council (RSC) and NIRAPON. Li & Fung is also a member of Better Work Bangladesh and contributes to broader supply chain risk mitigation. Li & Fung currently has 156 active factories in Bangladesh, covering 441,806 workers, including 66 Better Work–affiliated factories representing 229,408 workers.

Addressing factory safety through comprehensive programs

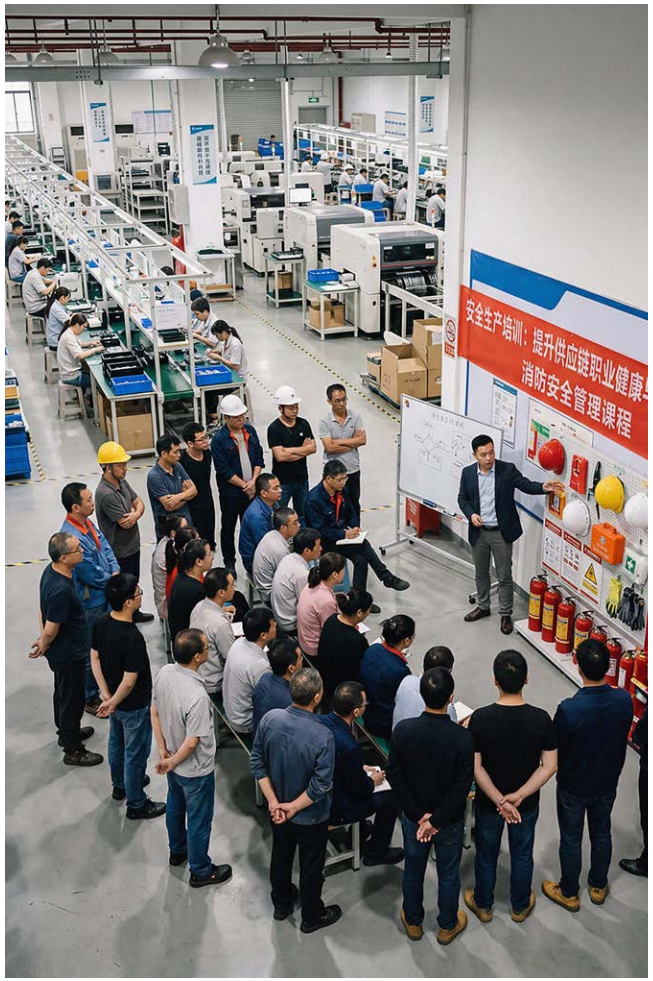
Since 2020, we have strengthened safety protocols through three key programs: Electrical and Fire Safety; Boiler, Lift, and Generator Safety; and Denim Washing and Dyeing Machine Safety. These initiatives have provided assessments and guidance, that improved safety standards in 1,222 strategic factories by the end of 2024.

In 2025, we integrated the deep-dive safety assessments into our core audit tools, eliminating stand-alone programs and improving consistency across our factory assessments. This approach supported inspections across 1,994 factories, including 772 spot-check audits during the year. From these audits, critical safety issues were addressed through structured remediation and technical support, with all zero-tolerance issues fully resolved. Overall, close to 80% of critical issues have been remediated to date, with the remainder actively being addressed, reflecting strengthened collaboration with factories and partners to improve workplace safety across the supply chain.



Our safety initiatives focus on high-risk areas across 12 economies, selected based on operational risk and FOB value: Bangladesh, China, Cambodia, Egypt, India, Indonesia, Jordan, the Philippines, Taiwan, Thailand, Türkiye, and Vietnam. These efforts continue to drive measurable improvements in workplace safety standards.

RESPONSIBLE SOURCING



Capacity building

Recognizing that one-off repairs are insufficient without addressing root causes, Li & Fung complemented remediation efforts with targeted capacity building. In 2025, 71 health & safety training sessions were delivered by the team reaching 508 factories and 1,581 participants. Progress was measured through pre- and post-remediation assessments, enabling the tracking of rating improvements alongside completed corrective actions.

In addition, the International Training Centre of the ILO (ITCILO) delivered a specialized Fire Safety Management course to 179 staff from 148 factories. Participating suppliers received training certificates upon completion, reinforcing accountability and recognition of capability development.

> "Thank you to the Li & Fung team for their professional guidance. They identified deficiencies in fire safety, ventilation and PPE and provided actionable recommendations that strengthened our health and safety management."
>
> *Sales Manager, Yongkang Bianxi Industry and Trade Co Ltd (China).*

CAPACITY BUILDING & TRAINING

INITATIVE 1: Internal Capacity Building

- **71** Health & Safety Training Sessions
- **508** Factories Involved
- **1,581** Program Participants

INITATIVE 2: ITCILO Fire Safety Management

- **179** Staff Trained
- From **148 Factories**

INITATIVE 3: Rating Improvement Tracked

Pre | Post

Pre-Remediation | Post-Remediation

Assessment Scores

Supplies Received Training Certificates

- ✓ Enhanced accountability
- ✓ Recognized Capability development

8 RESPONSIBLE SOURCING

CASE STUDY - 1

FROM ORANGE TO GREEN: STRENGTHENING SAFETY PERFORMANCE THROUGH CAPACITY BUILDING

Many factories in Bangladesh continue to face challenges in meeting the health and safety requirements expected by global buyers, limiting workers' access to safe and decent work within global supply chains. In 2025, four supplier factories in Bangladesh rated "Orange" under NIRAPON, were required to improve safety performance across fire, electrical, and structural risks within a defined remediation period.



To address this challenge, Li & Fung implemented a targeted capacity-building program to strengthen factory-level safety management and remediation capabilities.



The approach included onsite technical mentorship from engineers to guide remediation actions and evidence collection, support for senior management in developing and prioritizing corrective action plans, and guidance on strengthening weekly and monthly monitoring and reporting processes. Cross-functional coordination with merchandising teams helped ensure alignment and operational support during implementation.

Within the remediation period, all four factories implemented and sustained corrective actions, improving their safety ratings from Orange to Green. This demonstrates the effectiveness of targeted capacity building in driving measurable and sustained safety improvements.

> "We sincerely appreciate your valuable guidance and support in the preparation of the Nirapon 90-day monitoring report and TSV CAP Closed, which has helped improve customer rating from Orange to Green."
>
> *– Senior Manager, Chorka Textile, Bangladesh*

CASE STUDY - 2

STRENGTHENING SAFETY CULTURE: PPE, LOCKOUT-TAGOUT AND SIGNAGE ADOPTION AT FACTORIES

Through Li & Fung's Occupational Health & Safety Program, factories strengthened frontline safety practices by improving PPE use, implementing lockout-tagout (LOTO) procedures, and improving adherence to safety signage, reducing operational risks. Prior to the program, adherence to basic safety measures was inconsistent, with irregular PPE use, limited application of LOTO practices during maintenance, and insufficient safety signage, increasing worker exposure to risk.

The program delivered practical, role-specific training for key staff such as operators and maintenance staff to support improvements in key areas like the correct use and upkeep of PPE. It also guided factory teams through demonstrations of correct LOTO procedures while providing checklists for maintenance tasks and safety signage. Supervisors were engaged to reinforce daily compliance and sustain new safety practices.

LESSONS LEARNED:

Combining hands-on training with visible tools such as signage and LOTO hardware, enables faster adoption than classroom training alone. Supervisor engagement and regular checks are critical to sustaining behavioral change. The following testimonial from an operator highlights the human impact of this program:



> "Through Li & Fung's Occupational Health and Safety Program, I have learned a lot. Previously, we did not regularly use PPE (Personal Protective Equipment), but now we do. We also use bulb log out-tag out and follow signage."
>
> *– A boiler operator at a Bangladesh Apparel factory.*

8 RESPONSIBLE SOURCING

8.6 PROMOTING GENDER EQUALITY

At Li & Fung, we believe that everyone has the right to go to work free of fear of violence and harassment and that there is a need to reimagine women advancement and leadership in global supply chains to increase business resilience.

Our gender strategy aims to reinforce these objectives through robust policies, prevention and mitigation efforts including supplier capacity-building to better integrate gender considerations into management-systems and collaboration with customers and industry associations to tackle structural barriers — including to create more diverse and flexible career pathways that allow women to grow in their careers.

Reinforcing governance and policy

Our Supplier Code explicitly forbids gender-based discrimination, harassment, and violence, ensuring fair treatment for all workers and establishing robust grievance mechanisms to address any issues. In 2025 we supplemented those provisions by adopting a Grievance Mechanism Policy and Guidelines, which requires suppliers to establish effective grievance mechanisms within their own operations and provides practical steps on implementation. The Guidelines emphasize accessibility and effectiveness for women, including involving women in design, offering multi-channel (including anonymous) reporting, ensuring trained handlers and female representation on grievance teams, and enforcing anti-retaliation protections. Suppliers must also address issues such as discrimination, harassment, and women's health, conduct gender-specific risk assessments, and use complaint data to improve policies, training, and workplace culture.



Collaborating to Address Systemic Change

Advance Gender-Responsive Grievance Systems in Supplier Factories

We partnered with Better Work Bangladesh and Ethical Trading Initiative to support 10 factories in strengthening Complaint and Anti-Harassment Committees (AHCs). The program included onsite advisory visits and training for 912 workers.

All factories developed action plans to clarify AHC roles, while committee members and resource persons were trained in remediation and peer learning. As a result, factories improved management engagement, strengthened grievance mechanisms, and built capacity to prevent and respond to harassment and gender-based violence, with sustained peer learning to support gender equality and survivor-centered approaches.

- **1600+** workers have received training to enhance their skills on key topics.
- communication, problem-solving; **6,800+** workers have been reached through knowledge-sharing channels
- **19%** knowledge gain (average)

8 RESPONSIBLE SOURCING





Women's Empowerment Program Driving Skills Development and Inclusion in Vietnam

In partnership with customers and RISE, since January 2025 we have supported four factories in Vietnam to deliver a women's empowerment program that builds skills and advances gender equality among workers and managers. More than 1,600 workers completed six practical training sessions (time management, communication, problem solving, and others), and over 6,800 workers were reached through knowledge sharing channels. Pre- and post-training assessments show an average knowledge gain of 19%, contributing to a more inclusive workplace.

Strengthening Recruitment, Leadership, and Retention of Women Workers in Bangladesh

In partnership with a key customer, Li & Fung supported four supplier factories in Bangladesh to advance gender equality through a structured women's empowerment program. The initiative embeds governance mechanisms, appoints gender champions, and provides a stage-based framework to recruit, develop, and retain women, fostering long-term social impact. Each participating factory implemented a tailored roadmap translating the framework into measurable actions, focusing on three priorities:





- **Inclusive recruitment:** Capability-based, non-discriminatory hiring, targeted outreach, and job advertising designed to increase female applicants — including for traditionally male-dominated roles.
- **Leadership development:** Identification of high-potential women, targeted upskilling, mentorship programs, and annual promotion targets to increase women in supervisory and management positions.
- **Program alignment:** Integration of internal, third-party, and brand-led initiatives to ensure coherent, mutually reinforcing efforts aligned with site-specific ESG goals.

These actions contribute directly to our ESG commitments on gender equity, responsible governance, and inclusive growth.



Environmental Sustainability

Our planet is dependent upon how we use, protect, and restore our environment and its resources. Li & Fung recognizes the impact our actions and business operations have on the planet. We are committed to reduce our environmental footprint by leveraging our convening power to collaborate with stakeholders along the value chain.

9 ENVIRONMENTAL SUSTAINABILITY



At Li & Fung, we recognize that the sustainability of the Earth's natural systems is fundamentally linked to how we manage and steward resources across our global operations and supply chain. As a leading supply chain solution company, we acknowledge the significant environmental impact tied to our business activities. Committed to reducing our environmental footprint, we leverage our influence and collaborate closely with partners throughout the value chain to foster sustainable practices. Our approach goes beyond compliance, focusing on continuous improvements in environmental performance across our operations and supply networks. By proactively addressing climate change, enhancing resource efficiency, and promoting eco-conscious products, we strive to drive sustainable growth and create lasting value for both our business and the planet.

9.1 MANAGING OUR FOOTPRINT ACROSS SUPPLY CHAIN

Our business connects us with global suppliers, vendors, and customers, enabling us to collaborate with stakeholders throughout our supply chain to reduce our carbon footprint. As founding member of Cascale (formerly the Sustainable Apparel Coalition), we leverage our global network of suppliers, vendors and customers to drive cross supply chain collaboration that reduces environmental impacts. We actively encourage our strategic factories to participate in the Higg Facility Environmental Module (FEM), submit annual environmental performance data, and share their results with us. Using this data driven approach, we set clear expectations and partner with suppliers to deliver measurable improvements in greenhouse gas emissions (GHG emissions), energy and water consumption, wastewater management, air emissions, waste generation, and chemical management and safety.

At Li & Fung, improving supplier environmental performance remains a key priority. Since 2019, the company has achieved consistent progress across its supply chain as measured through the Higg Facility Environmental Module (FEM). In 2025, the average portfolio score reached 63/100, representing a **25%** improvement over the 2019 baseline and an 8% increase versus 2024. The portfolio also continues to outperform the industry average by **8.6%** across approximately **17,000** participating factories globally.

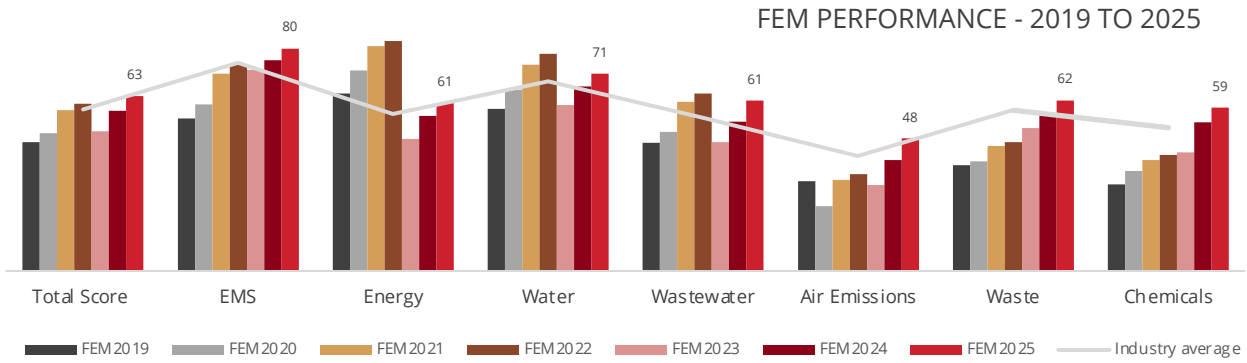


9

ENVIRONMENTAL SUSTAINABILITY

These results are particularly significant given the transition from Higg FEM Version 3.0 to 4.0, which introduced substantially more stringent requirements, especially in energy, water, and wastewater management. The methodology update resulted in structural score reductions across the industry, including within the Li & Fung portfolio, reflecting increased expectations rather than deterioration in underlying factory performance. Against this backdrop, continued score improvement demonstrates tangible progress in environmental management practices and supplier maturity.

Performance gains have been driven by stronger operational controls, improved data management, and closer alignment with industry standards. The strongest improvements from 2024 to 2025 were observed in Energy, Waste, and Chemicals, where factories benefited from clearer operational levers such as energy efficiency initiatives, waste segregation programs, and strengthened chemical management systems. Progress in Water and Wastewater management also continued, although at a slower pace due to the greater infrastructure and technical investment typically required. Air emissions showed more gradual improvement, reflecting dependence on broader structural factors such as fuel mix, process technologies, and local regulatory conditions.



	Total Score	EMS[2]	Energy	Water	Wastewater	Air Emissions	Waste	Chemicals
FEM2019	**47**	55	64	59	46	32	38	31
FEM2020	**50**	60	72	66	50	23	40	36
FEM2021	**58**	71	81	75	61	33	45	40
FEM2022	**60**	75	83	78	64	35	47	42
FEM2023	**50**	73	48	60	46	31	52	43
FEM2024	**58**	76	56	67	54	40	57	54
FEM2025	**63**	**80**	**61**	**71**	**61**	**48**	**62**	**59**
FEM2025 Industry median	**58**	75	57	69	55	42	58	52

To support continuous improvement, Li & Fung delivers a structured global training and supplier engagement program focused on Higg FEM adoption and performance enhancement. In the first quarter, onboarding sessions delivered in English and Mandarin reached approximately 500 participants per session, covering platform registration, navigation, and technical guidance. Following the release of initial FEM results, additional in-depth training sessions were conducted based on identified supplier performance gaps and recurring technical challenges. Li & Fung also provides tailored programs for selected customer portfolios to support alignment with specific brand requirements and targeted improvement priorities.

While FEM is based on annual factory self-assessment, Li & Fung places increasing emphasis on data quality and verification for strategic suppliers. Third-party verified FEM assessments (vFEM) are prioritized for suppliers with significant business volume or operational importance, providing a more robust and reliable view of factory performance. In 2025, the average verified FEM score across the Li & Fung portfolio increased to 69/100, representing a 13% year-on-year improvement and a 26% increase compared to 2019. Verified scores also remained 6.1% above the global industry average.

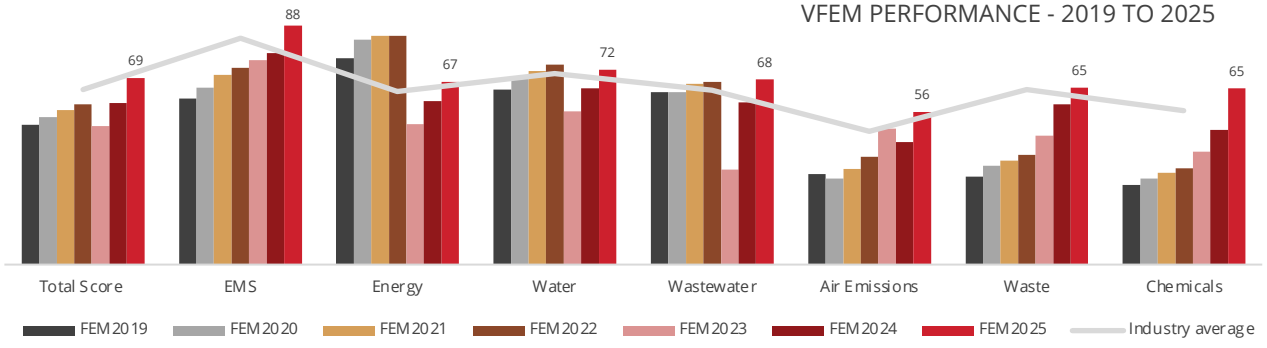
13
Training Hours

1,746
Participants

2 Environmental Management System (EMS)

ENVIRONMENTAL SUSTAINABILITY

The continued improvement in verified performance reflects both stronger environmental practices at factory level and improved data reliability through independent verification. Importantly, these results now exceed levels achieved prior to the introduction of Higg FEM Version 4.0, despite the significantly more demanding assessment framework. This highlights the resilience of supplier progress and the effectiveness of Li & Fung's long-term engagement approach.



	Total Score	EMS	Energy	Water	Wastewater	Air Emissions	Waste	Chemicals
vFEM2019	**51**	61	76	64	64	33	32	29
vFEM2020	**54**	65	83	69	63	32	36	32
vFEM2021	**57**	70	84	71	67	35	38	34
vFEM2022	**59**	72	84	74	67	40	40	36
vFEM2023	**51**	75	52	57	35	50	47	42
vFEM2024	**60**	78	60	65	60	45	59	50
vFEM2025	**69**	**88**	**67**	**72**	**68**	**56**	**65**	**65**
vFEM2025 Industry median	**65**	83	64	70	64	49	64	57

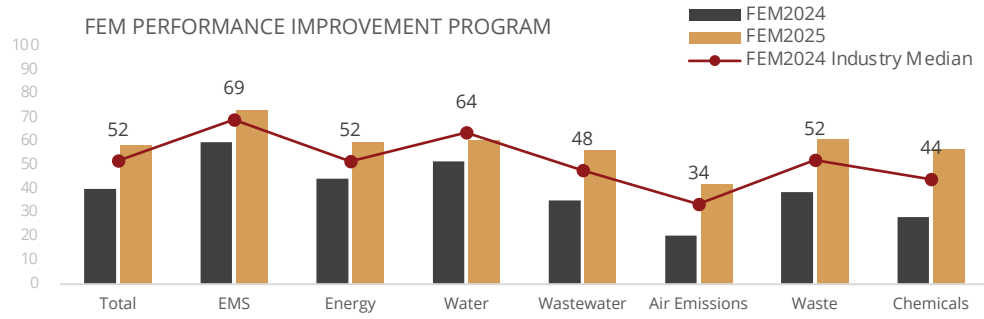
To accelerate improvement among lower-performing strategic suppliers, Li & Fung continues to expand its LF Performance Improvement Program, launched in 2021. Structured around three pillars—Adoption, Improvement, and Direct Support—the program provides targeted technical guidance and hands-on engagement for priority factories selected based on business volume, sourcing strategy, and customer relevance.

The program begins with a detailed gap assessment and performance analysis, followed by development of tailored action plans aligned with operational realities and industry best practice. Li & Fung teams maintain regular follow-up with participating factories, providing ongoing technical support and helping address capability gaps commonly observed across the industry.

In 2025, 44 strategic factories participated in the program, starting from an average Higg FEM score of 40/100 in the previous year. Through targeted support from Li & Fung teams in key sourcing countries, participating factories achieved a **45% improvement**, reaching an average score of 58/100. This enabled participating factories to reach the global industry median overall score and exceed median performance levels in most environmental categories assessed.

Overall, the results demonstrate increasing supplier environmental maturity across the Li & Fung supply chain. Through structured performance frameworks, verification, training, and direct technical engagement, suppliers continue to strengthen environmental management systems, improve data accuracy, and deliver measurable environmental performance improvements over time.





9 ENVIRONMENTAL SUSTAINABILITY

9.2 RESPONSIBLE WATER MANAGEMENT

Water stewardship is a critical operational and environmental priority for Li & Fung, given the water-intensive nature of textile and consumer goods manufacturing, as well as the increasing exposure of supply chains to water scarcity, regulatory constraints, and climate-related risks. Li & Fung's approach to water management focuses on improving water efficiency, strengthening wastewater controls, and enhancing visibility of location-based water risks across our operations and supply chain.

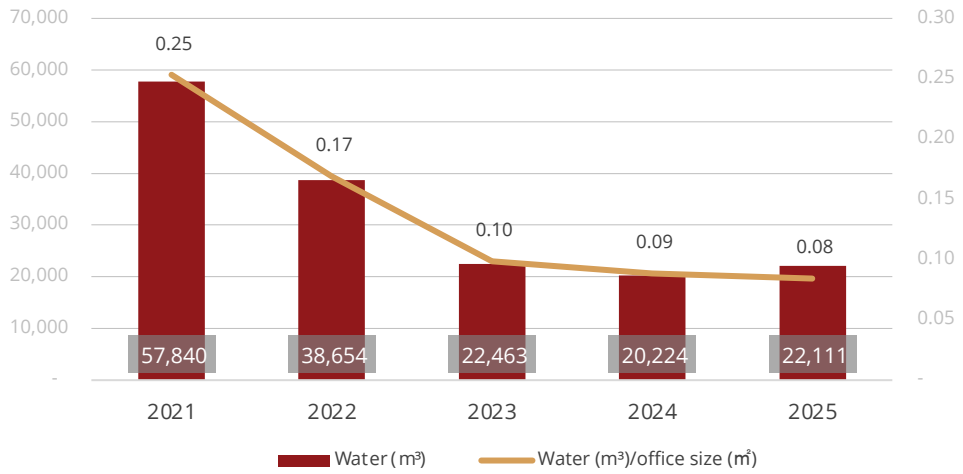


Optimizing internal water use

Water consumption across Li & Fung's operations is primarily attributed to domestic and sanitary requirements. Despite a marginal increase in total water consumption in 2025, driven by the expansion of our new European offices—we achieved a consistent decline in water use intensity relative to office floor area. In 2025, our total water consumption was recorded at 22,111m³, representing a significant 62% reduction against our 2021 baseline. This milestone is largely a result of enhanced water management strategies following our comprehensive Energy and Water Audit Program initiated in 2024.

Our progress in water conservation is driven by targeted technical upgrades and strategic workspace optimization. Across our global offices, we have implemented rigorous infrastructure improvements, such as the systematic replacement of conventional fixtures with high-efficiency, water-saving alternatives. Furthermore, as a core component of our sustainability commitment, we have relocated several regional operations to facilities with superior environmental credentials. These modern, sustainably designed spaces are equipped with advanced water-efficient technologies and optimized layouts that have significantly lowered our resource requirements. By aligning our physical office footprint with high-performance building standards, we continue to demonstrate a proactive approach in reducing our environmental impact and advancing our long-term sustainability goals.

WATER CONSUMPTION (2021-2025)





9

ENVIRONMENTAL SUSTAINABILITY

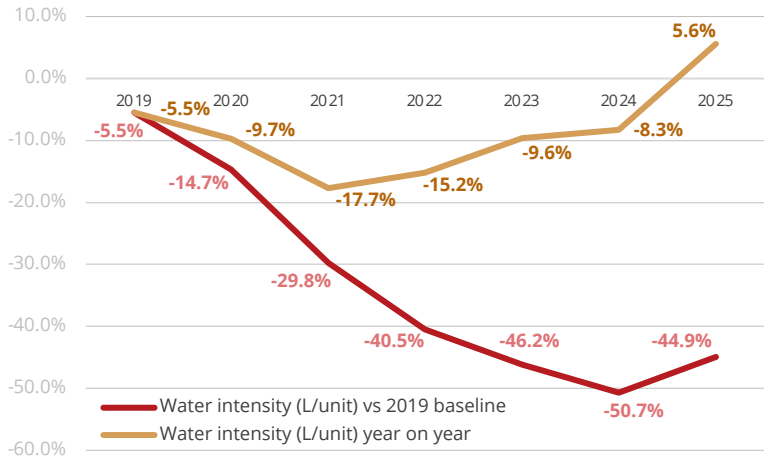
Water stewardship across supply chains

At the factory level, water use and wastewater management are monitored through established environmental reporting systems, including the Higg FEM, which captures data on total water withdrawal, water intensity, water sources, and wastewater treatment practices. This information supports baseline establishment, performance tracking, and targeted engagement with suppliers to identify continuous improvement opportunities.

Wastewater management is a key component of Li & Fung's water stewardship efforts. Factories are expected to implement appropriate wastewater treatment systems in line with local regulatory requirements and industry expectations. Where applicable, monitoring of wastewater parameters such as pH, temperature, and organic load supports the reduction of pollution risks to local aquatic ecosystems. These practices help prevent the release of untreated or inadequately treated effluents into the environment.

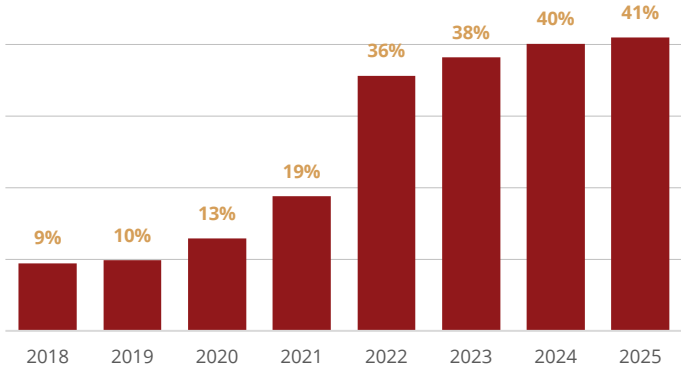
Water considerations are increasingly integrated into broader circularity and biodiversity decision-making. In the context of circularity, water efficiency and wastewater quality influence material choices, processing methods, and recyclability outcomes. From a biodiversity perspective, water stress and effluent quality are key pressures on freshwater ecosystems, reinforcing the importance of targeted action in high-risk locations. In 2025, 21 factories participated in the Li & Fung's water-focused program, the majority of which were newly onboarded. During the reporting year, sourcing patterns continued to diversify, with a shift away from China toward Vietnam and Bangladesh. As a result, the cohort reflects a higher proportion of early-stage factories with lower initial environmental maturity, which has temporarily influenced baseline performance indicators.

FRESHWATER CONSUMPTION INTENSITY



These results should therefore be interpreted within the context of the program's structured three-year improvement pathway. As in previous cycles, participating factories are expected to progress through a defined development journey, supported by Li & Fung through targeted training, on-site engagement, and technical assistance. Accordingly, early-stage performance levels primarily reflect onboarding status rather than full program outcomes, with improvements expected to materialize progressively over the three-year cycle in line with historical trends. Overall freshwater withdrawal increased in line with production shifts and sourcing changes, while at the same time the recycled water rate improved, reflecting stronger water reuse practices and enhanced efficiency at factory level.

WASTE WATER RECYCLING RATE



To complement operational water data, Li & Fung has begun leveraging Worldly Axion to map water-stressed regions within its supply chain. By overlaying factory locations with water stress indicators, Li & Fung enhances its ability to identify where water scarcity may present heightened operational, environmental, or biodiversity risks. This location-based insight supports the prioritization of supplier engagement, particularly in regions exposed to high or very high baseline water stress.

Looking ahead, Li & Fung aims to further improve the quality, consistency, and coverage of water-related data, enabling more robust tracking of water intensity, wastewater performance, and exposure to water-related risks. These efforts support regulatory readiness, evolving customer expectations, and more informed supplier engagement, while reinforcing the link between water stewardship, biodiversity protection, and circular resource use.

9 ENVIRONMENTAL SUSTAINABILITY

9.3 CHEMICALS MANAGEMENT

Responsible management of chemicals is essential to the safety and sustainability of our operations, products and the communities where we operate. At Li & Fung, we are committed to minimizing chemical-related risks and promoting safer alternatives throughout our supply chain. As part of our environmental stewardship and public-health responsibilities, we recognize that robust chemicals management is critical to meeting regulatory requirements and stakeholder expectations. Through comprehensive monitoring, regular risk assessments and targeted remediation, we work to identify and mitigate chemical hazards. Our emphasis on transparency, supplier engagement and continuous improvement drives ongoing enhancements to our chemical practices, contributing to safer workplaces, cleaner environments and greater confidence for our customers and communities.

Li & Fung supports chemical safety and compliance through a combination of product testing, supplier engagement, and the use of digital tools designed to improve visibility into chemical use across the supply chain. Finished products and materials are subject to chemical compliance testing in line with applicable regulations and client requirements, helping ensure conformity with restricted substances regulations and product safety standards.



To strengthen upstream chemical management, Li & Fung leverages tools such as The Bhive and BVe3, which support chemical inventory management, risk screening, and improved transparency at factory level. These tools help identify potential risks earlier in the production process and support more informed decision-making regarding material selection and processing methods.

Li & Fung's chemicals management framework aligns with the Zero Discharge of Hazardous Chemicals (ZDHC) program, which provides industry benchmarks for safer chemistry and wastewater management. Alignment with recognized industry frameworks supports consistency across suppliers and contributes to the reduction of hazardous substances that could limit product reuse, recycling, or safe disposal at end of life.

Capacity building is a key pillar of implementation. Li & Fung has organized chemicals management training programs in collaboration with GoBlu, composed of six sessions delivered to both internal teams and supplier factories across textile and hardgoods categories. These training courses focus on practical aspects of chemical compliance, restricted substances management, product safety requirements, and alignment with industry standards, helping translate policies into operational practice.

Chemicals management is closely linked to both circularity and biodiversity outcomes. From a circularity perspective, safer chemistry supports material recyclability, reuse, and durability by reducing contamination risks that can block circular pathways. From a biodiversity perspective, improved control of hazardous substances and wastewater discharges helps reduce toxicity risks to freshwater and terrestrial ecosystems.

Looking ahead, Li & Fung will continue to strengthen chemical data coverage, testing consistency, and supplier capability, supporting regulatory readiness and evolving customer expectations. By positioning chemicals management as a foundation for safe, durable, and circular products, Li & Fung reinforces its commitment to responsible production and environmental protection across the value chain.

ENVIRONMENTAL SUSTAINABILITY

9.4 TAKING ACTIONS FOR DECARBONIZATION

Climate change is a major environmental issue that affects the planet and all living creatures on it. It refers to the long-term changes in the Earth's average climate patterns caused by human activities, such as burning fossil fuels, deforestation and industrial processes. The consequences of climate change include rising temperatures, changing rainfall patterns, melting of glaciers and ice caps, rising sea levels, and an increased frequency of extreme weather events such as hurricanes, droughts, and floods, drastically affecting people across the world. At Li & Fung, we are committed to addressing this global issue by pursuing a holistic and science-based approach in all our efforts.

Climate-related risk and opportunities

Governance and strategy

Li & Fung's climate action strategy is developed and led by our ESG Committee and Sustainability team, and is embedded across the organization through close collaboration with sourcing, operations, vendor compliance, merchandising, finance and other function teams. The Board of Directors, together with the Risk Management and Sustainability Committee (RMSC), provides executive oversight and strategic guidance: the Board receives periodic briefings on material climate topics—such as regulatory developments, progress on our SBT program, and supplier risk—and has access to senior management's climate risk reports.

The RMSC, chaired by the Group Chairman and composed of Board members and senior representatives from key divisions, oversees our corporate ESG strategy, policies and frameworks. Its remit includes reviewing the adequacy and compliance of those frameworks, monitoring climate-related KPIs and corrective actions, tracking external regulatory and market developments, and approving funding or partnerships with community and charitable organizations. Climate-related risks are assessed regularly through our enterprise risk management process, and the resulting outputs are reported to and discussed with the RMSC. Read more in the Corporate Governance section.





Assessing climate and energy-related risks and opportunities

Climate change creates physical and transition risks for business. Physical risks include acute events like extreme weather and chronic shifts in climate patterns, which can disrupt operations and supply chains. Transition risks arise from evolving policies, regulations, technologies, and market dynamics.

In 2025, Li & Fung conducted climate risk assessments to help identify those risks that may impact our business today and, in the future, as well as the expected nature and magnitude of those impacts. These assessments can also help surface business opportunities.

The assessment proceeded in below phases:

- **Screening and Prioritization:** We examined unique industry-relevant climate risks that could impact Li & Fung's operations and value chain under different climate scenarios, to a degree that would be strategically and operationally relevant.
- **Analyzing Quantitative Climate Scenarios:** We analyzed a subset of relevant risks using a high-emissions scenario for physical risks and a net-zero scenario for transition risks to assess the potential likelihood and magnitude of impacts on Li & Fung's business. Notably, these scenarios do not lead to significantly different outcomes over the primary periods relevant to our strategic and financial planning (one and five years). However, differences do materialize in the later years of the assessment.
- **Assessing Impact**: This assessment aimed to determine potential impacts to Li & Fung's operating income using internal financial and business information. This included financial statements, disaggregated net sales, location-specific revenue, operating income margin, utility consumption and costs, procurement spend by country of origin, and cost of goods sold. The assessment concluded with the application of qualitative and quantitative factors consistent with those generally used to determine financial materiality for financial reporting purposes.
- **Time horizons**: The assessment considered three different time horizons: Short term (1-5 year): Aligns with short-term financial planning; Medium term (within 5 to 10 years): When most risks are expected to emerge; Long term (in around 15 years): Aligns with the Company's long-term strategy.

9

ENVIRONMENTAL SUSTAINABILITY

The key strategically and operationally relevant risks for our business are outlined below. This concise overview serves to provide a quick reference for understanding the complexities involved in managing these risks. For a comprehensive elaboration of each risk and its associated strategies, please refer to our CDP report.

Risk Type	Risk Driver	Time-frame	Potential Impacts	Mitigation Measures
Physical Risk	**Acute physical – Cyclone, hurricane, typhoon**	Long-term	Increased direct costs and margin	Increase geographic diversity of facilities and supply chain portfolio
Transitional Risk	**Policy – Evolving regulatory frameworks and compliance requirements**	Short-term	Increased costs from penalties, legal liabilities, and operational inefficiencies.	Regulatory monitoring systems, employee training, and compliance strategy development
Transitional Risk	**Market – Changing of customer behavior**	Medium-term	Increased costs and revenue streams affected	Investment in renewable energy, strategic-supplier partnerships on green technology and low-environmental impact materials and/or products
Transitional Risk	**Market-Increased cost of raw-material**	Medium-term	Increased direct cost and margin	Long-term transitional sourcing strategy, increase investment in low-environmental impact materials

The climate-related opportunities are also being evaluated and summarized as below:

Opportunity Type	Opportunity Driver	Time-frame	Potential Impacts	Mitigation Measures
Product and Services	**Development of new products or services through R&D and innovation**	Short-term	Increased revenues through access to new and emerging markets	Expand new product or service portfolio
Resilience	**Increased resilience to impacts of climate change**	Long-term	Increased revenues through access to new and emerging markets	Investing in resource diversification and adaptive supply chain strategies
Energy source	**Use of low-carbon energy sources**	Long-term	Increased revenues resulting from increased demand for products and services	Increase adoption of renewable energy and more sustainable options, reducing reliance on fossil fuels

9

ENVIRONMENTAL SUSTAINABILITY

Managing our operational emissions

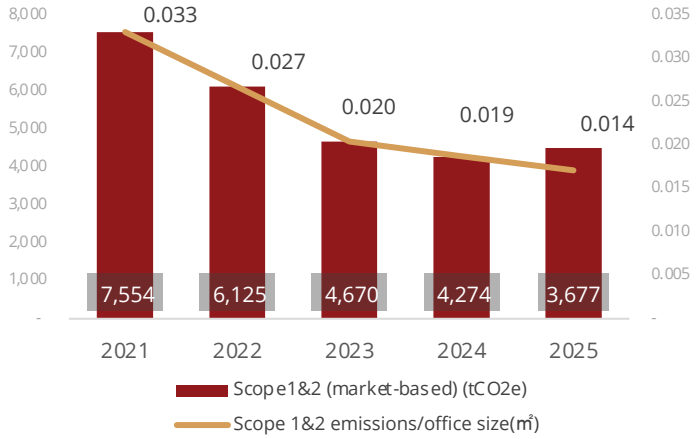
At Li & Fung, we are committed to addressing this climate change issue by pursuing a holistic and science-based approach in all our efforts. We committed to be part of Science-Based Target Initiative (SBTi) and set Science-based Targets in 2023. Our 2030 climate goals are to reduce Scope 1 and 2 emissions by 42%, compared to our 2021 baseline. Our scope 3 target focuses on supplier engagement: we commit to have our suppliers quantify and monitor their own GHG emissions and set SBTs by 2026. This target covers 80% of our suppliers by emissions in purchased goods and services, and 83% of suppliers by emissions in transportation and distribution.

To effectively understand and manage our greenhouse gas footprint, we consolidate our energy data and disclose our GHG inventory annually since 2021. Our GHG emissions inventory for Scope 1, 2, and 3 is prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Scope 1 emissions are calculated by applying standard emissions factors to the quantity of fuels purchased. Scope 2 emissions are calculated using both location-based and market-based method. Scope 3 emissions are calculated using a hybrid approach, which is a combination of spend-based, and activity-based methods. We are in the continuous process of improving the accuracy of our GHG inventory.

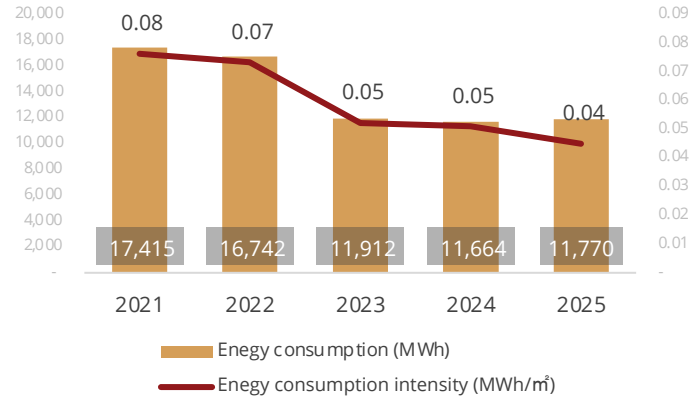
In 2025, we deployed an online platform, where we can collect, calculate and store all our operational GHG emission data in one place. The Company's complex global footprint makes it challenging to gain a clear view of our GHG emission profile. The platform enhances visibility by enabling a more effective visualization of the Company's structure. It accelerated the data collection process and improved the data accuracy. Our reduction target and decarbonization efforts can also be tracked through this platform. In the meantime, the areas with high emissions or have high contribution to the company's climate goal can be easily identified on the platform.

Despite expanding our operations in Europe throughout 2025, our total GHG emissions remained stable, demonstrating that business growth has been successfully decoupled from GHG intensity. During the reporting period, our combined Scope 1 and 2 (market based) emissions totaled **3,677 tCO_2e — a 51% reduction** versus our 2021 baseline, keeping us ahead of our science-based target. We have also seen a continuous decline in GHG intensity per office area and per unit of energy consumed, driven by ongoing workspace energy efficiency measures informed by our 2024 energy audit program. This progress has been further supported by our strategic shift to renewable energy: more offices evaluated renewable procurement in 2025, and our offices in Manchester (UK), the Netherlands, Germany and the United States now source 100% green electricity through power purchase agreements (PPAs). One European office has also installed solar PV systems. Going forward, we will continue to measure and report operational emissions and identify additional opportunities to decarbonize our footprint.

LF SCOPE **1** & **2** FOOTPRINT (2021-2025)



ENERGY CONSUMPTION (2021-2025)



CDP Discloser 2025

A — *Supplier Engagement Assessment (SEA)*

B– — *Climate Change*

Our GHG footprint is reported annually in our corporate ESG report. In addition, we also disclose detailed climate data and mitigation actions through the CDP (Carbon Disclosure Project) Climate questionnaire, including a full breakdown of our carbon emissions by source. In 2025, we were pleased to achieve strong CDP results: an overall score of B– in the CDP climate assessment and an A in the CDP Supplier Engagement Rating. These outcomes reflect our comprehensive approach to measuring, managing and reducing operational GHG emissions.

9 ENVIRONMENTAL SUSTAINABILITY

Toward low-carbon supply chains

Supply-chain emissions account for more than 90% of our total GHG footprint, making the supply chain the primary leverage point for driving meaningful decarbonization across our value chain. The largest Scope 3 category is purchased goods and services - emissions originating from our sourcing suppliers. Since 2021, we have implemented a suite of supplier engagement and capacity-building initiatives to accelerate their energy-efficiency and emissions-reduction actions.

In 2024, we designed and launched a Supply Chain Science Based Targets (SBT) Program to support and empower suppliers to measure their GHG footprints, set SBTi aligned targets, and take concrete actions to reduce emissions. By 2025, more than 100 suppliers had been invited to participate in the program. These suppliers were selected based on their emissions profile, business maturity, industry sector and, importantly, the stability of their commercial relationship with Li & Fung.

At the program outset, each supplier appointed a dedicated company representative for the program's duration. The program comprises three core training modules — delivered in multiple languages and tailor designed by Li & Fung's sustainability team to reflect supplier backgrounds — covering:

- **GHG accounting:** fundamental methodology followed by practical emissions calculation exercises;
- **Science-based target**: in-depth introduction of SBTs and target setting methodology & criteria;
- **Decarbonization action:** guest speakers on renewable energy markets and procurement, and practical measures to improve energy efficiency and cut GHG emissions.



Participating suppliers are required to attend the trainings and complete the GIZ e-learning course - ***"Climate Action Training for Fashion Industry."*** By 2025, 100% of program participants had completed the online self-paced training and received GIZ certification. We also developed toolkits to help suppliers capture their energy activities and automatically calculate GHG emissions. Our sustainability and vendor compliance teams work with suppliers to use these tools and submit annual emissions data via the toolkit or Higg. During the reporting period, 80% of participating suppliers reported their GHG emissions and committed to set carbon targets aligned with SBTi criteria.

9 ENVIRONMENTAL SUSTAINABILITY

9.5 CIRCULARITY AND RESOURCE EFFICIENCY

At Li & Fung, circularity is an increasingly important pillar of our sustainability strategy, supporting efforts to decouple growth from resource consumption and waste generation across the value chain. Our approach focuses on enabling more circular products, improving operational resource efficiency, and strengthening the data and systems needed to meet evolving regulatory and market expectations.

Circular design and material choices

Product design and material selection are key drivers of circularity outcomes. Li & Fung supports customers in integrating circular design principles early in product development, including material efficiency, durability, reparability, and recyclability considerations aimed at extending product life and reducing waste. We have developed internal dashboards to support sourcing and operations teams in identifying relevant certifications and standards, easing compliant sourcing and strengthening oversight of responsible materials management.

Material choices increasingly prioritize recycled, renewable, and lower-impact alternatives where feasible, while reducing unnecessary complexity in blends and trims to improve recyclability. Greater material transparency and traceability support informed sourcing decisions and more circular product portfolios.

To reinforce responsible materials governance, Li & Fung is a member of Textile Exchange and has developed internal dashboards to help sourcing teams identify relevant certifications and standards, improving oversight of responsible materials management.

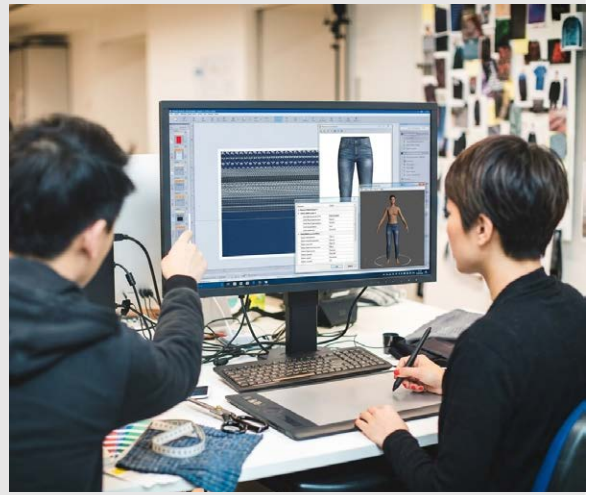


CASE STUDY

SCALING AI-ENABLED DESIGN TO MINIMIZE SAMPLING WASTE

Li & Fung is increasingly leveraging Artificial Intelligence (AI) to transform traditional, sampling-intensive product development into a digital-first workflow. By utilizing AI-generated visuals for early-stage alignment, we enable critical design decisions to be made before physical samples are produced, directly reducing material use, chemical-intensive washing processes, and shipment-related emissions.

This digital precision has allowed selected programs to achieve up to a 50% reduction in physical wash development rounds. By closely aligning technical finishing techniques (such as laser and whisker patterns) with AI visuals, our teams have significantly improved first-round sample accuracy. Furthermore, for new customer developments, this AI-led approach has yielded **line review adoption rates of approximately 70%**.



This ensures that the majority of physical samples are either adopted immediately or require minimal revision, a substantial improvement over traditional method. Ultimately, this integration of AI reinforces circular design principles by optimizing resource efficiency across the product life cycle.

9

ENVIRONMENTAL SUSTAINABILITY

Textile EPR and durability

Textile Extended Producer Responsibility (EPR) schemes are expanding globally and increasingly influence product design and sourcing decisions. While EPR obligations typically fall on brands, Li & Fung supports readiness through durability testing and product quality assurance aligned with customer and regulatory requirements.

In 2025, our durability testing program covered 300 styles for the French market, achieving nearly **80% pass rate** and generating substantial revenues by leveraging Ecomodulation bonus, after tests fees and Producer Responsibility Organism (PRO) contributions. Following these results, the program will continue to scale as textile EPR schemes rapidly expand internationally.



By supporting durable product design and testing protocols, Li & Fung helps reduce premature product failure, returns, and waste, while supporting longer product lifespans and improved EPR eco-modulation outcomes.

Circularity in packaging

Packaging remains a significant circularity and regulatory focus area, particularly as EPR requirements expand across the EU, UK, and emerging U.S. state frameworks. Li & Fung supports customers by improving visibility on packaging materials, formats, and volumes, while strengthening data collection and reporting capabilities.



We work with partners to reduce unnecessary packaging, increase recycled content where feasible, improve recyclability through mono-material solutions, and identify eco-modulation opportunities linked to packaging fee structures. Packaging optimization and right-sizing initiatives also reduce material use, transport impacts, and EPR-related costs.

In addition, Li & Fung is advancing reuse-based packaging initiatives, including hanger recirculation programs developed with selected brands and suppliers to reduce single-use plastic waste.



Manufacturing efficiency and factory-level circularity

Li & Fung promotes circularity at factory level by improving material efficiency and reducing production waste. We support suppliers in optimizing cutting efficiency, improving fabric utilization, and reducing pre-consumer waste through better marker planning and process controls.

We also support waste segregation, recycling, and closed-loop or semi-closed-loop recycling practices for production scraps. Performance is monitored through tools such as Higg FEM, Facility Data Manager, and Li & Fung internal systems, providing visibility on waste generation, recycling rates, and disposal pathways.

To strengthen implementation, Li & Fung delivers supplier training on waste segregation and data collection and collaborates with brands, factories, and solution providers such as Reverse Resources to improve traceability and scale higher-value recycling outcomes.

Data, KPIS, and looking forward

Data quality, interoperability, and traceability are foundational to scaling circularity. Li & Fung continues strengthening digitization of product, material, and supply chain information to support customers' Digital Product Passport (DPP) requirements.

Beyond deploying third-party tools, Li & Fung actively contributes to improving data platforms through operational pilots and collaboration with solution providers, helping align tools with real-world sourcing and manufacturing conditions.

Product-level environmental measurement tools are also increasingly integrated into operations. For denim, the Jeanologia Environmental Impact Measuring (EIM) system supports evaluation of finishing impacts, while Made2Flow is used for hardgoods categories. In parallel, Li & Fung has launched an LCA project across product categories to support hotspot identification, benchmarking, and more sustainable product decisions in line with evolving European regulatory requirements.



Looking ahead, Li & Fung aims to further strengthen internal circularity KPIs covering material efficiency, recycled content, waste diversion, packaging optimization, durability, and chemical compliance readiness, reinforcing a data-driven continuous improvement approach to resource efficiency.

9.6 BIODIVERSITY AND NATURE

Biodiversity loss and ecosystem degradation present increasing risks to global supply chains, particularly in sectors dependent on natural resources such as agriculture, forestry, and water-intensive manufacturing. At Li & Fung, biodiversity considerations are integrated across sourcing, product development, and supplier engagement, reflecting the link between raw materials, land use, water, chemicals, and ecosystem health.

Li & Fung's approach focuses on responsible material sourcing, stronger environmental management in manufacturing, and improved data and tools to identify and manage nature-related risks across the supply chain.

Raw material sourcing remains a key biodiversity focus, particularly for natural fibers. Li & Fung supports customers in sourcing cotton through recognized standards such as Global Organic Textile Standard (GOTS) and the U.S. Cotton Trust Protocol, which promote improved land management, reduced chemical inputs, and better traceability.



Li & Fung also supports more responsible sourcing of man-made cellulosic fibers (MMCFs), recognizing biodiversity risks linked to forestry and land conversion. Supplier engagement is informed by tools such as the Canopy Hot Button Report, prioritizing suppliers with stronger environmental performance and encouraging transition toward lower-risk sourcing practices.

Water use and wastewater discharge are closely connected to biodiversity impacts, particularly in water-stressed regions. Li & Fung supports suppliers in improving water management, wastewater treatment, and monitoring practices. To strengthen risk identification, the company uses tools such as Worldly Axion to identify higher-risk regions and support targeted supplier engagement and mitigation efforts.

Packaging materials can also contribute to biodiversity impacts through forestry practices. Li & Fung supports the use of packaging materials certified to standards such as the Forest Stewardship Council (FSC), helping promote responsible forest management and reduce deforestation risks.

Li & Fung is also preparing for implementation of the EU Deforestation Regulation (EUDR), which introduces new due diligence and traceability requirements for commodities linked to deforestation. Efforts focus on strengthening supply chain transparency, improving raw material origin data, and supporting customers in assessing exposure to EUDR-relevant commodities such as cotton, wood-based materials, and leather.





GROWTH AND EMPOWERMENT

As an active and responsible business leader in the supply chain solutions industry, Li & Fung is committed to implementing the best ESG practices and creating long-term value for its people, partners and planet. Our people power our business, and we are committed to their wellbeing and development.

10 GROWTH AND EMPOWERMENT

As a responsible leader in global supply-chain solutions, Li & Fung places our people at the center of long-term value creation. We are dedicated to fostering an environment where every individual feels a strong sense of belonging, is valued, and has their contributions recognized. Our focus is on nurturing a high-performance culture that motivates our team to consistently deliver outstanding service for our clients.

Our people strategy

We deeply value the exceptional strength and talent our people bring to the organization, reflected in our **'People-First'** approach. This strategy focuses on three key areas:

1 **Actively engaging our global workforce:**
As responsible corporate citizens, we give back to our communities by aligning our efforts with their values and needs. Through active engagement and contributions, we strive to build sustainable and long-term relationships with our community partners.

2 **Enhancing the overall wellbeing of our teams:**
Our commitment extends to supporting all individuals within our ecosystem, ensuring we respect human rights across our operations and supply chains. From our innovative designers and detail-oriented merchandisers to our quality assurance experts and strategic professionals in business development and operations, we are committed to cultivating a culture rooted in high performance and mutual respect.

3 **Continually attracting and nurturing exceptional talent:**
With a global presence, we excel at attracting and retaining professionals with subject matter expertise, who possess an entrepreneurial spirit and strive to make a difference across our geographical communities. Our vibrant, inclusive, and agile ways of working emphasize learning and collaboration, empowering our people to develop skills for the future. We encourage educational opportunities that promote both personal and professional growth. Our teams are focused on transforming the global supply chain leveraging technology to consistently deliver exceptional results for Li & Fung and our customers.

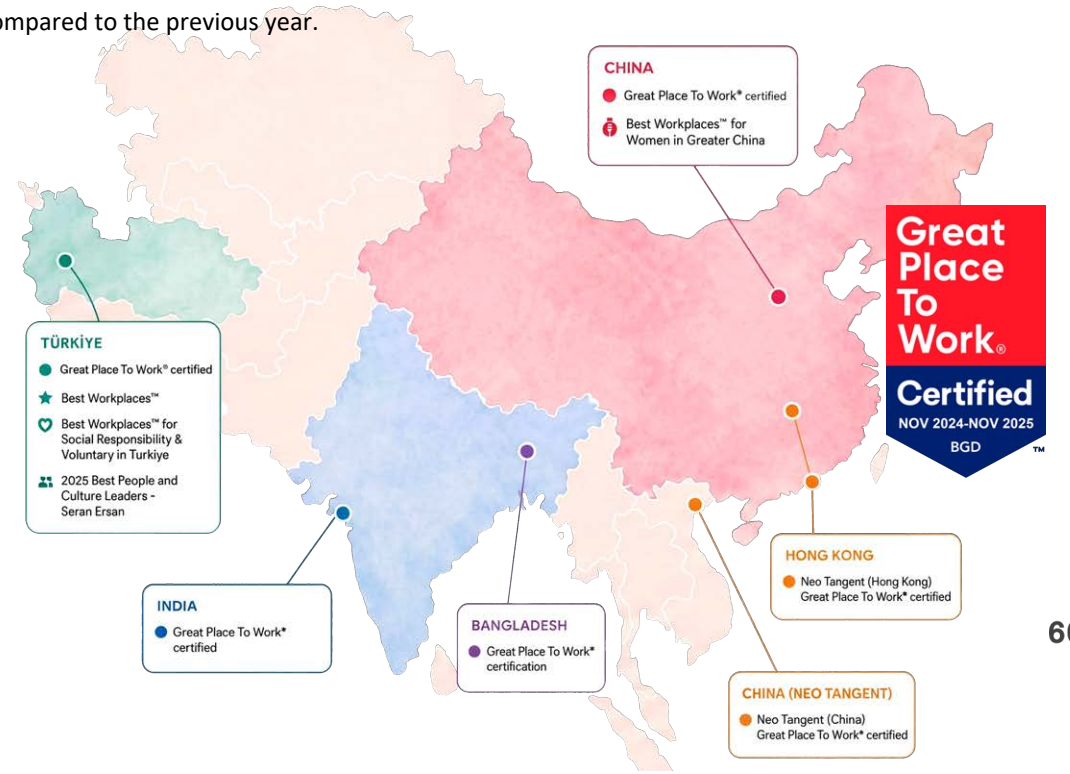
Throughout 2025, Li & Fung reinforced its reputation as an employer of choice by doubling down on initiatives that celebrate our culture, values and career opportunities. Five offices achieved Great Place To Work® certification and received additional industry distinctions, highlighting the progress from our programs in innovation, sustainability and people development.

These recognitions reflect the dedication of our colleagues and the guidance of managers who foster a positive, high performing environment every day.

Building on our ongoing momentum, we continue to expand initiatives that empower employees, enhance inclusion, and embed responsible business practices across the organization.

OUR IMPACT in 2025

10 certifications received across five offices – an additional three certifications compared to the previous year.



10 GROWTH AND EMPOWERMENT

10.1 ATTRACTING TALENT

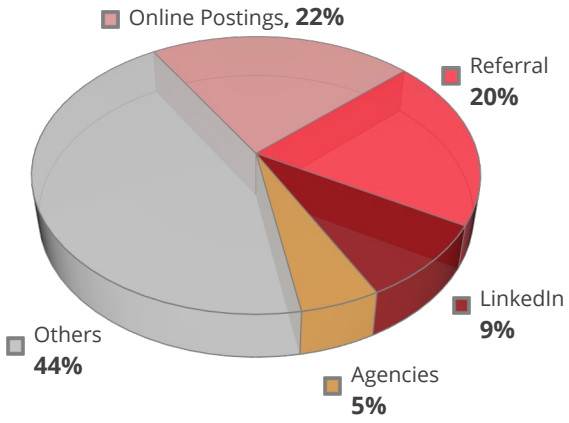
As a leading global supply chain solutions provider, we rely on the skills and expertise of our teams to innovate, design, and deliver high-quality products and services to our customers. To achieve success, it is vital to maintain a skilled, motivated, and diverse team.

Li & Fung is committed to attracting, developing, and retaining top talent to achieve our strategic goals. To support our talent acquisition efforts, we employ a variety of strategies, including industry specific job postings, proactive talent searches, cultivating a talent network, employee referrals, and partnerships with recruitment agencies. We continuously explore new recruitment channels and platforms to expand our candidate pipeline and strengthen our network. An emphasis on HR digitalization and candidate fairness in 2025, progressed Workday recruitment and global Workday adoption to enable a more data-centric, technology-led recruitment process.

In 2025, Li & Fung welcomed **595** new hires globally. Our primary recruitment channels included **22%** from online job postings and online searches, **20%** from employee referrals, **9%** from LinkedIn, and **5%** from recruitment agencies. **44%** were hired from other recruitment channels, including college and university placement platforms, Li & Fung alumni, job fairs, Li & Fung career website, and the LF Talent Network etc. Employee referrals have proven to be an effective and efficient way to attract talent, leveraging the connections and networks of our existing team members. We actively promote our employee referral program, offering referral bonuses to achieve a successful fill rate

As an equal opportunity employer, Li & Fung is committed to treating our employees and candidates fairly and with the utmost respect. Our procedures and workflows are guided by our Code of Conduct & Business Ethics, Anti-Harassment and Anti-Discrimination Policy, and Diversity & Inclusion Statement. Li & Fung values fairness, social responsibility, and human rights and prioritizes ethical and fair labor practices in the company.

HIRING SOURCES





Social media

LinkedIn, Instagram, WeChat, and YouTube are the key platforms where we talk about our brands, share our stories, and connect with our community. In 2025, the total number of followers on LinkedIn increased to **212,140** showing a year-on-year **follower growth of 7.5%.**

Employee engagement – from feedback to action

The Employee Engagement Survey, conducted in 2024 delivered favorable results - achieving a 93% response rate, an Engagement Index of 86%, and 90% of colleagues indicating a desire to remain with Li & Fung. Notwithstanding these strong outcomes, the organization remains committed to continuous improvement. To deepen our understanding of the results and identify practical improvements, we subsequently convened targeted focus groups across regions and functions in 2025 to listen directly to employees' experiences and priorities.

GROWTH AND EMPOWERMENT

Following those discussions, and identifying the opportunities for improvement, we strengthened channels for two-way communication and placed particular emphasis on listening, clarity and employee development. Global and regional townhalls, together with weekly all-hands in many locations, have been established as regular forums to share strategy, invite dialogue and enhance transparency. At the same time, regional and functional leaders have translated focus-group insights into localized action plans with clear owners and milestones.

To support development and manager effectiveness, HR has rolled out manager enablement programs, recognition toolkits, expanded learning pathways and pilots for internal mobility, alongside targeted wellbeing initiatives. Progress will be monitored through activity metrics, and we continuously assess changes in clarity, manager effectiveness and career development, making our organization a great place for employees to grow.











10 GROWTH AND EMPOWERMENT

10.2 CREATING A DIVERSE, EQUITABLE AND INCLUSIVE WORKFORCE

Living our values by creating a diverse and inclusive workforce

Aligned with our core values - Family, Entrepreneurship, and Humility - we prioritize diversity, wellbeing, and safety at the workplace. Our objective is to establish a work environment where every individual is respected, and both differences and commonalities are appreciated. We focus on raising awareness and educating our colleagues around diversity of thought and inclusion of all people. We believe that the varied perspectives of our colleagues enhance our collective contributions, and we strive to ensure an inclusive culture that promotes psychological safety for everyone.

LIVING OUR VALUES means:

- Creating a workplace where all individuals are respected and differences and similarities are valued, by promoting awareness and education about Diversity and Inclusion.
- We are committed to building an inclusive culture that respects every employee for who they are - regardless of gender, age, race, disability, or sexual orientation.







We value differences as a cornerstone of our identity, thriving on unique individuals, varied experiences, and diverse perspectives. To create and sustain a fair, equitable, and inclusive environment, we are committed to cultivating a culture of belonging, transitioning from awareness to empathy, and fostering trust through inclusive leadership. Our dedication to nurturing this culture is unwavering through education, dialogue, and governance, implementing initiatives that encourage safe and open discussions on diversity and inclusion throughout the organization.

Cross-Cultural Learning:
Employee-led presentations held across our geographic locations showcased the cultures that comprise Li & Fung, highlighting both commonalities and differences to strengthen global communication and collaborative ways of working.

Unconscious Bias Education:
Interactive virtual workshops titled “Beyond the Surface: Exploring Unconscious Biases” and “Understanding Gender Bias in the Workplace” raised awareness of the psychological shortcuts that can lead to rapid judgments about skills or character based on superficial characteristics.

D&I Communications:
Our One Family intranet published a D&I article series covering subjects such as “Building Trust & Psychological Safety in Multicultural Teams,” “Living Our Values Through Diversity & Inclusion,” and “Understanding Cultural Awareness” and more.

Speaker Series:
We hosted internal and external experts for live discussions and workshops on topics including student mental-health support, sustainable living, Hispanic Heritage, International Women’s Day, Black History and more.

Wellbeing & Awareness:
Company-wide sessions on mental health, stress management and meditation, together with interactive physical-activity classes (Yoga, Zumba and desk workouts), promote employee wellbeing and resilience.



Building trust and psychological safety in multicultural teams



Living our values through diversity and inclusion



Celebrating Pride Month: Fostering inclusion & living our values



Understanding cultural awareness

Collectively, these initiatives reinforced our code of conduct, deepened cultural understanding, and supported employee wellbeing across Li & Fung’s global organization.

10 GROWTH AND EMPOWERMENT

Building a safe and equitable workplace

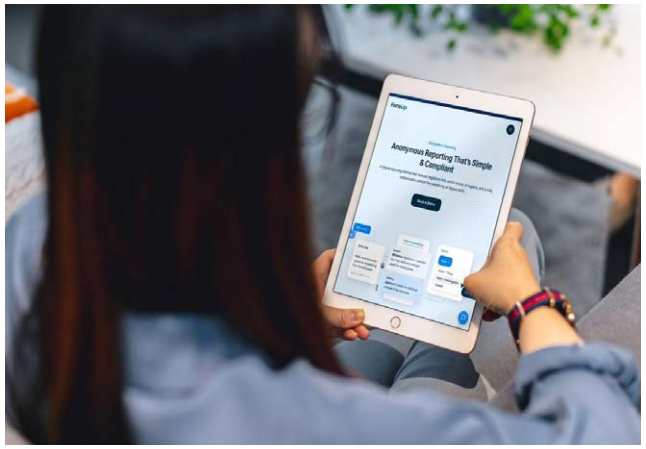
Being an equal opportunity and inclusive employer, we ensure that women are not discriminated against based on pregnancy, motherhood or family responsibilities during the recruitment or employment process. Flexible working arrangements, availability of breast-feeding rooms, family-friendly days, maternity and paternity leave options and building an inclusive and supportive work environment are all efforts taken in this direction.





At Li & Fung, we are committed to creating and maintaining a workplace free of harassment and discrimination, where all individuals are treated with dignity, equality, and respect. We have a zero-tolerance policy for behavior that creates an intimidating, hostile, or offensive work environment and we prohibit retaliation against employees who report concerns related to harassment or discrimination. To this end, we launched our Global Anti-Harassment & Anti-Discrimination Policy & Procedure in 2019, updated it in 2023 and implemented a global workshop on this topic in 2025.

First introduced in 2023, **FaceUp** is a secure online platform that provides employees with an additional channel to report any illegal or unethical behavior, harassment or discrimination issues, or any other concerns. With this platform, employees can file reports anonymously or non-anonymously by using the app, website, browser link, or QR code. Our designated personnel handle all reports with the utmost confidentiality. The mobile application can be downloaded from Google Play or the App Store. All employees are required to read and acknowledge the Policy on Workday. In 2025, we successfully managed and **resolved 12 cases** received via FaceUp. The FaceUp platform also enables two-way communication with anonymous reporters, allowing us to provide timely updates and share resolutions through a structured process while preserving anonymity. We have established an internal escalation and case management matrix to ensure that all reports are handled with the utmost confidentiality, sensitivity, and in accordance with applicable local laws and regulations. In addition, we closely monitor reported concerns and conduct an annual review of key themes and trends to help inform future actions, preventive measures, and workplace improvement plans.

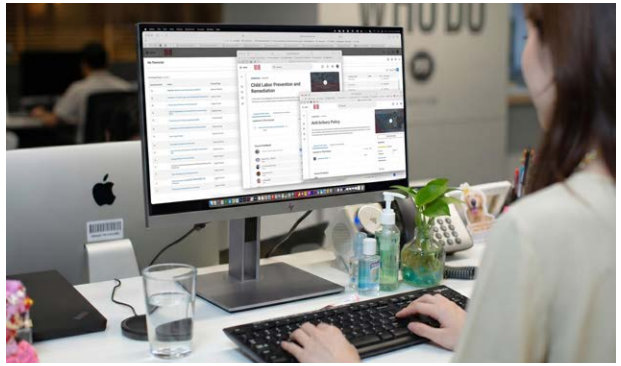


10 GROWTH AND EMPOWERMENT

Social sustainability education & awareness

Effective corporate governance and robust company policies are essential to creating a productive workplace, ensuring compliance with legal and regulatory standards, and maintaining the trust of our stakeholders. Regular reviews of these policies, together with annually refreshed mandatory e-learning, help us remain agile in a changing business environment, strengthen our organizational culture, and manage risks effectively. Our interactive training modules are designed to keep employees informed on key topics, with all employees required to complete the relevant learning and annual assessments. Strong governance and effective policies remain foundational to our long-term success and employee satisfaction. Key topics include:





Mandatory annual policy review and compliance

- Code of Conduct and Business Ethics
- Anti-Bribery Policy
- Guidelines on Gifts, Entertainment, and Hospitality
- Whistleblowing and Reporting Concerns Policy
- Trade Compliance Policy
- Anti-Harassment and Anti-Discrimination Procedures
- Supplier Code of Conduct
- Child Labor Remediation
- Recognizing Modern Slavery
- General Information Technology Security Awareness Training

Building on the success of ESG Week, which was piloted in 2024, we continued to highlight the pivotal role of ESG principles in promoting both environmental health and sustainable business growth. In 2025, we further advanced our ESG learning journey through a series of targeted workshops, including:

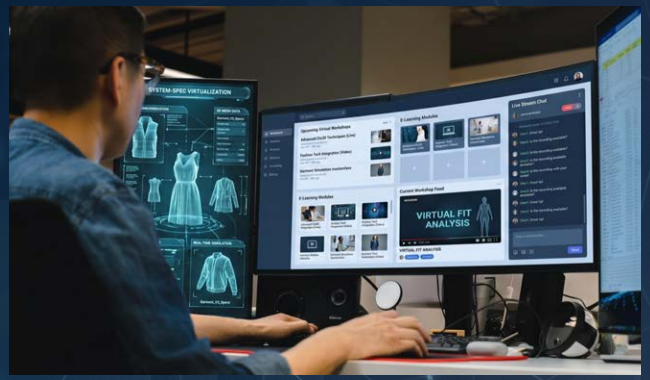
Workplace Harassment & Ethics Management Awareness Session in May 2025 – this workshop was led and facilitated by Corporate Compliance, Legal and Human Resources, with a complete review of anti-harassment and anti-discrimination measures, anti-bribery practices, and how to respond to inquiries from law enforcement, along with other important aspects of ethics and corporate conduct.



HIGG Facility Environmental Module (FEM) and its Evolution Awareness Session in February 2025 – this workshop on environmental management at Li & Fung, focused on covering the main factory environmental tool used across our supply chain (Higg FEM), the Li & Fung environmental policy, our commitments (carbon, water, chemicals) and guidance provided to suppliers. The session was facilitated by experts from the Li & Fung Sustainability Team.

Responsible Recruitment Training in November 2025: we undertook a concerted effort to educate internal stakeholders, with specialized training for Li & Fung global Human Resource Business Partners and external recruitment sources, aimed at education around Responsible Recruitment and Modern Slavery and its prevention. In addition, we surveyed third party contractors to ensure there are no red flags for exploitative recruitment practices including unauthorized worker payment of recruitment fees or withholding of worker original documents.

10 GROWTH AND EMPOWERMENT

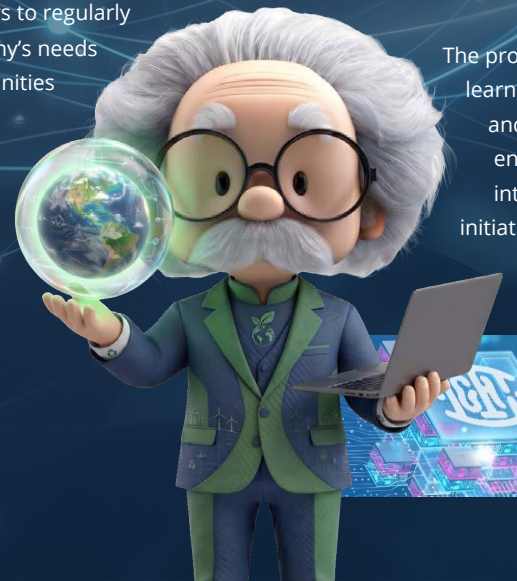


10.3 EMPOWERING OUR PEOPLE

We believe that cultivating a robust learning culture is essential for the sustainable growth of our company. To harness our employees' talents and enhance their skills, we offer a variety of programs focused on leadership development, business and technical acumen, professional expertise, and ESG awareness.

Our strategy for creating a diverse range of learning resources is driven by the demand for flexible, efficient, and effective learning options. We employ a mix of e-learning courses, virtual workshops and webinars, micro-learning segments, in-person workshops, and social learning platforms to ensure our offerings are comprehensive and accessible.

In today's rapidly changing business landscape, it is imperative that we continually expand our knowledge, sharpen our skills, and provide our colleagues with the tools they need to stay ahead. Our Learning & Development team works closely with business leaders to regularly reassess the company's needs and identify opportunities for improvement.



Building a human-led, AI-enabled organization

Cultivating a learning culture is central to our strategy for sustaining competitive advantage and enabling people to grow with the business. With an emphasis on continuous learning and the transformation of talent, our 2025 development agenda focuses on building capabilities that enable colleagues to adapt and lead through change. In partnership with One Tech and HR, an AI learning program was launched in 2025, beginning with a global virtual workshop attended by over 800 colleagues worldwide. The workshop was designed to cultivate a change mindset, promote openness to AI adoption, and showcase practical case studies from across business functions.

The program combines foundational learning modules, role-specific pathways and hands-on application projects to ensure that new skills are integrated into day-to-day work. Crucially, the initiatives strengthen employee capability—building technical proficiency, confidence and readiness—while supporting scalable ways of working that align with our strategic priorities.





10 GROWTH AND EMPOWERMENT









TechDay around the world

In 2025, the Li & Fung OneTech team celebrated TechDay events across 11 of our office locations around the world. Over 1,300 colleagues joined in, ready to connect, celebrate and learn. What started as an idea to bring employees across different departments and teams together turned into a memorable experience filled with laughter, engagement and valuable knowledge sharing. TechDay was more than just a showcase of LF's newest technologies — it was a vibrant celebration of our team's spirit and curiosity. Colleagues had the chance to explore new ideas, discover the latest innovations, and enjoy fun activities designed to inspire and educate.



Learning & organizational development

Li & Fung provides its employees with opportunities for growth and development, including professional training, leadership development programs, and international assignments. In 2025, a total of **25,146 learning hours** were completed. The average learning time for each employee is **7 hours**.

Grow with growth – executive leadership development program

The leadership development program, which has previously delivered measurable impact across business teams, was expanded in 2025 to deepen leadership and team capabilities across the organization. For focused business teams, the program continued to combine in-person workshops with a regular schedule of virtual training, reinforcing practical skills, peer learning and application to real business challenges. Building on this foundation, the program was extended to include Corporate & Functions teams, bringing global leaders together to learn, align and strengthen cross-functional cohesion. This wider reach has helped to unify ways of working and amplify the program's impact by fostering a shared leadership language and collective accountability.

In addition, a targeted initiative was launched to develop English proficiency and cultural understanding within the business merchandising team to enhance collaboration with clients. Early participation and feedback indicate this initiative is a strong start toward improving client engagement and team effectiveness, and it will be further integrated into our broader development roadmap as we scale successful approaches.







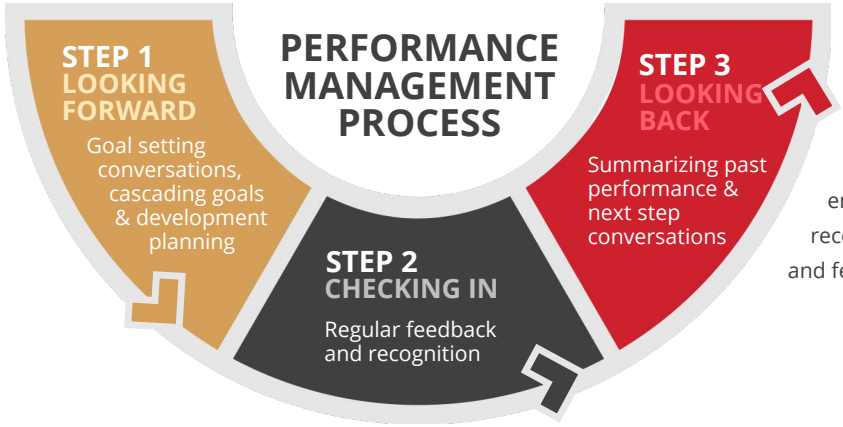


10 GROWTH AND EMPOWERMENT

Performance & talent management

In 2025, Li & Fung strengthened its people agenda by combining clearer governance with data led pay and recruitment processes, refocusing performance conversations toward career development, and investing in targeted training and internal talent pipelines — all to deliver fairer, more transparent outcomes and stronger bench strength across our markets.

Our Performance Management Process has placed a strong emphasis on setting specific, measurable, and meaningful business objectives alongside Personal Development Goals for all employees. Each individual is assessed against six behavioral and leadership competencies, in addition to their KPI-oriented goals. We promote regular check-in meetings and proactive communication between managers and employees, encouraging timely exchanges of feedback and coaching to enhance performance and boost employee morale.



The annual global Performance Management process allows for a comprehensive review of past performance with a focus on future-forward conversations and planning, and ongoing communication between managers and associates throughout the year. In 2025, the training on goal-setting was refreshed to improve the quality of conversations at the start of the year as well as the continuity of open and transparent communication between manager and associates throughout the year. The updated training emphasized clearer, evidence-based goal discussions and coaching for career growth while ensuring associates are frequently recognized for their contributions and feel motivated.

We firmly believe that performance management and employee development should be an ongoing, year-round process ingrained in our company culture, rather than a singular event confined to the year-end review cycle.

This year we also strengthened governance and global promotion guidelines to increase consistency and fairness in performance decisions.

We continued to use the scientific salary increase matrix, linking performance ratings and market benchmarking to recommended salary movement, to support pay equity and evidence-based increases. Sales incentive structures were further refined to better align pay with role specific contribution and company performance. In 2025, we also increased briefings and one-to-one education on pay benchmarking to raise capability and consistency across the organization.



360 Feedback

The 360-feedback process collects insights from managers, peers, direct reports, and self-assessments to provide a comprehensive view of an individual's strengths and development areas. These insights support career discussions and talent planning across the organization. In 2025, we reran the 360 feedback and ran the assessment for over 250 employees, repositioning it as a development conversation, protecting confidentiality while encouraging managers and colleagues to use feedback to plan careers and strengthen capability.

We extensively train our people managers on how to address development areas positively, building on existing strengths, and track follow-up through regular check-ins and Workday progress updates to ensure 360 insights contribute to employee development planning, succession and bench strength planning.

GROWTH AND EMPOWERMENT



Launchpad trainee program

Launchpad Program is Li & Fung's targeted early talent development program designed to accelerate capability, strengthen bench depth and create visible internal pathways into commercial and corporate roles for young talent. An 18-month rotational development initiative, the Launchpad Program develops early-career professionals in supply chain and sourcing to strengthen the pipeline of emerging talent in the sector. Spanning all our operating groups and support functions, the program follows a dual track development model that blends deep specialization in a core discipline with cross functional rotations. Through hands-on projects, cross functional rotations, and meaningful travel opportunities, associates gain hands-on experience through projects that leverage AI, process automation, and collaboration across global teams.

In 2025, we ran the Singapore Launchpad Program, welcoming 20 trainees with 100% retention rate to date. The program followed a structured learning approach and was complemented by group and individual development activities and rotational projects. By design, the program was local to Singapore for this intake, supporting targeted market development and quicker onboarding into business projects. Participants work on stretch assignments and cross functional projects, receive mentoring and coaching and attend targeted training, ensuring development is practical, mentored and measurable.

Early outcomes include stronger readiness for internal moves and clearer development plans for participants; this year we will continue to track participant progression, internal placements and developmental milestones. For 2026, we plan to broaden Launchpad Program's reach and further integrate outcomes with succession planning, and targeted upskilling initiatives to maximize the program's impact.

In early December 2025, the 20 associates from our Launchpad Program in Singapore embarked on an insightful trip to Ho Chi Minh City, Vietnam.



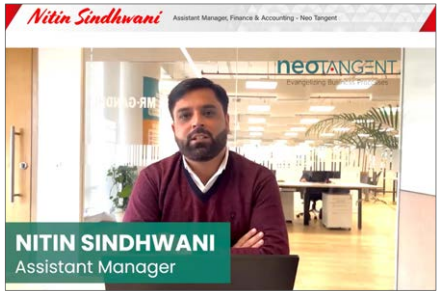


10 GROWTH AND EMPOWERMENT



'Meet our people' series on One Family enhanced

Building on the momentum from 2024, "Meet Our People" evolved in 2025 from written articles into an engaging video series featured on our One Family intranet. The new format brings to life the personal journeys, passions, and motivations of colleagues across our global workforce in a more dynamic and authentic way. By showcasing who our people are beyond work, the series continues to strengthen our global community, inspire storytelling, and foster a more inclusive and connected LF Family. This evolution reflects our continued commitment to showcasing the diverse individuals who shape the LF Family and to fostering a more connected and people centered culture.







Engaging & rewarding our people

Throughout the year, we hold various events to share the company strategy and encourage dialogue and innovative thinking across our offices. Through Town Halls, Annual Conferences, team meetings and other events, our people have the opportunity to connect with and learn from seasoned professionals and collaborate with peers to incubate business ideas and enable direct engagement with our CEO and senior leaders on our business priorities and performance.

Valuing our people extends to appreciation events and special days for families, which we regularly organize. Company benefits are inclusive of health-related plans administered locally according to country laws and offerings, Employee Assistance Programs (EAP), Discount Programs and more. Great importance is placed on employee wellness and work-life integration.

"Meet our new joiners"

To strengthen connection and belonging across our global community, the "Meet our New Joiners" monthly announcement ensures every new colleague is warmly welcomed to the LF Family. Published globally, the feature encourages all colleagues to extend a greeting to the new joiners, whether by saying "hello" when they see new faces in the office or by sending a message to introduce themselves and their teams. By integrating these small gestures into our culture, we create a more inclusive, supportive, and connected workplace where everyone feels valued from day one.



GROWTH AND EMPOWERMENT

Long service awards (LSA)

Each year, we also recognize our people's work anniversaries with Li & Fung, from 5 to 45+ years, through our Long Service Awards ceremony, where awardees are presented with gold plaques or gold coins for their years of service to the company in multiples of 5 years.

Every year, each of our offices around the world hosts a Long Service Awards ceremony for colleagues based in that location. At Li & Fung, our people have always been at the heart of the company, and the tradition of our long service awards has long been one of the most meaningful ways we honor your dedication and commitment.





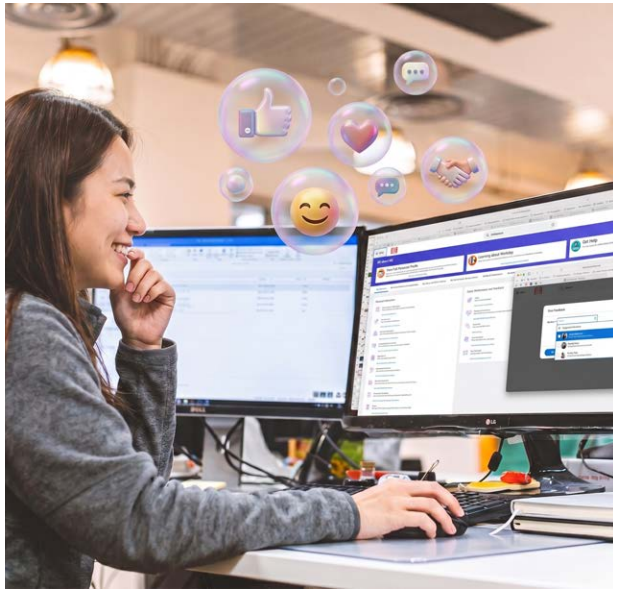




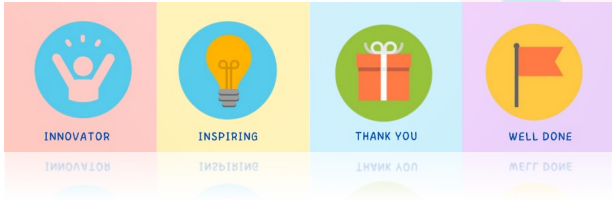


Feedback & recognition

Over the past year, we encouraged employees to make appreciation an everyday habit by using Workday's Feedback function to send badges to each other, supported by regional campaigns to promote the program. The initiative shifts recognition from occasional, top-down praise to timely, specific acknowledgments that reinforce behaviors we value — collaboration, customer focus and innovation. Badges make it easy to thank someone for covering a last-minute client request, recognize cross-functional problem solving, celebrate mentoring or highlight ideas that improved a process. Received feedback is visible in the performance management process, providing a useful reference for reviews and development conversations.







10 GROWTH AND EMPOWERMENT

LF GEM Awards

The LF GEM Awards is a global initiative that recognizes, rewards and celebrates individuals and teams that have "Gone the Extra Mile" to deliver extraordinary results for the company, our customers, vendors, and communities.

Launched in January 2021, this award is open to all employees across all functions and geographies.
At Li & Fung, impact is not only about numbers, sales and business results, but it is also about enhancing employee engagement, wellbeing, and giving back to our communities and our environment.

Each entry is judged against the **4Cs: Contribution, Creativity, Collaboration** and a **Can-do Attitude** and winners are selected every 6-12 months to win a cash prize. Winners are also then eligible to win an annual Group CEO Award, with the gold, silver and bronze winners receiving **US$10,000, US$7,500** and **US$5,000**, respectively.

For this program to be successful, colleagues are encouraged to submit a nomination if they have noticed someone that has gone above and beyond to make a positive impact on the company. The nominators are also then eligible to receive a cash prize if their nominee goes on to win a Semi-Annual Award.

Throughout the year, our One Family page continues to shine a spotlight on our GEM Winners and their stories with a series of insightful and informative editorials and interviews.

In 2025, the committee membership was updated to broaden representation. Work to relaunch, refresh, and enhance the awards has been underway, with plans to introduce a broader recognition platform in 2026 to make it easier to recognize performance and life milestones centrally.







10 GROWTH AND EMPOWERMENT

10.4 PROMOTING WELLBEING

When our people are happy, healthy and provided with a safe, inclusive workplace, we enable everyone to thrive in both their personal and professional life. Our strategy and programs are tailored to support our people's wellbeing and to meet occupational health and safety requirements for our offices. To support local needs and meet local legal requirements, our working hours and benefits, and other terms of employment, are tailored to each office location.

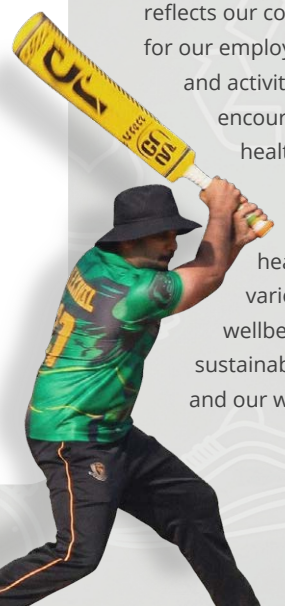
At Li & Fung, we take care of our employees by providing a safe workplace and creating an environment where we educate, support, and empower our employees to improve and maintain their overall health and wellbeing through healthy lifestyle choices.



Discover wellness

Discover Wellness is our holistic wellness initiative and is dedicated to fostering a culture of health and wellbeing among our employees by sharing effective strategies in nutrition, physical fitness, and mental and emotional wellness. This initiative reflects our commitment to supporting and caring for our employees. We execute various programs and activities aimed at raising awareness and encouraging the integration of these healthy practices into our everyday lives.

In 2025, we continued to foster healthy work-life integration within our various office locations to support the wellbeing of our employees and promote sustainable growth for both our organization and our workforce.



A total of **246 health and wellbeing activities** were conducted across **25 locations,** comprising 97 in-person events and 149 online sessions, engaging thousands of participants worldwide. These activities addressed a variety of topics: Physical wellness activities include fitness classes such as yoga and Pilates, dance classes, five-minute office stretch breaks, and hiking. We also organize table tennis and cricket tournaments, run workshops on air pollution, offer breast cancer awareness programs, and support practical initiatives like kitchen-waste sorting. Wellness activities for the mind focus on stress management and meditation sessions, along with Employee Resource Groups (ERGs) for caregiving, parenting, and gender that provide peer support, information, and shared resources to help employees manage mental-load challenges.









10

GROWTH AND EMPOWERMENT

Our initiatives include:

Events

Global well-being events include our annual global breast cancer awareness campaign, which involves educational presentations by medical professionals, awareness events, and team-building activities. We ran a monthly series of virtual workshops focused on health and wellness, called Food+Mood facilitated by external experts on topics such as: Eating, Thinking, and Moving Healthier, How to Manage Your Triggers, Healthy Cooking Demos, for a total of 8 workshops in 2025. We also organized a biannual walking challenge to promote a healthier lifestyle while encouraging friendly competition between colleagues.

Article Series

Our company intranet features an article series on wellness topics, including healthy lungs for life, tips to reduce tech neck, strategies to improve willpower, hearing health, screen-free weekends, mental wellbeing, and emotional wellness during the holidays.

Employee Resource Groups (ERG)

The Caregiving ERG creates a supportive community where employees can connect, share resources, and discuss experiences related to caring for aging loved ones. The Parenting ERG supports working parents by building a nurturing community to share resources and parenting experiences. The Gender ERG promotes gender inclusivity, allyship, and resources related to gender identity and equity.













In support of the "World Day for Safety and Health at Work" and our continuous commitment to workplace safety, colleagues in Indonesia participated in a **Basic First Aid Training** session. Participants were guided through essential first aid knowledge and engaged in hands-on practice. The training covered emergency responses for situations such as choking, fainting, burns, and more. This interactive and insightful session emphasized that anyone can be a first responder—skills learned today could make a life-saving difference tomorrow.





COMMUNITY ENGAGEMENT

Li & Fung's long-term success is intricately linked to the well-being of the local communities in which we operate. Investing in and caring for these communities is an essential component of our sustainability strategy. We strive to build sustainable communities by leveraging our global networks, local expertise, and strong relationships.

11 COMMUNITY ENGAGEMENT

Li & Fung's long-term success is intricately linked to the well-being of the local communities in which we operate. Investing in and caring for these communities is an essential component of our sustainability strategy. We strive to build sustainable communities by leveraging our global networks, local expertise, and strong relationships.

Our unwavering dedication to fostering positive change drives us to maximize our contributions to fulfilling our social responsibility. In 2025, our colleagues organized and participated in over 27 community engagement activities, including – blood donation camps, warm clothing distribution drives, fabric upcycling workshops, volunteering in community kitchens, volunteering at senior care and children's homes supporting International Mental Health Day, tree plantation drives, fundraising for the wildfires in Los Angeles and more.

Here are the snapshots of our initiatives.

Breast cancer awareness month

From organizing insightful educational sessions and health screenings to promote early prevention, to creating thoughtful treats and vibrant office decorations, every contribution has played an important role in raising awareness for this crucial cause.



Our colleagues in the Thailand office organized a breast prosthesis sewing activity to support breast cancer patients. This meaningful initiative was made possible through the generous contribution of sewing materials from Sabina Bra, marking the 4th consecutive year of collaboration between the Fung Group in Thailand and Sabina Bra. The activity provided our employees with the opportunity to





take part in this heartfelt project — sending love, warmth, and encouragement to breast cancer patients through hand-sewn breast prostheses made with care and compassion.

The incredible support and joyful smiles captured in these photos remind us that together, we do more than spread awareness—we bring hope and strength to all those affected by breast cancer. Every effort,



big or small, makes a meaningful impact and reinforces our shared commitment to early detection, compassionate care, and unwavering support. Below are highlights of our Pink Day celebrations across LF offices, a testament to the passion and heart everyone brought to this important cause.

Green volunteering – Cleanup Shuilian Lake

Our colleagues from the Dongguan, China office gathered to clean up the area around Shuilian Lake, making the environment a little cleaner, a little greener, and contributing to our sustainability efforts in a very real and practical way. What makes this activity special is how it started: It is a direct follow-up action from our 2024 Employee Engagement Survey (EES). The China Fung Vitality group was created based on employee feedback, and this initiative was entirely employee-led — from planning and coordination to on-site execution. The company provided support, but our colleagues drove the action.









COMMUNITY ENGAGEMENT





Blood donation drive

Our colleagues in various offices including Hong Kong, Indonesia, and Shanghai office showed great generosity and courage by participating in a Blood Donation drive. Every donation could save a life and reflects our commitment to caring for the community.

















47th Istanbul Marathon, Türkiye office

Li & Fung Türkiye proudly took part in the 47th Istanbul Marathon — a unique race that connects two continents — and ran to support a foundation focused on early childhood education and family support. By taking part in the event, colleagues contributed to initiatives that help strengthen educational opportunities and support the wellbeing of children and families in the community.





Tree Plantation Kirirom community, Cambodia office

In March 2025, 28 colleagues including their family members from Li & Fung's Cambodia office gathered for a meaningful community service activity - Tree Plantation Kirirom Community. Working together as one team under the hot sun, they planted 30 trees.







LF Egypt offers support to children in need with Dar El Sondos



Our colleagues from LF Egypt visited Dar El Sondos, a foundation dedicated to improving the lives of children with special needs in residential care, and which also plays a crucial role in providing community assistance and development in more remote areas of Egypt. Our colleagues collected and donated over 60 pieces of clothing to Dar El Sondos. Every contribution, whether big or small, can make a difference and we are proud of our colleagues for taking time and making the effort to make a difference in the lives of children in need.

APPENDIX – I
ESG PERFORMANCE INDICATORS

ENVIRONMENT PERFORMANCE TABLE	UNIT	FY2021	FY2022	FY2023	FY2024	FY2025
GHG Emissions						
Direct Emission (Scope 1)	Tonnes of carbon dioxide equivalent ("tCO_2e")	924.7	855.9	549.9	685.4	723
Indirect Emission (Scope 2-location based)	tCO_2e	6,629.0	5,533.72	4,276.4	3,735.5	3,324
Indirect Emission (Scope 2 -market-based)	tCO_2e	6,629.0	5,269.6	4,130.2	3,588.3	2,954
Total GHG Emissions (location-based)	tCO_2e	**7,553.8**	**6,389.6**	**4,826.3**	**4,420.1**	**4,047**
Total GHG emissions (market-based)	tCO_2e	**7,553.8**	**6,125.5**	**4,680.1**	**4,273.7**	**3,677**
Energy Consumption						
Electricity	Megawatt hours ("MWh")	13,520	12,639.6	9,345.9	8,530	8,258
Natural gas	Megawatt hours ("MWh")	2,805	2,998.1	1,553.0	1,776	2,239
Petrol	Litre ("L")	9,897	5,091.8	5,483.1	5,401	26,563
Petrol	Megawatt hours ("MWh")	140	72	77	503	377
Diesel	Litre ("L")	99,186	108,950	96,183	91,890	94,514
Diesel	Megawatt hours ("MWh")	940	1,032	911	855	896
Purchased green electricity	Megawatt hours ("MWh")	-	766	422	1,261	1,223
Solar power	Megawatt hours ("MWh")	-	237.4	156	716	250
Total Energy Consumption	Megawatt hours ("MWh")	17,415	16,742	11,888	11,664	11,770
Resource Consumption						
Water	m^3	57,840	38,654	22,463	20,224	22,111

APPENDIX – I
ESG PERFORMANCE INDICATORS

Social Performance

TOTAL WORKFORCE	FY2021	FY2022	FY2023	FY2024	FY2025
Total number of existing employees	**4,578**	**4,248**	**3,892**	**3,811**	**3,568**
By Gender					
Female	2,716 (59%)	2,461(58%)	2,247 (58%)	2,216 (58%)	2,077 (58%)
Male	1,861 (41%)	1,785 (42%)	1,632 (42%)	1,594 (42%)	1,490 (42%)
Prefer not to say	1	2	13	1	1
By Age					
Under 30 years old	564 (12%)	482 (11%)	381 (10%)	419 (11%)	330 (9%)
30-50 years old	3,253 (71%)	2,982 (70%)	2,728 (70%)	2,601 (68%)	2,458 (69%)
Over 50 years old	760 (17%)	782 (18%)	770 (20%)	790 (21%)	779 (22%)
Prefer not to say	1	2	13	1	1
By Geographical Region					
Asia Pacific	3,768 (82%)	3,485 (82%)	3,189 (82%)	3,138 (82%)	2,861 (80%)
Americas	187 (4%)	171 (4%)	158 (4%)	161 (4%)	155 (4%)
Europe, Middle East, and Africa (EMEA)	623 (14%)	592 (14%)	545 (14%)	512 (13%)	552 (15%)
By Employment Type					
Full-Time	4,500 (98%)	4,168 (98%)	3,808 (98%)	3,731 (98%)	3,497 (98%)
Permanent	3,527	3,297	3,035	2,933	2,735
Contract	931	835	727	759	712
Temporary	21	17	22	12	8
Others	21	19	24	27	42
Part time	78 (2%)	80 (2%)	84 (2%)	80 (2%)	71 (2%)
Permanent	68	73	69	62	62
Contract	4	4	5	5	2
Temporary	4	2	2	6	1
Others	2	1	8	7	6

APPENDIX – I
ESG PERFORMANCE INDICATORS

Social Performance

TOTAL WORKFORCE	FY2021	FY2022	FY2023	FY2024	FY2025
By Grade Group					
G2 and above	283 (6%)	266 (6%)	239 (6%)	227 (6%)	205 (6%)
Female	128	121 (45%)	111 (46%)	103 (45%)	94
Male	155	145 (55%)	128 (54%)	124 (55%)	111
G3 - G4	1,539 (34%)	1,511 (36%)	1,460 (38%)	1,451 (38%)	1,372 (38%)
Female	890	865 (57%)	847 (58%)	835 (58%)	790
Male	649	646 (43%)	612 (42%)	616 (42%)	582
Prefer not to say	-	-	1	-	-
G5 and below	2,756 (60%)	2,471 (58%)	2,193 (56%)	2,133 (56%)	1,991 (56%)
Female	1,698	1,475 (60%)	1,289 (59%)	1,278 (60%)	1,193
Male	1,057	994 (40%)	892 (41%)	854 (40%)	797
Prefer not to say	1	2	12	1	1

EMPLOYEE TRAINING	FY2021	FY2022	FY2023	FY2024	FY2025
Total number of training hours received by employees	**3,258**	**17,713**	**24,342**	**31,130**	**26,655**
Total number of employees who participated in training programs	**2,847**	**3,886**	**3,947**	**4,022**	**3,923**
By Gender					
Female	63%	58%	58%	58%	59%
Male	37%	42%	42%	42%	41%
By Grade Group					
G2 and above	6%	6%	6%	6%	6%
G3 - G4	35%	35%	36%	37%	38%
G5 and below	59%	59%	59%	57%	57%

APPENDIX – I
ESG PERFORMANCE INDICATORS

EMPLOYEE TURNOVER RATE	FY2021	FY2022	FY2023	FY2024	FY2025
Overall (Voluntary and Involuntary Turnover Rate)	**33%**	**25%**	**19%**	**20%**	**22%**
By Gender					
Female	36%	25%	19%	20%	22%
Male	29%	25%	18%	20%	22%
Prefer not to say	–	50%	62%	100%	100%
By Age					
Under 30 years old	65%	41%	46%	37%	55%
30-50 years old	29%	24%	16%	18%	18%
Over 50 years old	29%	16%	16%	19%	20%
Prefer not to say	–	50%	54%	100%	100%
By Geographical Region					
Asia Pacific	33%	25%	17%	19%	22%
Americas	40%	28%	29%	22%	19%
Europe, Middle East, and Africa (EMEA)	31%	23%	28%	27%	23%

Employee Voluntary Turnover Rate	FY2021	FY2022	FY2023	FY2024	FY2025
By Gender					
Female	22%	14%	10%	10%	10%
Male	16%	13%	10%	10%	11%

SUPPLY CHAIN Suppliers by geographic regions	FY2021	FY2022	FY2023	FY2024	FY2025
Total	**5,120**	**4,864**	**4,380**	**4,566**	**4,576**
Greater China	3,919 (77%)	3,767 (77%)	3,407 (78%)	3,656 (79%)	3,611 (78%)
India subcontinent	533 (10%)	501 (10%)	454 (10%)	397 (9%)	402 (9%)
Greater ASEAN	485 (9%)	431 (9%)	370 (8%)	380 (8%)	447 (10%)
Europe & Türkiye	126 (2%)	118 (2%)	101 (2%)	82 (2%)	65 (1.5%)
LATAM	29 (1%)	18 (1%)	23 (1%)	23 (1%)	17 (0.5%)
Rest of the world	28 (1%)	29 (1%)	25 (1%)	28 (1%)	34 (1%)

APPENDIX – II
HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		EXPLANATION / REFERENCE SECTION
Environmental		
A1 Emission	Information on: • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	9.4 Taking actions for decarbonization
	The types of emissions and respective emissions data.	
	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable
	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable
	Description of measures to mitigate emissions and results achieved.	9.4 Taking actions for decarbonization
	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Not applicable
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Chapter 9
	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	9.4 Taking actions for decarbonization
	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9.2 Responsible water management
	Description of energy use efficiency initiatives and results achieved.	9.4 Taking actions for decarbonization
	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	9.2 Responsible water management
	The total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	9.5 Circularity and resource efficiency

APPENDIX – II
HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		EXPLANATION / REFERENCE SECTION
Environmental		
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	9.5 Circularity and resource efficiency 9.6 Biodiversity and nature
	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	9.4 Taking actions for decarbonization
	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B1 Employment	Information on: • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	10.1 Attracting Talent 10.2 Creating a diverse, equitable and inclusive workforce 10.3 Empowering our people
	Total workforce by gender, employment type, age group and geographical region.	10.2 Creating a diverse, equitable and inclusive workforce Appendix I - ESG performance indicators
	Employee turnover rate by gender, age group and geographical region.	
B2 Health and Safety	Information on: • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	10.2 Creating a diverse, equitable and inclusive workforce
	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
	Lost days due to work injury.	
	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	

APPENDIX – II
HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		EXPLANATION / REFERENCE SECTION
Environmental		
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	10.3 Empowering our people
	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	
	The average training hours completed per employee by gender and employee category	
B4 Labor Standards	Information on: • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	10.2 Creating a diverse, equitable and inclusive workforce
	Description of measures to review employment practices to avoid child and forced labor.	
	Description of steps taken to eliminate such practices when discovered.	
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	6 About Li & Fung 8 Responsible sourcing 9 Environment sustainability
	The number of suppliers by geographical region.	
	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	
	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

APPENDIX – II
HKEX REPORTING GUIDE INDEX

HKEX ESG REPORTING GUIDE GENERAL DISCLOSURES & KPIS		EXPLANATION / REFERENCE SECTION
Environmental		
B6 Product Responsibility	Information on: • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer. relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	7.3 Customer service
	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
	Number of products and service-related complaints received and how they are dealt with.	
	Description of practices relating to observing and protecting intellectual property rights.	
	Description of quality assurance process and recall procedures.	
	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	7.4 Digital trust
B7 Anti-corruption	Information on: • the policies; and • compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	7.2 Business ethics and anti-corruption
	The number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
	Description of anti-corruption training provided to directors and staff.	
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	11 Community engagement
	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	
	Resources contributed (e.g., money or time) to the focus area.	

APPENDIX – III
GRI STANDARDS 2021

Disclosure Item	Disclosure Title	Sections
UNIVERSAL STANDARDS		
GRI 1: Foundation 2021		
GRI 2: General Disclosures 2021		
The organization and its reporting practices		
2-1	Organizational details	1 About this report
2-2	Entities included in the organization's sustainability reporting	
2-3	Reporting period, frequency and contact point	
Governance		
2-9	Governance structure and composition	6 Our approach to ESG
2-14	Role of the highest governance body in sustainability reporting	
2-17	Collective knowledge of the highest governance body	
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	6 Our approach to ESG
2-23	Policy commitments	
2-24	Embedding policy commitments	
2-25	Processes to remediate negative impacts	
2-26	Mechanisms for seeking advice and raising concerns	
2-27	Compliance with laws and regulations	
Stakeholder engagement		
2-29	Approach to stakeholder engagement	6 Our approach to ESG
GRI 3 : Material Topics 2021		
3-1	Process to determine material topics	6 Our approach to ESG
3-2	List of material topics	
3-3	Management of material topics	



Disclosure Item	Disclosure Title	Sections
TOPIC STANDARDS		
GRI 205 : Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	7.2 Business ethics and anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	
GRI 302 : Energy 2016		
302-1	Energy consumption within the organization	9.4 Taking actions for decarbonization
302-3	Energy intensity	
302-4	Reduction of energy consumption	
302-5	Reductions in energy requirements of products and services	
GRI 303 : Water and Effluents 2018		
303-1	Interactions with water as a shared resource	9.2 Responsible water management
303-2	Management of water discharge-related impacts	
303-3	Water withdrawal	
303-4	Water discharge	
303-5	Water consumption	
GRI 305 : Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	9.4 Taking actions for decarbonization
305-2	Indirect / Scope 2 GHG emissions	
305-3	Other indirect / Scope 3 GHG emissions	
305-4	GHG emissions intensity	
305-5	Reduction of GHG emissions	
GRI 306 : Effluents and Waste 2016		
306-1	Waste generation and significant waste-related impacts	9.5 Circularity and resource efficiency
306-2	Actions taken to prevent waste generation	
306-3	Composition of waste generated	

APPENDIX – III
GRI STANDARDS 2021

Disclosure Item	Disclosure Title	Sections
TOPIC STANDARDS		
GRI 401 : Employment 2016		
401-1	New employee hires and employee Turnover	Appendix I – ESG Performance Indicators
401-3	Parental leave	
GRI 403 : Occupational Health and safety 2018		
403-3	Guidance for Disclosure	
403-6	Promotion of worker health	8 Responsible sourcing
403-9	Work-related injuries	
GRI 404 : Training and Education 2016		
404-1	Average hours of training per year per employee	
404-2	Programs for upgrading employee skills and transition assistance programs	Appendix I – ESG Performance Indicators
404-3	Percentage of employees receiving regular performance and career development reviews	
GRI 405 : Diversity and Equal Opportunity 2016		
405-1	Disclosure Diversity of governance bodies and employees	Appendix I – ESG Performance Indicators
GRI 407 : Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	8 Responsible sourcing
GRI 408 : Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	8 Responsible sourcing
GRI 409 : Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	8 Responsible sourcing
GRI 414 : Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	8 Responsible sourcing
414-2	Negative social impacts in the supply chain and actions taken	

