

Li & Fung Ltd.

TICKER

SEHK:494

MARKET CAPITALIZATION

US\$4 billion

HEADQUARTERS

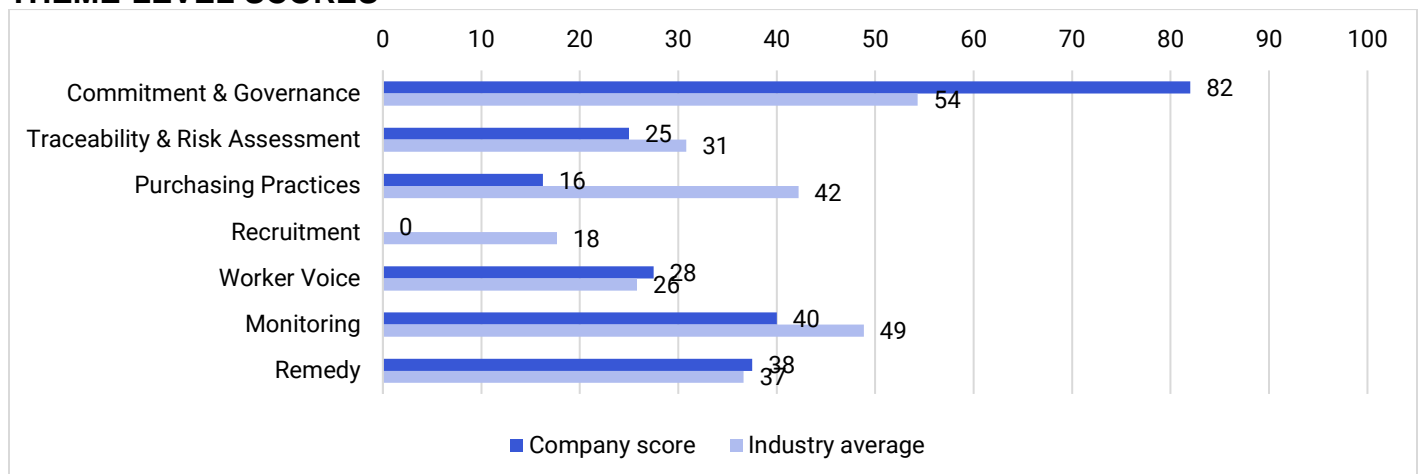
Hong Kong

COMPLIANCE

 UK Modern Slavery Act: [Yes](#)

 California Transparency in Supply Chains Act: [Voluntary Disclosure](#)
COMMITMENTS
[None](#)
OVERALL RANKING
24 out of 43
OVERALL SCORE
33 out of 100
SUMMARY

Li & Fung Ltd. (Li & Fung), one of the world's biggest global supply chain management companies, ranks 24th out of 43 companies. Its score of 33 out of 100 is below average; however, the company scores significantly higher than other suppliers in the benchmark. Suppliers are the lowest scoring subsector covered in the benchmark. The company's score is based on its stronger performance on the themes of Commitment & Governance. The company has an opportunity to improve its performance and disclosure on the themes of Purchasing Practices, Recruitment, and Remedy.

THEME-LEVEL SCORES


Research conducted through June 2018, or through August 2018 where companies provided additional disclosure or links. For more information, see the full dataset [here](#).

LEADING PRACTICES

Freedom of Association: Li & Fung discloses an industrial relations project for its Bangladeshi suppliers, which it developed with the NGO Just Solution. The project includes training for its suppliers' middle management on topics such as freedom of association, participation committees, and grievance mechanisms. The company notes that the project has been piloted in 232 factories and will be expanded further.

Corrective Action Plans: Li & Fung discloses that suppliers must rectify non-compliances within three to six months and may receive capacity-building training during that time. The company states that it monitors and supports factory improvement progress and verifies the implementation of corrective action plans with follow-up audits. It discloses that it may terminate a business relationship with a supplier if corrective actions are not taken by the supplier on zero-tolerance issues such as forced labor. It specifies that, in these cases, it agrees on "responsible exit plans" with suppliers and notes that, in 2017, it discontinued relationships with 2% of its suppliers.

NOTABLE FINDINGS

Stakeholder Engagement: Li & Fung discloses that it is a member of the Mekong Club, an industry initiative focused on addressing modern slavery, and that it contributed to the development of a remediation tool and a "Business Pledge against Modern Day Slavery." It further notes that in its function as a member of the Steering Committee of the Social and Labor Convergence Project, it contributed to developing an assessment and data collection framework, which the company notes also covers forced labor.

Purchasing Practices: Li & Fung discloses that potential suppliers are audited against its supplier code of conduct (which covers forced labor) and are required to correct non-compliances before entering into contracts. The company takes part in the Better Work program and, as such, is required to refrain from terminating or reducing orders at any non-compliant factories (provided factories make sufficient progress) and to review internal buying practices that may impact compliance at its supplier facilities. Its supplier code requires suppliers to request written authorization for subcontracting and home work.

Monitoring: Li & Fung discloses that it monitors supplier compliance against its supplier code of conduct through audits conducted by its own staff, external third parties, or through its audit equivalency program. Under this program, it accepts audit reports generated through schemes such as Better Work, the Fair Labor Association, and amfori BSCI. Where the company does not conduct its own audits but accepts its suppliers' audit reports, it conducts unannounced spot checks. The company also takes part in the ILO's Better Work program in Vietnam, Cambodia, Nicaragua, and Haiti, which includes unscheduled assessments of facilities against indicators including forced labor. The company discloses the most frequent areas of supplier non-compliance and provides an overview of compliance ratings assigned to its suppliers.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices: To enforce its expectations with its suppliers, the company is encouraged to integrate its supply chain standards addressing forced labor and human trafficking into contracts with its suppliers. To ensure that labor rights are respected across its supply chains, the company may consider requiring that its first-tier suppliers ensure that their own suppliers implement standards that are in-line with the company's standards.

Recruitment: To address the risk of exploitation of migrant workers through recruitment agencies in its supply chains, the company may consider requiring recruitment agencies used by its suppliers to uphold workers' rights and ensuring that workers in its supply chains are not charged fees during any recruitment-related process. The company is also encouraged to confirm that recruitment agencies used by its suppliers are audited and to work with suppliers to ensure that migrant workers' rights are respected (e.g., to confirm workers' passports or other personal documents are not retained).

Remedy: The company may consider establishing a process to ensure that remedy is provided to workers in its supply chains in cases of human trafficking and forced labor and disclosing details on this process, such as timeframes and engagement with affected stakeholders, responsible parties, or approval procedures. To demonstrate to stakeholders that it has an effective remedy process in place, the company is encouraged to disclose examples of remedy provided to its suppliers' workers.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[No.](#)