DISCLOSURE STATEMENT

ON MODERN SLAVERY

August 2020

Introduction

Modern slavery is an umbrella term covering a variety of legal concepts including debt bondage, forced marriage, slavery and slavery-like practices, human trafficking and forced labour. In 2017, the International Labour Organization (ILO) estimated that 40.3 million people were victims of modern slavery, with 24.9 million people trapped in forced labour, the majority (16 million) working in the private sector, including in global supply chains.[1]

Due to the unprecedented impact of COVID-19, forced labor figures are expected to rise dramatically. With well over 21 million cases and over 770,000 deaths globally[2], both the health implications of the disease, and the economic crisis and resulting disruptions to global supply chains, present unprecedented challenges for the world's most vulnerable workers.

Against this backdrop, the impetus has never been greater for the Living Style Group to take a proactive approach to addressing modern slavery; this includes ensuring respect for workers' human rights and health and safety. We have adopted the approach and programs of our parent company, the Fung Group, to address modern slavery in the supply chain. Through the Fung Group, we engage with the industry to promote adequate labor law protection, social security coverage, safe migration channels, non-discrimination and the right to freedom of association and collective bargaining for all workers. Going forward, we will continue to work with the Fung Group and also implement our own targeted modern slavery approach for our supply chain.

The scale and complexity of the challenge requires proactive action and collaboration among a variety of stakeholders including governments, international organizations, civil society and the private sector. The Sustainable Development Goals (SDG), including the adoption of the below three specific targets related to forced labour, human trafficking and safe migration, represent an opportunity for us to work in partnership with others, including the Fung Group, to ensure stronger due diligence over the supply chains, and to encourage robust labor market and migration governance in the countries where we operate[3].

SUSTAINABLE DEVELOPMENT GOALS	
5 GENDER EQUALITY	**SDG 5: Achieve gender equality and empower all women and girls** **Target 5.2:** Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.
8 DECENT WORK AND ECONOMIC GROWTH	**SDG 8: Decent Work and Economic Growth** **Target 8.7:** Take immediate and effective measures to eradicate forced labor end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.
10 REDUCED INEQUALITIES	**SDG 10: Reduced Inequality** **Target 10.7:** Facilitate orderly, safe, and responsible migration and mobility of people, including through implementation of planned and well-managed migration policies.

[1] Modern slavery covers a variety of legal concepts. It refers to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception and/or abuse of power. ILO Estimates of Modern Slavery, ILO Office (2017) Geneva.
[2] 18 August 2020, Johns Hopkins University & Medicine
[3] The SDGs supplement the existing international framework on forced and child labor, including: Child Labour Conventions and Recommendations (C138 and R46; C182 and R190); United National Convention on the Rights of the Child; Buenos Aires Declaration on Child Labour, Forced Labour and Youth Employment (2017); ILO Forced Labour Conventions, Recommendations and Protocols (C29, P29, R35 and R203; Close); and The Palermo Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children.

Our disclosure statement on modern slavery is published in accordance with the UK Modern Slavery Act (2015) and the SB657 California Transparency in Supply Chains Act. It sets out the steps taken from January to December 2019 and outlines our 2020 modern slavery strategy and commitments. Due to reduced staff capacity during our reporting period and in accordance with UK guidance[4], we delayed the publication of our modern slavery statement by two months.

The statement is fully supported by our Board of Directors and signed by our Company President, Henry Chan. "We have a responsibility to our customers; both in providing a large variety of furniture and lifestyle products that meet the design and quality needs of the end user, but also in ensuring these products are produced with the highest level of integrity and a true commitment to responsible and sustainable business practices. All of our partner factories are selected based on their commitment to uphold our high ethical standards, support the fair treatment of all workers and show a willingness to engage with us in our efforts to eliminate modern slavery from the supply chain."

This statement was reviewed externally by the Mekong Club, a Hong Kong-based, nongovernmental organisation committed to ending modern slavery within the private sector by raising awareness and providing practical tools to address the problem within supply chains.

Section 1. Structure, Business & Supply Chains

The Living Style Group is a leading furniture company bringing speed to market with capabilities in design, development, sourcing, and production across a wide range of residential, office and contract furnishings. We provide a wide range of Branded & Private Label furniture and furnishings across every product category through our three furniture units of Kenas Home, True Innovations & Design, and Whalen Furniture Manufacturing, and our extensive portfolio of licensed brands.

A. Business Structure

Previously known as LF Products under Li & Fung, our company is now owned by the Fung Group (55%) and Honey Capital (45%) and has been rebranded as the Living Style Group ("Living Style" or "LSG"). This rebranding represents the evolution of our company as a focused leader in the furniture industry. Headquartered in Hong Kong, we have offices worldwide, made up of four distinctive specialist teams: True Innovations, Whalen, LSG Agency and LSG Hospitality China.

[4] Guidance - Modern slavery reporting during the coronavirus (COVID-19) pandemic https://www.gov.uk/government/publications/coronavirus-covid-19-reporting-modern-slavery-for-businesses/modern-slavery-reporting-during-the-coronavirus-covid-19-pandemic

People are a key factor in Living Style's success; we are committed to the wellbeing, inclusion and career development of our employees. We employ 835 people across 17 offices globally.

B. Supply Chain (Tier- 1)

We source products from 237 suppliers in 10 production countries. Production is predominantly focused in Asia, but we continue to expand our supply base footprint in newer regions. 100% of tier-1 production facilities are mapped and approved according to our minimum onboarding standards.

Table 1: Worker Demographics in our Supply Chain (Tier-1) in our Top 4 Production Countries

Sourcing Country	Female Workers	Male Workers
China	***34.5%***	***65.5%***
Malaysia	***17.3%***	***82.7%***
Thailand	***33.9%***	***66.1%***
Vietnam	***44.1%***	***55.9%***

Section 2. Policies in Relation to Slavery and Human Trafficking

Cross-Departmental Senior Leadership for Modern Slavery

Engagement of senior leadership across the company is crucial to drive effective corporate responses and policies to end modern slavery. At Living Style, several different departments contribute to our company's efforts to end modern slavery, with oversight by the Vice President, Technical & Compliance Development. Our Technical & Compliance Development team is responsible for overseeing our vendor compliance operations and working with customers to strengthen compliance and sustainability performance – including overseeing risk assessments and due diligence measures to end modern slavery. The Fung Group's Vendor Compliance and Sustainability teams, which sit within the Group Chairman's Office, are responsible for governance, policy, internal audit and industry partnerships including the development and mainstreaming of the Fung Group's strategy and related key performance indicators (KPIs) on ending modern slavery. Human Resources (HR) also plays an important part. Our HR professionals support us in raising awareness of our policies to employees and by ensuring responsible recruitment within our own organization.

Codes of Conduct for: Employees, Suppliers, Contractors, and Business Partners

We are committed to designing, developing, manufacturing and selling quality products that are produced under ethical conditions that protect worker rights and safety. We have committed to the **Fung Group's Code of Conduct and Business Ethics ("the Code")**, which requires all our employees and directors to adhere to the ten principles of the UN Global Compact and the principles contained in the ILO's Declaration on Fundamental Principles and Rights at Work, including the elimination of forced labor. The Code also requires all our employees to work with suppliers to ensure human and labor rights are upheld throughout the supply chain. As of 31st December 2019, 20% of our employees have completed an e-learning on the Code, with a target completion of 100% by March 2021. Compliance with the Code is overseen by the HR, Legal and Corporate Governance divisions of our parent company, the Fung Group.

Managing supply chain risk starts with **Living Style's Supplier Code of Conduct ("the Supplier Code").** The requirements of the Supplier Code, which partner factories must meet as a condition of doing business with us, are grounded in the United Nations Universal Declaration of Human Rights and the ILO's 1998 Declaration on Fundamental Principles and Rights at Work, as well as local law.

In 2019, we updated our Supplier Code of Conduct to include stronger provisions on responsible recruitment and combatting violence and harassment at work.

The Supplier Code is available to suppliers in multiple languages and incorporates guidelines on social, environmental and security standards as well as practical resources for implementing standards within factory operations and recommendations for best practice. Practices related to human trafficking, physical or verbal abuse, sexual abuse, restricted freedom of movement, passport and personal document control, excessive or forced overtime, child or prison labor, failure to pay adequate minimum or overtime wages, and many other aspects related to worker welfare are all addressed in the

Supplier Code. All forms of modern slavery and child labor are considered zero-tolerance issues which require full remediation and may result in termination of business.

The Supplier Code is updated by the Fung Group every three years, with the latest update completed in December 2019. The updates are made through consultation with all Fung Group companies, including Living Style, to incorporate emerging requirements and strengthened standards related to safe workplaces, labor, human rights and environmental resilience. New provisions were also added in line with the adoption of ILO General Principles and Operational Guidelines for Fair Recruitment and Convention No. 190 and Recommendation No. 206 on combatting violence and harassment at work.

To introduce the updated version, Fung Group developed training that highlights all key changes, their potential impact and requirements for adherence. Supplier training by Living Style was planned to commence in January 2020, but was postponed due to restrictions imposed as a result of COVID-19. The training has subsequently been adapted to an e-learning and we remain committed to rolling this out to our suppliers throughout 2020. To date, 92 of our suppliers have signed their acceptance of the new Supplier Code, with the remainder required to sign by the end of 2020.

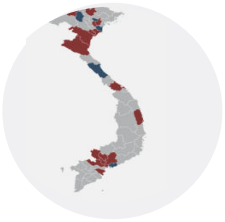
All our employees, suppliers and contractors must adhere to Living Style's zero-tolerance approach to modern slavery and human trafficking and are required to report any incident or violations of the Supplier Code to the Technical & Compliance Development team. This team is committed to investigating all reported incidents and to working with partner factories on remediation, in line with our Remediation Program[5].

[5] Section 4: Due diligence processes provides an explanation of our Remediation Program.

Section 3. Risk Assessment, Prevention & Mitigation

We acknowledge there are modern slavery risks that exist in our industry and in the markets where we operate. The challenge is to proactively identify and dissect modern slavery risks at various levels (country, region, product, tier, facility and worker) so they can be effectively mitigated and addressed.

Below we have provided examples of regional and product modern slavery risks in our top four production countries and our proposed actions to increase identification and mitigation of all forms of modern slavery in our tier-1 factories.

China	Vietnam	Malaysia	Thailand
			
US TIP Report 2020 Tier Placement[6]: TIER 3	**US TIP Report 2020 Tier Placement:** TIER 2 WATCH LIST	**US TIP Report 2020 Tier Placement:** TIER 2 WATCH LIST	**US TIP Report 2020 Tier Placement:** TIER 2
High-risk Products used by Living Styles Group:[7] Electronics and Textiles	**High-risk Products used by Living Styles Group:** Furniture, Leather, Rubber, Textiles, Timber and Electronics	**High-risk Products used by Living Styles Group:** N/A	**High-risk Products used by Living Styles Group:** Metal goods
Foreign Migrant workers: <1%	**Foreign Migrant workers:** <1%	**Foreign Migrant workers:** 60%	**Foreign Migrant Workers:** 35%
Proposed Actions • Unannounced spot checks in factories focussed on forced labor • E-learning on modern slavery and/or Supplier Code	**Proposed Actions** • Unannounced spot checks in factories focussed on forced labor • E-learning on modern slavery and/or Supplier Code	**Proposed Actions** • Roll-out Apprise app in all factory audits[8] • Unannounced spot checks in factories focussed on forced labor • E-learning on modern slavery and/or Supplier Code	**Proposed Actions** • Unannounced spot checks in factories focussed on forced labor • E-learning on modern slavery and/or Supplier Code

This assessment is based on information taken from the Mekong Club's Risk Assessment Matrix (RAM), the US State Department's 2020 Trafficking in Persons Report, the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor and the penetration of migrant labor identified through our internal assessments. On the country maps, red indicates states/regions where indicators and/or cases of modern slavery have been identified within the audit data provided to Mekong Club's RAM tool (this is data collated from multiple companies, in multiple industries); blue indicates that there is insufficient information from the RAM tool to conclude whether modern slavery has been identified in the region, but audit data is available and uncoloured areas indicate that the RAM does not hold data on that region.

[6] US State Department Trafficking in Person Report 2020
[7] Products extracted from United States Department of Labor (USDOL) List of Goods Produced by Child and Forced Labor
[8] Section 4: Due diligence processes provides an explanation of Apprise Audit. Malaysia has been selected as the initial country to pilot this tool, due to the high presence of migrant labor and the tools ability to more effectively interview migrant workers.

Section 4. Due Diligence Process

Monitoring & Grievance Mechanisms

Our due diligence approach is currently driven through a combination of internal, third-party and customer-driven audits and training programs conducted at our partner factories. Assessing compliance with our Supplier Code begins with an audit, with all our direct suppliers (tier-1) being audited according to a timeline, which varies according to their level of risk. The performance of our third-party audit firms is monitored by the Fung Group, through a robust system of key performance indicators covering areas such as integrity, performance and accuracy. Audit firms who conduct our onsite audits are rotated regularly to maximize the strengths of each firm and to reduce the risk of collusion with factory management.

We also accept third-party audits that follow internationally recognized standards, in alignment with the Fung Group's audit "equivalency" program. This mutual recognition program aims to reduce audit duplication for our suppliers, allowing their resources to be reallocated to the sustainable improvement of critical issues. Audits are also conducted directly by, or on behalf of, our major customers, based on their own ethical standards. As part of our assurance program for factories audited against industry and customer standards, our Technical & Compliance Development team (or a designated third-party) conduct unannounced spot-checks on selected factories.

To ensure our audits have an increased focus on identifying possible forced labor indicators, we are planning to pilot the Mekong Club's Apprise app in our audits, from mid-2020. We hope that this innovative solution – an app that asks workers a set of questions that have been specially developed to uncover red flags for forced labor, in the workers' own language - will improve the ability of our audits to identify possible forced labor cases, in line with the ILO forced labor indicators. These indicators represent the most common "clues" that help identify persons who are possibly trapped in a forced labor situation, and who may require urgent assistance. The app is used via a smartphone and headphones, with eleven languages currently available. We believe this tool will be particularly helpful when auditing sites with a high proportion of foreign migrant workers, such as our partner facilities in Malaysia.

Due to the impact that COVID-19 has had on restricting our ability to carry out onsite audits and worker interviews (due to both travel restrictions and social distancing measures), we have been working closely with Fung Group and the Mekong Club to support the adaptation of the Apprise app to be usable remotely, allowing workers to access the platform and complete the questions directly, without the need of an onsite auditor. We have provided feedback on the initial stage of this development and hope to see the adaptation available soon.

Remediation

We have adopted the Fung Group's Remediation Program to continuously improve performance in our supply chain. When non-compliances are identified through audits, the non-compliance is recorded into a standardized monitoring system and discussed with the factory. The factory then develops a remediation plan, with a root cause analysis and a timeline to both correct and remedy any harm done and implement preventative action to avoid reoccurrence. When critical or zero-tolerance issues are identified, remediation progress is monitored by us and failure to remediate may lead to the suspension or termination of business.

As modern slavery is both complex and serious, we enlist the support of a specialist third party to support with remediation. They discuss the case with the factory, provide capacity building and victim assistance, and help

monitor the factory improvement process. If the violations have not been systematically remediated, business is discontinued after agreeing on a responsible exit plan. Our remediation guidance on modern slavery was developed by the Fung Group, in line with the UN Guiding Principles on Business and Human Rights, as well as the Mekong Club Remediation Toolkit.

Remediation guidance includes:

- Information on immediate corrective action to be taken in cases of non-compliance, including providing assistance to the affected persons (the rights' holder) and paying back any outstanding wages or fees (where relevant)
- Preventative action, including the use of third-party experts to assist the factory in changing its management systems or policies that may have contributed to the violation
- Business consequences, as needed, related to both the non-compliance and any failure to remediate

In 2019, we identified one compliance issue at a partner facility that involved indicators of modern slavery. In that instance, we engaged a specialist third party to work with the factory to develop an action plan and provide capacity building, as well as assistance in monitoring the factory improvement process. We also identified one case of underage labor in outsourced services of a factory and worked with the Centre for Child Rights and Corporate Social Responsibility to develop and implement a remediation plan that is in the best interests of the child.

Section 5. Training and Capacity Building

The Living Style's Technical & Compliance Development team is responsible for training company employees and suppliers regarding mitigating the risk of modern slavery throughout our business and supply chain. In 2020, we will roll out two of the Fung Group's e-learning tools to both employees and suppliers.

Supplier Code of Conduct e-learning: The Supplier Code e-learning presents an overview of our updated Supplier Code and how to ensure compliance. This training will be rolled out from April 2020 to 100% of our sourcing colleagues and suppliers.

Modern Slavery e-learning: The Modern Slavery e-learning takes around 25 minutes to complete and runs through key concepts of modern slavery, risk indicators, best practices, and prevention and remediation. The e-learning is available in English and Chinese and is currently being translated into Bengali.

Section 6: Effectiveness, measured against appropriate KPIs

We recognize there will continue to be significant health and financial challenges related to the COVID-19 pandemic going forward, which have caused untold disruptions to our business and supply chain and stand in the way of progress. Nonetheless, we cannot pause our work in this important area when the need for action has never been greater, as modern slavery vulnerability increases as a result of this crisis. We will need to be innovative on how we make progress, despite travel restrictions and physical distancing.

We will continue to actively monitor our supply chain to identify and reduce modern slavery risk, with a focus on responsible recruitment in high-risk regions and ensuring victim-centric remediation, should any forms of modern slavery be detected. Particular attention will be paid to ensuring new risks and vulnerabilities in the supply chain, arising from COVID-19, are addressed.

We aim to achieve this through:

1. Effectively implementing our new Responsible Recruitment Policy (RRP) to ensure a focus on enhanced governance related to responsible recruitment and reimbursement of illegal recruitment fees, with a longer-term focus of moving towards the employer-pays principle.

2. Creating an informed and empowered cohort of employees and supply chain partners, ensuring our key topics for training are responsible recruitment and the overall risks related to modern slavery.

3. Leveraging new technology to increase the quality of worker interviews to illuminate the real conditions faced by workers throughout the supply chain and to ensure continued monitoring despite COVID-19-related restrictions.

4. Ensuring remediation processes put workers' rights at the center and are undertaken by qualified third parties – and can demonstrate the effectiveness of the responsible recruitment policy by ensuring workers are paid back illegally-procured fees.

Goal	Indicator	KPI Description
Effective implementation of the Responsible Recruitment Policy	%	Suppliers signed our updated Supplier Code of Conduct
	%	Suppliers in key sourcing countries completed Supplier Code and/or Modern Slavery e-learning
Informed and Empowered Employees	%	Living Style sourcing colleagues globally completed Supplier Code of Conduct e-learning
	%	Living Style colleagues globally completed Business Ethics e-learning
Systematic Collection of Worker Voice Data	%	Monitoring visits conducted in Malaysia include use of the Apprise audit tool
Victim Centric Remediation	%	Modern slavery indicators and/or confirmed cases remediated in line with remediation guidance

As we advance our agenda to abolish modern slavery, we will monitor our progress against our KPIs and report on our progress in our next modern slavery statement.

Henry Chan
President, Living Style Group Limited
Date: 25 August 2020