

> Environmental, Social and Governance Report



Visit Chumi Heping Primary School in Zunyi
Tongzi County of Guizhou Province

Li Ning Company attaches great importance to corporate social responsibility (CSR) and continuously carries out a variety of practices that encourage compassion in the society. The Group believes that its commitment to being a “responsible corporate citizen” helps to bring long-term benefit not only to its employees, but also to the entire community and the environment.

In 2014, Mr. Li Ning and Li Ning Company were bestowed with the “Chinese Women Charity Awards-Contribution Award” for individuals and enterprises respectively at the third awards ceremony of the “Chinese Women Charity Awards” organized by All - China Women’s Federation (ACWF). At the ceremony, Li Ning Company released to the public its detailed public charity initiatives in 2013-2014, including charity projects such as “Healthy Mother Express”, “Postal Parcel for Mothers”, “Water Cellar for Mothers” and “Childhood Guardian” in which the Company had active participation in 2013-2014, and the cumulative number of beneficiaries reached 27.34 million.

“Shouldering social responsibility” has become an important constituent of the corporate culture of Li Ning Company. Our staff participated in activities like “For a Warm Winter” and Ludian earthquake relief. “Giving warmth and promoting a positive attitude” have become beliefs pursued by every Li Ning employee.

Li Ning Company has consistently upheld the principle that “sports activities are not solely for competition or fitness, but also have charity and education functions”. We deliver our most sincere passions through quality products and encourage the community to participate in charity initiatives so as to gather strength and contribute to society.

CORE VALUES

The Group considers its employees the greatest asset. By not only maintaining a working environment that helps employees’ physical and psychological well-being, but providing them with skill training and creating career development opportunities, the Group can therefore enhance staff cohesion and create a greater sense of belonging while improving individual’s skills of employees. As a result, the staff grows as the Company grows.

In 2014, the Group continued to adhere to the core values that embrace achieving excellence and breakthrough, creating consumer-oriented work ethics with both integrity and commitment, as well as building the Li Ning Company culture and dream. Senior management and staff had many opportunities to communicate with each other through various internal platforms, including town hall meetings, management workshops, star products luncheon series, Group intranet and various training courses. Our staff was also greatly encouraged to project their positive energy and develop a sense of ownership of the Company, which helped them deliver excellent performance, inspire innovation and proactively take part in the corporate reform and transformation.

STAFF TRAINING

Adhering to the principle of being “people-oriented” and based on the well-established system that integrates the perspectives of trainees, lecturers and curriculum, the Group developed its training programs with the focus on fulfilling



Donation activity for “Postal Parcel for Mothers”

the mutual need for the development of both the corporation and the staff. In terms of enhancing leadership skills, the Group launched a tailor-made “performance-based leadership workshop” for the management to address the needs arising from corporate transformation. The workshop covered management techniques and tactics, and provided expert knowledge and practices to better equip the trainees with new skillsets tailored to the Group’s vision of building a new retail business model (RBM).

The Group also provided targeted training courses for staff of various positions across different business units, such as Basic Sales Knowledge, Contract Law Training, Planning and Execution as well as Communication and Basic Leadership Skills, with a view to supporting the team building and development of business units.

At the same time, the Group also continued to perfect its talent review and development system and took stock of staff performance and potential staff through “Roundtable on Organisation and Talent”, and provided corresponding training courses to facilitate the management in nurturing subordinates with potentials in a focused manner. The above measures not only facilitated staff development and enhance overall strength of the teams, but also served to form a sustainable internal talent pool displaying strong potential and competitiveness.

WORKING ENVIRONMENT AND CULTURE

As a company specialising in sports brand, the Group regards highly the physical and psychological well-being of its employees. Employees are encouraged to participate in various activities to promote sportsmanship, diligence and the spirit of striving for excellence as sporting activities provide valuable opportunities for team interaction and bonding and allow employees to become more knowledgeable about the corporate mission of Li Ning Group.

The Li-Ning Centre, situated at the Group’s headquarters in Beijing, offers a variety of facilities and venues for staff use, ranging from basketball courts, badminton courts, tennis courts, swimming pools and football fields to fitness centre. Professional coaches are also hired not only to teach the employees various sports but also to nurture positive attitude toward sports among them. The Group is also funding a number of sports clubs set up by staff on their own, where various internal and external competitions have already been held, including badminton/basketball/football contests, Beijing marathons, and basketball competitions for foreign-invested enterprises in Beijing. Taking part in these sporting activities provided the staff with the unique opportunity to continuously deepen their appreciation of corporate values. Our unique sporting culture has also become one of the important factors in attracting talents to the Group.

TAKING CARE OF STAFF AND THEIR FAMILIES

In addition to our unique sporting culture, the Group has also regularly organized various activities for our employees’



Donation activity for Ludian area in Zhaotong Municipal of Yunnan Province earthquake

families, including parent-child gatherings, annual meet-ups and health talks for staff and their families. These activities have helped enhance employees’ sense of belonging to the Group and demonstrated the Group’s care for its employees and their families.



Donation activity for “Give New Year Warmth”

EMPLOYEE BENEFITS AND WELFARE

The Group provides supplementary commercial medical insurance to all employees and their family members, and arranges free medical check-ups for its staff every year. Our offices are designed and furnished with various green plants and environment-friendly facilities to create an elegant and soothing working space as well as to ensure a healthy and comfortable working environment. At the same time, the Group has set up nursery rooms for female employees during their lactation period. In 2014, the Group streamlined the welfare system to transform our staff welfare system into a more personalised one. In addition, regular departmental meetings were also held to provide additional platforms for communications between the management and staff.

CONTRIBUTING TO SOCIETY

The Group has been actively fulfilling its social responsibility as a corporate citizen, and the founder of the Group, Mr. Li Ning, regards corporate social responsibility and charitable activities as highly important. In particular, the Group created the post of corporate social responsibility manager in 2014 to take charge of the social responsibility initiatives of the Group. Specifically, after the outbreak of the earthquake of magnitude 6.5 in Ludian region of Zhaotong City, the Group spared no effort in donating clothing worth RMB5 million to victims of the stricken areas through China Women's Development Foundation to resolve the urgent need of victims for clothing and support the local people to rebuild their homes. Meanwhile, the Group successively launched activities including Postal Parcel for Mothers and Warm Winter in 2014 to make donations to elderly mothers in the old revolutionary base of Tongzi County, Zunyi City, Guizhou Province. The Group attaches great importance to corporate responsibility, and will continue to encourage employees to participate in charitable activities in future.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY MANAGEMENT

1. Li Ning's Supply Chain Social Responsibility and Sustainable Development

As a Chinese sports brand leader, the Group has attached great importance to the balance between the Company's growth and environmental protection, committed to exploring an efficient solution of chemical management and collaborated with industry organizations, suppliers, NGOs, external experts and other stakeholders as always. During the year, on the basis of the extensive management of its supply chain, Li Ning Company made a strong effort to carry out key projects of corporate social responsibility (CSR) and environmental management, and to encourage supplier to take corrective actions.

A. Occupational Health, Safety and Social Responsibility of Li Ning's Supply Chain

This year, the Group continued implementing "Li Ning Company Supplier Social Responsibility Code of Conduct" and strengthened the management of suppliers:

- The audit standards of new suppliers were modified to strengthen the new supplier approval requirements. In the year, audits were conducted on totally 14 potential suppliers among which 8 became our suppliers officially and 1 was approved conditionally while the introduction of other five were terminated. The total passing rate was about 57%;

- Li Ning's supplier quarterly reporting/assessment system was established and all the suppliers were evaluated on their CSR performance on a quarterly basis. The contents and requirements of regular reporting of suppliers were developed. The Company introduced a scoring mechanism to guide suppliers to strengthen self-management.
- Based on the combination of supplier self-management and supervision by Li Ning Company, the Group further improved its supplier audit assessment tool and commissioned a third party consulting organization to conduct CSR on-site audit on 15 representative suppliers during the year;
- Based on the combination of auditing and improvement, the Group further strengthened requirements on supplier implementing corrective actions compared with those of previous years. Around 60% of the finished product suppliers were selected this year for CSR follow-up audit, and the average rectification rate was nearly 70%, which was significantly improved comparing to the rate of 29% in last year;
- Based on the combination of daily management and emergency planning, the Group made risk assessment of suppliers' operation and prepared emergency response mechanism and procedures for major emergency incidents occurring in the supply chain.

B. Environmental Responsibility of Li Ning's Supply Chain:

Impact on the environment has always been a major focus of the Group. In order to become a more sustainable enterprise, the Group focuses on its own environmental responsibilities from the following two aspects: the business environment and the product environment. The Group continually increased all suppliers' environmental protection awareness and concepts and provided them with ways and means to improve their environmental performance by revising policy, specialized training, on-site audits, sampled testing, etc.

- The Group issued the "Li Ning Manufacturing Restricted Substances List (MRSL)" during the year, setting up requirements of controlling restricted substances used in the manufacturing process to protect the health and safety of employees and provide a reference for preventing environmental pollution;
- The Group offered training on "MRSL Management Capacity Building" to all the suppliers of products, materials, and technologies. The training was focused on the hazards of chemicals commonly used in the supply chain and precautionary measures. The model and requirements of our supply chain chemicals management were standardized, and suppliers were also guided to establish management mechanisms and organizational structure of chemicals during the training;

- The Group signed the “Li Ning Manufacturing Restricted Substances List (MRSL) Compliance Statement” with the suppliers, requiring that suppliers should not deliberately use toxic and hazardous substances, and should take control at source, prevent the toxic and harmful chemicals from affecting the environment, reduce the possible damage to the environment during the manufacturing process and protect the health of employees;
- The Group commissioned a third party consulting company to conduct environmental audit on key material suppliers by using the audit tool (TGI) to evaluate the suppliers’ environmental management performance in terms of legal compliance, water, energy, solid waste, chemicals, air emissions and noise, etc.;
- The Group selected some of the suppliers to focus on environmental management program. Environmental compliance audit and MRSL management capability improvement program were conducted to identify the risks that the suppliers may have in legal compliance, environmental facility maintenance, chemical management, system building, energy preservation, emission reduction, etc. The Group also encouraged the suppliers to make corrective action plan and improve their environmental management performance;
- The Group conducted risk assessment on the chemicals which are commonly used in the supply chain, and 90 chemicals were sampled and tested against compositions. In addition, the Group carried out research on chemicals used in the production process, such as cleaning agents and glue and substituted some toxic substances;
- The Group held a “Chemical and Environmental Management Seminar for Suppliers”. During the seminar, the findings of environmental audits were summarized, and guidance on environmental management improvement was provided. Through summarization, discussion and training, the Group together with the suppliers analyzed the common problems that were identified during the audits conducted in this year and the relevant measures for improvement, and provided an introduction to the environmental audits to be carried out next year. At the same time, awards were presented to the suppliers ranking top three in environmental audits;
- The Group signed a “Memorandum of Environmental Joint Action” with the core material suppliers, making commitments to jointly push forward the implementation and management of environmental protection projects;
- The Group conducted wastewater testing for the core material suppliers to help them investigate the 11 groups of harmful substances in wastewater before and after production as well as during the production process, and to collect data for achieving green supply chains.

C. Participation in Zero Discharge of Hazardous Substances (ZDHC) Program:

As one of the founding brands of ZDHC, Li Ning Group actively participated in ZDHC’s workstream meetings this year and collaborated with other ZDHC major brands to accomplish the following work on environmental protection in the textile industry:

- The Group participated in regular meetings of the ZDHC management board and took part in the discussion and decision of major issues concerning the ZDHC program;
- The Group participated in “Workstream 1 of ZDHC-Chemical Hazard Assessment-Prioritization and Action” to discuss the work of chemicals phase-out and harmful substances substitution and develop relevant methodologies. In addition, the Group also released the chemical guidance sheets of five substances, i.e. long-chain perfluoroalkyl acids (LCPFAAs), nonylphenol (NP), toluene, phthalates and nonylphenol ethoxylates (NPEOs), communicating the information to each supplier and providing guidance chemical control and safe alternatives;
- To achieve the visions of environment-friendly production and minimize the environmental impact brought about by the production process, Li Ning Group has been committed to exploring quality solutions of environmental protection and chemical management. Thus the Group continued participating in Workstream 4 of ZDHC-Assessments and Audits to develop the “Generic Audit Protocol” and assist the Administrative Committee of ZDHC to release version 2.0 of the generic protocol in the year, pushing further environmental audits;
- The Group participated in the “Workstream 6 of ZDHC-Stakeholder Partnering” to work with ZDHC Brands, making positive contributions to promoting environmental protection in China and Asia;
- During the year, ZDHC released a series of documents including the Manufacturing Restricted Substances List (MRSL), Research List, MRSL Q&A, and the implementation schedule. As the only Chinese brand in the ZDHC group, Li Ning Group was involved in the development of the MRSL list, continually making positive contributions to the goal of zero discharge of harmful chemicals;
- The Group actively participated in the benchmarking project on wastewater data research launched by ZDHC member brands. The data collected in this event is used to develop an action plan in order to achieve consistent chemical control and elimination, which is important in promoting environmental protection in the domestic textile industry.

2. Product Safety and Sustainability

The Group consistently provides consumers with quality safe products that meet international quality standards. This has been a key component of the Group's Corporate Social Responsibility.

During the year, the Group updated and published its own product safety standards QLN8001-2014 in line with the latest industry standards and market demands, and improved the requirements on restricted substances to be inspected and tested in products. In addition, the Group required its suppliers to sign a "Li Ning Company Declaration of Conformity on Restricted Substances List (RSL)". All of the Group's products sold on the market have passed inspections by independent third party testing institutions holding national credentials.

The Group has been committed to establishing the local brand's best practices in environmental protection and social responsibility. The Group invests large amount of money each year in the development and use of environment-friendly materials, such as coffee charcoal, organic cotton, ECO-CIRCLE and fluorine-free waterproof fabrics. These materials can minimize the burden generated by the production process on the environment, and save energy and resources.

3. Stakeholder Communication and Industry Cooperation

During the year, in striving for sustainable development in which business benefits, environmental performance and social interests are incorporated, the Group collaborated and participated in open dialogues with active social groups and civil organizations with the aim of establishing stable, long-term communication channels.

During the year, the Group established a mechanism to interact with licensed brands in terms of environmental protection and social responsibility, regularly communicating with each other on the Group's policies, standards, requirements, and promotion.

During the year, the Group also teamed up with ZDHC member brands to any out performance evaluation of environmental protection in relation to products and supply chains and the elimination of harmful chemicals, and to release to the public project progress on a quarterly and annual basis. Through these interactions and mutual learning, the Group excelled among domestic industries in respect of CSR practices and sustainable development philosophies.

During the year, the Group and other ZDHC member brands cooperated with China Textile Industry Association (CNTAC) to organize the "2nd Seminar on Hazardous Chemicals for Stakeholders in the Textile Industry". The seminar was designed to advance positive drivers in environmental protection and sustainable development,

and promote positive and long-term changes in the field of chemical management to fulfill the ultimate goal of "zero discharge".

During the year, the Group participated in the "2014 Global Textile and Apparel Supply Chain Conference", during which the Group put forward challenges and opportunities for the printing and dyeing industry and apparel brands, and expressed its view on collaborative solutions to energy saving, environmental protection, product innovation and improvements in market competitiveness.

During the year, the Group was invited by CNTAC to participate in the "2014 China International Textile and Accessories Fair", and displayed its own range of clothes made from coffee charcoal and fluorine-free waterproof technology in the "Sustainable Development" show room, demonstrating the Group's efforts on environmental protection and sustainable development.

During the year, the Group was invited to participate in the "Exchange Meeting between Chinese Dyes and Chemicals Companies and ZDHC", and had in-depth discussion on the objectives of how to achieve the ultimate goal of zero discharge in the textile industry supply chain with source suppliers of chemicals, dyes and additives, intermediary suppliers for dyeing, finishing and other processes, and various stakeholders, pushing forward the achievement of industry goals.

During the year, the Group was invited by the CNTAC to participate in the "2014 Annual CSR Conference of China Textile and Apparel Industry", and communicated with peers in the industry to learn about the current situation of CSR management.

During the year, the Group participated in the "2014 Global Compliance Summit" held in China, and interacted and communicated with other brands and organizations on how to better fulfill corporate environmental and social responsibility.

During the year, the Group searched all suppliers' environmental performance on the information platform of the Institute of Public & Environmental Affairs (IPE), and pushed the suppliers to rectify. In the Corporate Information Transparency Index (CITI) report which was jointly published by IPE and the Natural Resources Defense Council (NRDC), the Group ranked 26 in terms of green supply chain performance out of 147 domestic and foreign consumer brands. In the Phase IV Textile Industry Report, the Group ranked 15 among the supply chain environmental management performance of 52 domestic and foreign apparel brands and retailers. The Group's efforts on continually encouraging its suppliers to participate in the Green Choice Alliance (GCA) programme and urging them to rectify any deficiencies were recognized by the public.



2014 ROI Festival Gold Award

AWARDS RECEIVED BY LI NING IN 2014

Products

2014 ROI Festival Gold Award	Product Representative: LI-NING Super Light 11 running shoes
2014 8th Colour China Award of the Year	Product Representative: HOLIDAY shoes, LI-NING Rebirth basketball shoes
2014 Germany iF Design Award	Product Representative: GREEN IN BLACK eco-friendly shoes

BRAND

“Best Business Model Innovation Award in 21st Century China”

Reasons for receiving the award: Li Ning Company received the award for its continuous promotion and innovative exploration of “a business model steered by sports marketing, products and retail operations”.

CSR

Mr. Li Ning won the “Chinese Women Charity Awards-Contribution Award” for individuals under the third “Chinese Women Charity Awards”

Li Ning Company won the “Chinese Women Charity Awards-Contribution Award” for enterprises under the third “Chinese Women Charity Awards”

Reasons for receiving the awards: Li Ning was in full gear throughout the year, improving the livelihood of mothers and children in impoverished areas through initiatives such as “Parcel for Mothers”, “For a Warm Winter” and Ludian earthquake relief.

Welfare

Enterprise with the Best Working Environment in 2014

Reasons for receiving the award: comfortable office environment, good team spirit, sound performance evaluation and remuneration system, equal opportunities in career advancement.

Favourite Outdoor Sports Apparel Brand for University Students in 2014

Reasons for receiving the award: excellent tournament experience, retail experience and product experience made LI-NING the favourite brand for university students.

Runners World “Best Breakthrough Award for Fall 2014”

Reasons for receiving the award: LI-NING Arc IV won the award from Runner’s World magazine through professional review and consumer reputation.

Top Ten Apparel Brand in Beijing with the Best Cultural Creativity 2014

Reasons for receiving the award: dare to go against the tide; unfettered strive by playing free.