

Corporate Social Responsibilities

Li Ning Company attaches great importance to corporate social responsibility (CSR) and continuously carries out a variety of practices that encourages 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 community and the environment.

CORE VALUES

The Group considers its employees the greatest asset. By maintaining a working environment that helps their physical and psychological well-being, providing them with skill training and creating career development opportunities, the Group can enhance staff cohesion, create a greater sense of belonging and improve individuals' skills. As a result, the staff grows as the company grows.

In 2013, 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 dream and culture. Senior management and staff of the Group had many opportunities to communicate with each other through various internal platforms, including town hall meetings, management workshops, Group intranet, the internal publication – "Sports Ethics" (《運動品格》) – and various training courses. Our staff was greatly encouraged to project their positive energy and develop a sense of ownership of the Company, which helped them deliver good 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 and needs of trainees, lecturers and curriculum, the Group developed its training programs with the focus on fulfilling the mutual need for development of both the corporation and the staff.

In terms of enhancing leadership skills, the Group designed four standard courses tailored for management, namely Strategy Analysis and Execution, Performance Management, Leadership in Transformation, and Crucial Conversations, to address the needs arising from corporate transformation. The curricula cover management techniques and tactics, and provide expert knowledge and practices to better equip the trainees to adopt new skillsets tailored to the Group's vision of building a retail business model (RBM). These training courses have been consistently carried out to build a strong foundation of corporate management and enhance the overall management and execution capabilities of the Group.

In view of the distinctive challenges that arise during the transformation period, the Group provided support to the new teams in each of the business units to facilitate their team building and integration, and offered professional courses to support the retail business model transformation.

At the same time, the Group also continued to perfect its comprehensive talent development system, which included orientation camps for new staff, "TOP" training camps for employees identified to have strong potential, management training camps for newly promoted personnel and mini-EMBA courses for outstanding managerial staff. With the application of Key Development Indicator (KDI), managerial staff was also trained to be trainers themselves to help nurture selected junior employees with great growth potential. These programs not only helped the individuals' development and enhanced the overall strength of the teams; they also served to form a sustainable internal talent pool displaying strong potential and competitiveness.

Working Environment and Culture

The Group regards highly the physical and psychological well-being of its employees. Employees are always encouraged to participate in various sporting activities as they provide valuable opportunities for team interaction and bonding. 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 and swimming pools to outdoor football fields. Professional coaches are also hired not only to teach the employees various sports but also to instill sportsmanship among them. The Group is funding a number of sports clubs for staff, where various internal and external competitions have already been held, including general sports games, badminton/basketball/tennis competitions, Beijing marathons, and swimming competitions for foreign-invested enterprises in Beijing. Taking part in these sporting activities provided the staff with the unique opportunity to 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' families, including parent-child gatherings, annual meet-ups and sports competitions for staff and their families. These activities helped enhance employees' sense of belonging to the Group and demonstrated the Company's care for its employees and their families.

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 space as well as to ensure a healthy and comfortable working environment. In 2013, the Group streamlined the rules and procedures to optimise our staff welfare system. In addition, the Group established a support program to help employees handle stress in a positive way. Regular department meetings were also held to provide additional platforms for communications between the management and staff.

CONTRIBUTING TO THE COMMUNITY

The Company has been actively fulfilling its social responsibility as a corporate citizen, particularly in the aftermath of natural disasters such as the snowstorm in south China and the earthquake in Sichuan. In November 2013, we learned that at Pengji Township Elementary School situated at the foot of Mount Everest, Shigatse region, Tibet, over 180 students and the neighbouring villagers were in desperate need of winter clothing and school supplies due to the high altitude, extreme weather conditions and inconvenient location. We organised a "Warm Winter" donation event, which called for the staff to donate unused household items and clothing, as a token of care for the students. Within five days, 22 boxes of items were collected, amounting to a total value of approximately RMB100,000. This donation is only a starting point. The Company attaches great importance to corporate social responsibility and will continue to encourage our employees' participation in charity work in the future.

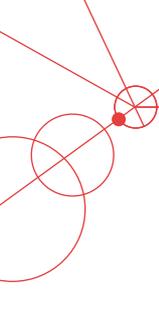
Corporate Responsibility and Sustainability Management

I. Social Responsibility and Sustainability of our Supply Chain:

During the year, we published and implemented the major event reporting system for social and environmental responsibilities of suppliers, with a focus on labour rights, occupational health and safety, environmental protection and sustainable development. Environmental performance reviews were carried out on key suppliers. We also joined efforts with other brands under the Joint Roadmap of ZDHC (Zero Discharge of Hazardous Chemicals) to promote research and projects on elimination of hazardous chemicals.

Occupational Health, Safety and Social Responsibility of our Supply Chain:

During the year, the Group carried out onsite compliance reviews of its key suppliers with regard to labour rights and occupational health and safety. The review helped to identify potential risks in the supply chain. In addition, preventive training sessions on protection of underage labourers were conducted for new suppliers and those at key risk areas.



Onsite social responsibility reviews of 18 major finished-product suppliers were completed, accounting for 80% of total employees at finished-product suppliers.

Survey and assessment on social responsibility management practices were completed for 39 finished-product factories.

We published and implemented the major event reporting system for social and environmental responsibilities of suppliers (signed by Vice President of Supply Chain on 1 April 2013).

The procedures for handling major social responsibility non-compliance (such as child labour) were standardised.

Environmental Responsibility of our Supply Chain:

Currently, we are the only sporting goods brand in China officially committed to achieving zero discharge of hazardous chemicals by 2020. Through pilot environmental reviews on the supply chain, the Group made substantive progress in environmental impact and chemicals management in the supply chain during the year, demonstrating an active stance to implementing the ZDHC zero discharge roadmap.

During the year, the Group organised benchmarking training and provided educational materials for suppliers on onsite chemicals usage:

Through training sessions and project implementation, we continued to improve suppliers' onsite chemicals management to reduce potential risks in chemicals purchase, acceptance, storage, distribution, use, collection, treatment and disposal. We monitored the potential risk of occupational poisoning across the supply chain, while providing support to suppliers in complying with the code of conduct.

During the year, the Group cooperated with ITS, an external professional consultancy and monitoring service provider, to carry out pilot onsite environmental reviews on major material suppliers:

Through proactive and preventative onsite environmental risk assessment, the reviews helped to identify significant environmental management risks and opportunities, and laid a solid foundation for a green supply chain. The reviews consisted of three modules, namely "basic review", "diagnostic review on chemicals management (including chemicals test)", and "wastewater sampling and testing".

Module 1: Basic Review

It is designed to understand the risk points and weaknesses mainly in environmental management, environmental compliance, employee health and safety, and onsite chemicals management at factories.

Module 2: Diagnostic review on chemicals management (including chemicals test)

It mainly comprises risk assessment, analysis and tests according to the list of chemicals used in factories.

Module 3: Wastewater sampling and testing

With reference to conditions of suppliers, wastewater before processing by the treatment facilities is sampled and tested, with a focus on 11 hazardous chemicals to understand the discharge of toxic and hazardous substances by suppliers.

Progress during the year in following the ZDHC Joint Roadmap:

During the year, the Group updated the restricted substances list (RSL) of LI-NING products, which has been published in February 2014.

The Group also developed the material restricted substances list (MRSL) for its production process, and is planning to enter into the declaration of conformity with its suppliers before April 2014.

We understand that regarding the elimination of hazardous substances, it is more important to control and eliminate the release of hazardous substances in the production process than merely removing them from products.

During the year, the Group reviewed its existing usage of perfluorocarbons (PFCs), including the ratio of SKUs containing C8 and C6 among all SKUs.

The Group intends to publish its plan on usage reduction and elimination percentage of PFCs in 2014.

During the year, the Group carried out research on durable prevention technology.

The research focused on durable technologies, addressing waterproof, oil proof and easy-cleaning requirements for outdoor and fashion industries. In particular, we are aiming to achieve a breakthrough in the development of LI-NING "green" fluoride-free durable waterproof fabric by the end of 2014.

II. Product Safety and Sustainability:

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

During the year, the Group continued to optimise the management system of product quality and safety. The Group upgraded and improved its own product safety standards in line with the latest industry standards and increased the proportion of restricted substances to be inspected and tested in products. All of the Group's products sold on the market have passed inspections by independent third party testing institutions holding national credentials.

The Group also continued to apply the "eco-product" concept and new environmentally-friendly technology to the research and development of products. The Group conserved energy, reduced emission and increased the utilisation of materials using innovative fabrics and design. This year, the Group has included carbon footprints in its measurements of CSR practice and will continue to push forward the control and implementation of carbon emission reduction during the products' life cycle.

During the year, the licensed brands of the Group also made respective efforts in brand concept innovation, supply chain responsibility and product sustainability.

III. Stakeholder Communication and Industry Cooperation:

During the year, in striving for sustainable development, 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.

The Group also teamed up with signatory members committed to ZDHC to explore environmental protection in relation to products and supply chains and the elimination of harmful chemicals. Through these interactions and mutual learning, the Group excelled among domestic industries in respect of CSR practices and achieving sustainable development.

During the year, the Group and brands under the ZDHC convention cooperated with China Textile Industry Association to organise the "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 fulfill the ultimate goal of zero discharge.

At the 2013 Annual Conference of Global Textile and Apparel Supply Chain, the Group put forward challenges and opportunities for the dyeing industry and apparel brands, and expressed its views on collaborative solutions to energy conservation, environmental protection, product innovation and improvements in market competitiveness.