

Environmental, Social and Governance Report

I. POLICY MANAGEMENT AND KEY ISSUES IDENTIFICATION

The Group has always pursued the concept that “sports activities are not merely for the purpose of competition or fitness, but also have the functions of public service and social education” and stuck to our responsibility of improving social well-being. Adhering to its core values of “fulfilling dreams”, “customer orientation”, “our culture” and “breakthrough”, we are committed to the innovation and design of professional sports products to change our lifestyles with sports. Through close contact with all stakeholders of the Company from time to time, we strive to shoulder our responsibilities to the environment, employees, products and communities while honouring our solemn commitment centred on “corporate social responsibility”.

Environmental, Social and Governance Philosophy

The Group adheres to the development in a way that “balances social, economic and environmental issues, fosters regional sustainable development and builds the green ‘Belt and Road’ with joint efforts”. Equally, we are dedicated to practicing the concept of “green operation”, facilitating harmonious development of the society and elevating our management standards, which principally includes:

- Our key environmental objective is to reduce emissions of wastes and energy consumption by continually heightening our management capability. As a manifestation of our motivation for corporate sustainability, we pursue green, safe and high-quality product offerings for consumers, improve management system and assist suppliers in raising their awareness of social responsibility values.

- Caring our employees at heart, we promote the long-term core value of mutual growth of employees and the Company by creating a decent working environment and providing professional skill training and career development opportunities to employees, with an aim to achieve the goal of mutual growth of employees and the Group.
- Steering our long-term development with self-perfection and pioneering efforts, we shoulder our corporate responsibility to the society with our practices. By actively participating in public charity, we can magnify our brand influence while fulfilling our social responsibility to contribute to the harmonious development of the society.

At the end of 2017, we were awarded the “Social Caring Pledge” at the “Belt and Road Leadership Series: Social Caring Pledge Scheme Award Presentation Ceremony cum Sustainable Development Summit” held by Social Enterprise Research Academy, demonstrating our corporate image of actively caring for society and committing to social responsibility.



Key Issues Identification

The Group fully recognizes that communication with stakeholders is conducive to performing our corporate responsibility and attaining sustainable development. According to the features of the industry and our operations, we identified a total of seven stakeholder groups, including government and regulatory authorities, shareholders and investors, employees, distributors and suppliers, media, consumers, communities and general public. In the meantime, we have established a positive and stable mechanism for cooperation and communication with stakeholders through various channels.

Key Stakeholders Identification

Key stakeholders	Communication channel	Issues concerned	Response
Government and regulatory authorities	Policy guidelines; Regulatory document; Industry meeting; On-site inspection; Off-site regulation	Energy saving and emission reduction; Corporate governance; Compliance operation; Implementation of policy	Implement regulatory policy; Accept supervision and assessment; Carry out green operations; Improve corporate governance system
Shareholder and investor	Information disclosure; General meeting; Road show; Results announcement	Operation strategy; Profitability; Transparency of information disclosure	Maintain brand value; Regularly publish results announcement; Promote risk and internal control management
Employee	Trade union; Staff representatives meeting; Intranet mailbox; Corporate activity	Employee remuneration and benefits; Community charity; Development and training; Safety and protection	Bring the role of trade unions into play; Enrich employees' life; Establish a learning platform; Protect employees' rights and interests
Distributor and supplier	Regular communication meeting; Daily exchange and visit; Cooperation agreement; Strategic negotiation	Fair cooperation; Integrity and compliance; Mutual development	Formulate a transparent and fair procurement system; Enhance environmental and social risk awareness; Establish a good relationship in business cooperation
Media	Press Release; Media platform; Site visit	Corporate influence; Transparency of information disclosure; Ability in public relations	Regularly organize the open day for media; Real-time news release; Timely and objective information disclosure
Consumer	Customer service hotline; Satisfaction survey; Marketing activity; Official website	Product quality; After-sales service; Privacy protection	Establish and improve the quality control and management system; Improve service quality; Protect consumers' rights and interests
Community and general public	Charity activity; Volunteer action; Community activity	Benevolent and charitable activities; Community development; Community relations	Regularly conduct volunteer activities; Increase external donations; Popularize professional sports knowledge

With regard to the 11 major issues identified in Environmental, Social and Governance Reporting Guide, the Group identified the main concerns of the internal and external stakeholders through a survey on all key stakeholders. The significance of each key issue is as follows:



Analysis Matrix of Concerns of Key Stakeholders over the Guidelines on Environmental, Social and Governance in various aspects

II. ENVIRONMENTAL MANAGEMENT

Environmental Management Policy

The Group always adheres to the environmental philosophy of low-investment, low-consumption, low-emission and high-yields, and firmly complies with relevant national laws and regulations, including Environmental Protection Law of the People's Republic of China and Laws of the People's Republic of China on Conserving Energy. Meanwhile, we further enhance the environmental management and control measures in a bid to increase the efficiency of energy use and economic benefits, promote the use of clean energy and scale up investment in environmental protection.

Environmental Management Measures

As a sports product brand owner, the Group attaches great importance to environmental management without causing significant pollution and impact on the environment in the course of its operations. For instance, we have enacted systems and management measures including "Li Ning Company Energy (Resources) Saving Management Standards (李寧公司節能(源)管理標準)", "Li Ning Company Energy Saving Arrangements (李寧公司節能工作安排)" and "Li Ning Company Energy Saving Measures (李寧公司節能措施)". In addition, a variety of promoting activities and training on energy saving and emission reduction were carried out within the Group. We also set up a leading team dedicated to energy saving and emission reduction to boost staff engagement and heighten their awareness of environmental protection. In order to improve the overall quality of energy saving and emission reduction management, the Group continued to improve the energy saving and emission reduction system development, analysed and implemented energy saving targets. By tracking and inspecting the progress of energy saving and emission reduction projects and regularly analysing energy consumption, energy saving and emission reduction works have been carried out effectively in 2017.

Reducing Energy Consumption

The Group strengthens energy consumption management by adopting technically viable and economically reasonable measures to reduce losses and waste in all aspects and ensure reasonable and efficient use of energy. The key measures include:

- Li-Ning Centre Photovoltaic Power Generation Project (李寧中心光伏發電工程):** The Group adopted the "energy management contract mode" and cooperated with professional service providers to build solar power stations by taking full advantages of Li-Ning Centre's vast roof areas of office buildings. The project was composed of more than 5,700 pieces of photovoltaic panels with effective laying area of approximately 15,000 square meters. It is expected to reduce 1,400 tons of CO₂ emission and 42.5 tons of SO₂ emissions and directly save more than RMB400,000 in power charges every year.
- Refined energy management:** In 2017, our operation centre installed 57 sub-meters, 2 high pressure meters and 6 solar power meters with respect to equipment and users condition. Monthly, the centre conducted statistical review of energy and commenced comparison analysis, and implemented appropriate measures against abnormal energy consumption.

- **LED Light Energy Saving Renovation of Office Area (辦公區LED燈節能改造):** The Company pushed forward energy saving renovation by replacing the original lighting equipment in the office area with 16W LED lamps, and the original energy-saving lamps in conference rooms with 28W LED down lights. In that case, we achieved energy saving under equivalent lighting performance, thus reducing management cost and daily maintenance. It is expected to reduce CO₂ and SO₂ emissions by 295.8 tons and 3.4 tons per year, respectively.
- **Enhancing performance of existing equipment:** The Company regularly inspects energy-consuming equipment. For example, fan filters and split-type air-conditioner filters are timely cleaned, while cleaning and water treatment are conducted for refrigerating machines and condensers. Equally, we have adjusted the refrigeration unit parameters according to the ambient temperature, customised detailed operation plans and operating time for air-conditioners units, and kept doors and windows closed when air-conditioners are in use.
- **Strengthening daily management:** The Group has required the property management department to establish equipment inspection system in order to prudentially check the operation of all energy-consuming equipment. In particular, the lighting

system of non-office areas and places with better natural lighting is timely switched off depending on weather conditions. On the other hand, we perform focused supervision and inspection to ensure that energy-consuming equipment is powered down after work so as to fully avoid “lights staying on all night long”. Moreover, employees are required to promptly turn off the power supply of energy-consuming equipment in workplace after work to reduce standby energy consumption. Meanwhile, we have enhanced the training and promotion of raising the awareness of energy and water conservation among our employees, and attached energy-saving labels on energy and water-consuming facilities.

Reducing Emissions of Wastes

The operation of the Group is mainly of office nature. Wastes produced are recycled and disposed by qualified professional companies. During our daily operation, we vigorously promote the concept of paperless office. By setting duplex printing as default for our computers, introducing e-fax in office, recommending our employees to utilise electronic office communication channels like e-mails as much as possible and encouraging the use of both sides of papers, we have reduced paper consumption.

2017 Environmental Performance

Unless otherwise stated, the statistical basis of environmental performance herein covered the Group's operating entities headquartered in the PRC, including Li-Ning Centre situated in Beijing, Shanghai office area, Foshan office area and Jingmen Logistics Park, whereas the rest will be included as and when appropriate in the future.

1. Emission¹

Indicator	Performance
Total emission of greenhouse gases (Scope 1 and Scope 2) (tons) ²	5,977.99
Emission of greenhouse gases per square meter of floor area (Scope 1 and Scope 2) (tons/square meter)	0.045
Direct emission (Scope 1) (tons)	969.44
Company car oil consumption	9.396
Natural gas	960.046
Indirect emission (Scope 2) (tons)	5,008.55
Externally-purchased electricity	5,008.55
Total amount of non-hazardous waste (tons) ³	450.43
Weight of non-hazardous waste per square meter of floor area (tons/square meter)	0.0034

Notes:

- Due to the nature of the Group's operation, the major types of gas emission are greenhouse gases as well as electricity and fuels converted from fossil fuels. Types of hazardous waste generated from the Group's operation mainly included waste toner cartridges, waste ink cartridges and waste toner incurred by the printing equipment in leasing offices. All of these were replaced and recycled by the respective print service providers. Due to the low relevance to the business and little impact to the environment, this type of hazardous waste was not included in the disclosure scope of the Group.
- Greenhouse gases included carbon dioxide, methane and nitrous oxide, which were mainly from externally-purchased electricity and fuel. Greenhouse gas emission data is presented in carbon dioxide equivalents and is computed with reference to the "2015 China Regional Grid Reference Line Emission Factor" (《2015 中國區域電網基準線排放因子》) issued by National Development and Reform Commission of the PRC and the "2006 IPCC Guidelines for National Greenhouse Gas Inventories" (《2006 年 IPCC 國家溫室氣體清單指南》) issued by the Intergovernmental Panel on Climate Change ("IPCC").
- Non-hazardous waste of the Group, including mainly office waste and kitchen waste, is handled by recyclers. Of which, office waste of Shanghai and Foshan office areas is centrally processed at the premises where they are located, which cannot be measured separately. However, we have estimated according to the "Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living" (《第一次全國污染源普查城鎮生活源產排係數手冊》) issued by the State Council.

2. Energy and Resources Consumption

Indicator	Performance
Total energy consumption (MWh) ¹	11,758.45
Energy consumption per square meter of floor area (MWh/square meter)	0.0884
Direct energy consumption (MWh)	4,948.20
Gasoline	38.38
Natural gas	4,909.82
Indirect energy consumption (MWh)	6,810.25
Externally-purchased electricity	6,810.25
Daily water consumption (tons) ²	64,431
Daily water consumption per square meter of floor area (tons/square meter)	0.48
Total amount of packaging material used for finished products (tons) ³	12,901.78
Amount of packaging material for finished products consumed per million revenue (tons/million yuan) ⁴	1.45

Notes:

- Energy consumption data is computed according to the relevant conversion factors provided under the "General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2008)" (《綜合能耗計算通則(GB/T 2589-2008)》) issued by State Quality Supervision, Inspection and Quarantine General Office of the People's Republic of China and Standardization Administration of the People's Republic of China, including electricity, natural gas and company car oil consumption.
- Daily water consumption includes tap water and reclaimed water. Of which, daily water consumption of Shanghai office area is controlled by the premise where it is located and the water charges are included in property charges. Since water consumption cannot be measured separately, we have estimated the water consumption with reference to the national standard "Urban Domestic Water Consumption Standards" (《城市居民生活用水量標準》) (GB/T 50331-2002) issued by the Ministry of Construction.
- Packaging material mainly includes plastic packaging bags, paper boxes, cartons and paper bags.
- Amount of packaging material consumed per million revenue represents the weight of packaging material consumed per million income of the Group.

III. EMPLOYMENT MANAGEMENT

The Group strictly complies with the laws and regulations such as “Labour Law of the People’s Republic of China”, “Labour Contract Law of the People’s Republic of China”, “Social Insurance Law of the People’s Republic of China”, and has formulated the “Staff Handbook of Li Ning Company Limited” (《李寧有限公司員工手冊》) in accordance with the national laws and the practical conditions of the Company, in order to maintain and improve the employment management system of the Group, enhance the supervision and management system on the rights and interests of employees and establish an effective security system for employees, thereby effectively protecting the legitimate rights and interests of employees.

Lawful Employment with Protection of Employees’ Rights and Interests

As of the end of 2017, the Group had 2,182 employees in total, including 2,008 employees in the Group’s headquarters and retail subsidiaries, and 174 employees in the Group’s other subsidiaries.

The Group has entered into labour contracts with employees in strict compliance with the relevant laws and regulations of the State and local governments and fulfilled the obligations of the enterprise in accordance with the terms of the labour contract. In the recruitment process, we treat all candidates equally, regardless of gender, ethnic and religious background, in order to select candidates who are in line with the Group’s needs and in compliance with the age requirement stipulated by the law through a rigorous recruitment process. Through special audit on human resources compliance, the Group ensures the employee relation management system is in compliance with relevant national laws and regulations to protect the rights and interests of our employees at all levels and assures employees’ salaries and working hours are not affected by gender, race or other relevant diversity perspectives during their employment. No employment of minors or forced labour has been found by the Group so far.

The Group has developed “Employee Attendance and Leave Management System (員工考勤及休假管理制度)” in accordance with the provisions of the State and the local government to arrange the entitlements of paid leave for employees. At the same time, we pay full premium on pension, work injury, unemployment, medical and maternity insurance and other social insurance and housing provident fund for all employees, and provide employees with other additional benefits, including birthday, marriage and birth gifts, traditional festival allowance, accidental injury insurance and supplementary health insurance. Meanwhile, the Group’s labour union arranges regular staff representatives meeting, carries out voluntary tree-planting activities, holds first-aid knowledge lectures and organizes LI-NING Children’s Training Camp in summers and winters. We also organize various recreational activities such as badminton, basketball and group singing in order to enrich the spare time and enhance the spiritual lives of employees.

Adhering to the philosophy of co-development with employees, the Group has developed a remuneration strategy matching the Company’s strategies and has implemented performance appraisal for all employees by formulating annual performance plans every year. With the performance management system, we carried out unified management over employees’ daily performance and potential assessment during the year to track the milestone progress of the performance plan on a regular basis. Moreover, we completed employee appraisals based on the results of the Group and their respective department as well as individual performance while developing various incentive mechanisms to motivate and recognize employees. By promoting the performance-oriented model, we strive to enhance the visibility of potential talents as well as the employee engagement.

Focusing on Health and Safety Protection

The Group places great emphasis on caring about the physical and psychological well-beings of our staff. We have maintained various types of commercial insurance such as supplementary medical insurance, personal injury insurance and critical illness insurance for our staff. We also provide contingency funding support with our staff and organize them to have body check. Meanwhile, we proactively encourage our staff to participate in the health knowledge lectures held by the Company, with an aim to enhance the staff's healthcare awareness, enable them to timely understand their physical condition and learn health knowledge. Furthermore, we implement effective health management, which has successfully prevented the occurrence of occupational diseases.

The Group is steadfast in creating safe and comfortable working environment for our staff by continuously increasing our investment in security, fire, technical and manual protection. We have formulated and improved certain systems, including "Li Ning Group Emergency Plan Compilation (李寧集團應急預案彙編)", "Li Ning Group Emergency Rapid Reporting Procedure (李寧集團突發事件快速彙報流程)" and "Li Ning Group Emergency Evacuation Plan (李寧集團疏散應急預案)". By conducting various promotional training campaigns on safety and fire protection, we have strengthened our staff's awareness of safety protection, thereby enabling us better managing the risks associated with safety. Meanwhile, the Group established an emergency headquarter, with the Administration Department as the leading department. Also, we have specified the corresponding duties and powers of each department and issued "Emergency Telephone Contact List of Li Ning Park (李寧園區緊急電話聯繫表)" to every system, so as to clearly define the duties of the responsible persons of each emergency command organization. Besides, in 2017, the Group carried out more than 10 series of inspection activities of "5S Day" (which includes SEIRI, SEITON, SEISO, SEIKEISU and SHITSUKE), with an aim to strengthen safety inspection, prepare for the unexpected as well as eliminate hidden safety risks in Li Ning Park through examination and knowledge promotion.

Talent Training and Promotion of Mutual Development

The Group always regards the career development and capability enhancement of our staff as our most valuable strategic investment. We proactively create learning opportunities for our staff, set up mechanisms for providing diverse growth in experience, place great emphasis on cultivating new staff and young staff as well as reinforce the leadership and professionalism of employees of different ranks. Through all-round development including professional training, leadership cultivation and talent team-building, we fully explore staff's potential and achieve the goal of raising the overall standard of our staff, thereby enabling them growing in tandem with the Group. During 2017, the all-round training offered to front-end staff by our internal training personnel achieved coverage of 100%. Besides, we allocate development budget for each department, providing opportunities for our employees to attend external special trainings and lectures.

Cases:

Training Camp for Management Trainees

In August 2017, the Group coordinated all management trainees nationwide to receive training in Beijing. The Group conducted all-round training on corporate culture, brand development, Company's businesses and outward bound for the management trainees, which helped them to quickly understand the Group's cultural development and businesses as well as smoothly integrate into the Group. Meanwhile, the Group provided a tutor for each management trainee. By arranging training tutor for one-on-one guidance, the business abilities of management trainees were improved rapidly. Besides, the Group provided online learning platform for all of the management trainees, which offered mandatory and elective courses every month. As such, through online learning and offline sharing, the management trainees consolidated their online learning and diverged offline thinking. Proactively sharing learning and working suggestions and experience as well as discussing solutions for business issues, the management trainees enhanced their comprehensive capabilities.



IV. SUPPLY CHAIN MANAGEMENT

Social Responsibility of Supply Chain

In 2017, the Group further strengthened the management of its suppliers on the basis of the "Code of Conduct on the Social Responsibility of Li Ning Company's Suppliers (李宁公司供应商社会责任行为准则)". We required all finished product suppliers to conduct quarterly report on their CSR performance by fully capitalizing on the "Quarterly Self-assessment and Review Tool on the Social Responsibility of Li Ning's Suppliers (李宁供应商社会责任季度自评审核工具)", in a bid to urge the suppliers to regularly perform self-inspections and address the identified deficiencies. Besides, we updated the "On-site Review and Assessment Tool on the Social Responsibility of Li Ning's Suppliers (李宁供应商社会责任现场审核评估工具)" and commissioned a third-party consulting organization to conduct quarterly CSR on-site audit on 11 representative suppliers. In respect of the suppliers discovered to have problems, the Group will continuously pay attention to their rectification process, thereby enhancing the CSR awareness and management capability of the suppliers. At the same time, we continued to strictly implement the qualification system for new suppliers. During the year, audits were conducted on totally 20 potential suppliers among which 14 became our suppliers officially while the passing rate was 70%.

Environmental Responsibility of Supply Chain

The Group places great importance on environmental protection and sustainable development. By way of system improvement, entering into of agreements, on-site reviews and third-party evaluations, we conducted management and guidance for suppliers' environmental performance:

- The Group signed the “Group’s Manufacturing Restricted Substances List (MRSL) Compliance Statement (本集團生產工藝中限用物質(MRSL)遵從聲明書)” with suppliers and revised the “Li Ning’s Restricted Substances List Policy on Manufacturing (李寧公司生產工藝中限用物質清單政策)”, requiring that suppliers should take control at source and promise not to deliberately use toxic and hazardous substances, prevent the toxic and harmful chemicals from affecting the environment and reduce the damage to the environment during the manufacturing process, thereby reducing potential environmental risks and protecting the health of employees in a better way.
- The Group commissioned a third-party consulting organization to conduct on-site environmental and chemical review on representative core suppliers by using the audit tool (TGI, Higg Index FEM3.0) to evaluate the suppliers’ environmental management performance in terms of performance indicators such as gas emissions, solid waste, chemicals, noise, energy consumption and water resources usage, so as to confirm the environmental management standards of such suppliers.
- The Group conducted on-site chemical management audit on key material suppliers using the third-party chemical management performance audit tool. Meanwhile, we also facilitated our suppliers to conduct wastewater discharge test. Also, our suppliers are required to collect the energy consumption data and the related climate change data on a quarterly basis, and disclose such data on the platform of Institute of Public and Environmental Affairs (IPE). This has laid a solid foundation for the Group to achieve green supply chain.

Participating in ZDHC Program

As the only Chinese brand of the Zero Discharge of Hazardous Chemicals Program of Member Brands (ZDHC Program or ZDHC), the Group continued to proactively participate in regular meetings of the ZDHC management board and took part in the resolutions of and discussions on major issues concerning the ZDHC in 2017. Meanwhile, we continued to shoulder our responsibilities as one of the founding brands of ZDHC:

- The Group led the research work of the “Top Ten Issues on and the Best Practice of Chemical Management (化學品管理十大問題與最佳實踐)” working group. It was involved in the formulation of the template of the ZDHC MRSL Declaration of Conformity and the extracted version of MRSL Conformity Guidance. At the same time, we partnered with ZDHC Asian Brands to jointly promote DMF removal action in the synthetic leather industry.
- The Group assisted the ZDHC Foundation and China National Textile and Apparel Council (CNTAC) to co-organize the 2017 Implementation Circuit of Chemical Stewardship 2020, in order to enhance the environmental management capability for chemical of Chinese textile enterprises and push forward the green transformation and upgrade of Chinese textile industry. Moreover, we proactively promoted the application of ZDHC Gateway in textile supply chain, thereby improving its management standard for chemical.
- In 2017, ZDHC published the updated version of “Guidance on Wastewater (廢水指南)”. The Group was involved in the formation and promotion of this standard, continuously making positive contributions to the goal of zero discharge of hazardous chemicals in textile supply chain.

V. PRODUCT LIABILITY MANAGEMENT

Quality Control

The Group established a production and quality management system in line with its philosophy and standards in accordance with ISO9001 Quality Management System, taking reference of the relevant standards of the industry.

In order to ensure that Li Ning products always maintain steady and excellent quality, the Group has set up stringent quality control requirements in design, research and development, production and other aspects, which cover more than 40 corporate standards including product quality, physical and chemical properties of surface materials, product safety and sanitation (RSL), functional requirements, testing methods, labeling, management process, and so on. A risk assessment team on apparel quality has been established by the quality assurance department (QA), quality control department (QC) and research and development department of the Group. The team conducts risk assessment on each product in the quarterly sampling meeting, and performs joint quality audit review on warehouse products quarterly. In addition, we conduct annual audit review and periodical on-site review on the production plants of suppliers every year based on the production and quality management system audit table. The results of the supplier audit will be reflected in the supplier's annual assessment and evaluation at end of year. For the suppliers with poor results in assessments and evaluations, we will urge them for improvement, reduce orders and even take disciplinary measures such as delisting them from Li Ning's supply chain and timely dismiss those unqualified suppliers in order to satisfy consumers' demands with high quality products.

Complaints and Guarantees

Pursuing the principle of "customer priority and professional services", the Group has set up a complete customer experience assurance system, established "Customer Services and Phone Replies Management Regulations (客戶服務電話解答管理規定)", "Customer Services Knowledge Management Principles (客戶服務知識管理準則)", "Customer Services Hotlines Daily Management Standards (客戶服務熱線日常管理規範)" and other systems, and formulated detailed procedure to handle complaints over services and products which clearly allows us to prioritize our responses and respond timely to all kinds of customer feedbacks. We request our staff to follow up, handle and feedback the queries from various customers in a manner of "handle once a query is made" and make an overall analysis for any potential opportunities and risks. In 2017, we effectively launched Li Ning WeChat members' feedback system. As such, consumers could make their feedback through various ways including 400 customer care hotlines, stores or WeChat.

We also provide the function of satisfaction assessment to centrally receive customers' feedback. We will make adjustments and improve ourselves based on the feedback so as to protect our customer's rights and interests and ensure a constant upgrade of customer experience. According to the result analysis of customer satisfaction assessment, the overall satisfaction on the Group was 98.74% in 2017.

Customer Data Protection

The Group put high emphasis on the protection of customer data. With the confidential information security management mechanism and high-security technical firewall in place, the Group ensures a sound protection of customer's personal data, consumption information and other data. Meanwhile, the Group monitors data flow process strictly to mitigate the risks of information leakage.

Verification and Recall

The Group has formulated the “Li Ning Product Aftersales Service Manual (李寧產品售後服務手冊)” as the operating guidelines for the staff in sales system to deal with product issues, recall and management of defective goods in order to solve the product quality issues properly and quickly and better serve customers and consumers.

For the verification of the product quality, the Group formulated the “Production Quality Control Procedure (產品生產質量控制步驟)” to stringently control the product inspection procedure through four steps, namely the development of requisite technology, technology transfer in plants, online production control and product inspection prior to delivery, which ensures our products to be strictly up to standard and the interests of consumers are better protected accordingly.

For the recovery of defective product, the Group formulated the “Li Ning Company’s Defective Product Recall Management Regulations (李寧公司缺陷產品召回管理規定)” which expressly provided for the recall procedure of defective products. In the event that a product is confirmed to be defective and required a recall, the related management department shall strictly follow the provisions to timely deal with the defective product, cease its production, and at the same time, notify the sellers to suspend wholesale and retail sales of the defective product, inform consumers about its defects and deal with the issue coping with the consumers’ needs. These regulations standardize the procedure of dealing with defective products, mitigate the economic losses of consumers arising from defective products. They also play a key role in maintaining the corporate safety, enhancing profits and safeguarding the reputation of the Group.

Intellectual Property Protection

The Group formulated the relevant system and work procedure for protection of the Company’s intellectual property in accordance with the relevant laws and regulations, such as Patent Law of the People’s Republic of China, Trademark Law of the People’s Republic of China, Product Quality Law of the People’s Republic of China and Provisions on Indicating Product Identification in order to consolidate the brand protection, prohibit the infringement of the Company’s trademark rights by third parties, safeguard its commercial interests and protect the legitimate rights and interests of consumers.

The Group has set up an Intellectual Property Rights Department to strengthen the internal control and strictly review the patents, trademarks or paperwork which might get involved with infringement of rights. Meanwhile, we make full use of external resources to cooperate with renowned intellectual property law firms or agencies to conduct professional process analysis on important research and development results, including pre-assessment, patent infringement retrieval and analysis, and patent novelty retrieval and analysis so as to ensure the originality of our research results. Recently, no material dispute or litigation of intellectual property against the Group has been aware of.

Regarding brand protection, the Group fights against counterfeit products jointly with various e-commerce platforms, timely deal with similar products online and suspend the links that sell them. Meanwhile, we work with certain third party agencies offline to conduct investigation on the cases of producing and selling counterfeit products. We also cope with the law enforcement entities closely to timely file complaints with the industry and commerce authorities against counterfeit products. We strive to protect product rights by ways of online and offline together with customer and staff reporting, consumer complaints and others, with the dual aim of protection of brand and consumer rights.

VI. ANTI-CORRUPTION MANAGEMENT

The Group strictly complies with the relevant laws and regulations of anti-corruption and anti-bribery. In order to strengthen internal governance and mitigate operating risks, the Group formulated the "Anti-Corruption and Anti-Bribery System (反腐败和反贿赂制度)" to illustrate the Group's code of commercial behavior, define the role duties of employees, procure all staff to always comply with the core values and principles of the Company, and always maintain the professional ethics such as internal engagement, justice and integrity. In addition, we formulated the code of conduct and implementation rules relating to the marketing of products and services participated in or engaged with by our staff, provision and reception of business courtesy and management of business relationship.

The Group has entered into the "Letter of Undertaking on Anti-Corruption and Anti-Bribery (反腐败和反贿赂承诺书)" jointly with business partners, investors, customers, landlords, suppliers, service providers and agents. Meanwhile, the Group also effectively launched a reporting means of anti-corruption and anti-bribery, formulated related and similar reward and punishment measures so as to prevent and cease misconducts such as corruption and commercial bribery, aiming to jointly combat commercial corruption and bribery and accordingly, promote the business development of the Company and maintain a sound and stable market environment.

VII. COMMUNITY INVESTMENT MANAGEMENT

The Group takes upon itself to discharge social responsibility by actively participating in public charity and endeavoring to assume the social responsibilities as a corporate citizen. Adhering to the synchronization of self-development and social contribution, we vigorously promote national fitness, proactively engage in community charity and thoroughly perform social responsibility in our management and development to guide the charity values in the society and promote philanthropic culture, in an effort to make contributions in constructing a harmonious society.

Pursuing the public welfare concept of "spreading warmth and positivity by giving back to the society", we placed attention to the economic development in poverty-stricken areas and showed care to the health development of children with difficulties through long-term participation and support to sports education in poverty-stricken areas. We also provided active support to female charity activities and promoted the popularity of sports activity and culture in order to show our initiative to charity activity and discharge our corporate social responsibility. In April 2017, the Group was bestowed with the "Chinese Women and Children's Charity Awards" by All - China Women's Federation.



Cases:

Champions Public Welfare Poverty Alleviation under "Champion's Choice"

In January 2017, The Chinese Athletes Educational Foundation, jointly promoted by donation from Mr. Li Ning (the Chairmen of the Group) and world champions, worked together with JD Mall to initiate the Champions Public Welfare Poverty Alleviation under "Champion's Choice". The project has collected quality agricultural products from poverty-stricken areas nationwide. With the calls and influence of world champions, it is aimed to ingather the love and strength of all to help the locals of the poverty-stricken areas and show care to the local development while appealing more people to have direct access to authentic and quality agricultural products in this way.

“Give Children a Dream of Championship” Charitable Project

In March 2017, The Chinese Athletes Educational Foundation and JD Charity Donation Platform jointly initiated the “Give Children a Dream of Championship” Charity Project. Mr. Li Ning, the Chairman of the Group, initiated the “Paper Ball Challenge” with many other sports stars, passing on the positivity of the society in a bid to raise money for the project. The project aimed to fund the construction of standard 5V5 football field and standard 200m sports track for schools in remote areas such as Bayingol of Xinjiang and Yuncheng of Shandong. Meanwhile, children from needy families were chosen to receive professional training, those with outstanding performance were sent to Spain to meet and train with famous footballer Messi.

Care for development of special children

In May 2017 on the occasion of the National Disabled Day, the Group took actions to express care for the development of special children and entered into further collaboration with Beijing Chaoyang Anhua Peizhi School in relation to, among others, visit to Li Ning Park and the provision of internship and job opportunities to students. In September, we invited students of Anhua School to visit Li Ning Park, enabling children to experience the care of Li Ning staff and the Group’s corporate culture, thereby delivering the passion and positivity of sports to children.



“All-weather Playground” Charitable Project

In October 2017, Mr. Li Ning, the Chairman of the Group, joined other honored guests to visit the 37th playground built by The Chinese Athletes Educational Foundation, namely Tanle Village Primary School in Silin Town, Tiandong County, Baise City, Guangxi. In May 2017, the construction of new playground under the “All-weather Playground” project of The Chinese Athletes Educational Foundation was completed here, benefitting nearly 500 teachers and students. It is the aim of the Group to offer teenagers with sports platform while guiding teenagers to understand the charisma and feel the joy of sports so as to comprehensively improve their physical and mental quality.



“Practical Adherence of Female Sanitation Worker” Charitable Project

In the Women’s Day on 8 March 2017, China Women’s Development Foundation initiated the charitable donation project “Practical Adherence of Female Sanitation Worker”. The Group actively responded to the charitable donation activity by gifting new and fashionable running shoes to sanitation workers and issuing warm appeal to the society to give more intimate care for female sanitation workers.



“Postal Parcels for Mothers” Charitable Project

The Group continued to give strong support to the public event “Postal Parcels for Mothers”. Over the five years since the launch of the event, we have delivered nearly 710,000 postal parcels for mothers in 31 provinces and cities, with a total donation (in cash or in kind) of over RMB30 million.

In July 2017, the Group joined hands with China Women’s Development Foundation in organizing public visits in Huzhu prefecture and Minhe prefecture of Qinghai province. In addition to sending postal parcels for mothers, we prepared suitable kidswear for children of impoverished mothers, expressing our care for impoverished mothers and their family members with actions. In 2017, we donated supplies totaling RMB1.5 million to areas all over Qinghai.



VIII. PARTICULARS OF THE REPORT

Report Summary

This report describes the basic policies of environmental, social and governance of Li Ning Company Limited in 2017, the compliance with important laws and regulations, the specific work performed and the relevant performance in response to the concerns of the Group’s key stakeholders.

Reporting period

From 1 January to 31 December 2017, part of contents of the report can be appropriately traced back to previous years.

Scope of Report

Unless otherwise stated, this report covers the headquarters of Li Ning Company Limited and its retail subsidiaries.

Basis of Preparation

This report is prepared in accordance with Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited.