

Environmental, Social and Governance Report

I. POLICY MANAGEMENT AND KEY ISSUES IDENTIFICATION

The Group always “regards social responsibilities as its own duties” by closely integrating social responsibility with its corporate culture, while adhering to the principle of “sports activities are not merely for the purpose of competition or fitness, but also have the functions of public service and social education”, striving to encourage compassion, spread love and care and promote positive energy in the society with concrete actions.

The Group focuses on sports research as well as development and design of relevant products to advocate the concept of changing lifestyle with sports. Under the guidance of its core values, namely “fulfilling dreams”, “consumer orientation”, “our culture” and “breakthrough”, the Group closely cooperates with all stakeholders with a view to fulfilling its social responsibilities to the environment, its employees, products and the community.

Environmental, Social and Governance (ESG) Philosophy

The Group incorporates “Environmental, Social and Governance (ESG)” philosophy into its daily operation and put the concept of “green operation” into practice, so as to build a harmonious working environment. In order to contribute to sustainable development and social progress of the local communities, our practices mainly include:

- In terms of environmental protection:** We strive to enhance the utilisation rate of energy, reduce energy consumption and emissions of pollutants in a bid to achieving the goal of sustainable development.
- In terms of supply chain management:** In conjunction with advocating the concept of environmental and social responsibility to companies along the value chain, we include the environmental and social responsibilities of suppliers in our scope of evaluation and assessment, with an aim to develop a responsible business and social environment and better provide consumers with green, safe and high-quality products.
- In respect of care for employee:** Upholding the “people-oriented” philosophy, we attach great importance to the mental and physical health of employees and provide professional skill training and career development opportunities to them, thereby creating a sound working environment and promoting the mutual growth of employees and the Group.
- In respect of community investment:** While magnifying our brand influence, we also actively participate in public charity. We contribute to the development of the community by participating in and organizing charity events, maintaining close liaison with nearby communities and promoting sports culture.

Key Issues Identification

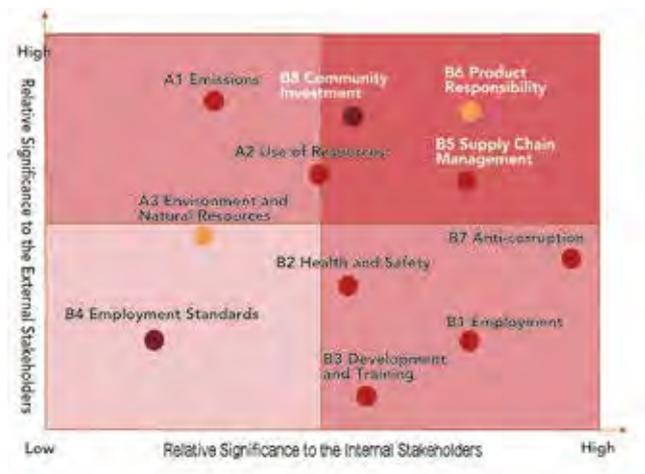
Communication with stakeholders is crucial for corporates in performing social responsibility and attaining sustainable development. Based on the features of the industry and the Group’s operations, we identified seven major stakeholders groups, including government and regulatory authorities, shareholders and investors, employees, distributors and suppliers, media, consumers, communities and general public. In the meantime, we have maintained close communication with stakeholders through various channels and proactively responded to their needs and expectations.

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 union 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; Promote professional sports knowledge

The Group has also invited internal and external stakeholders to conduct evaluations on the significance of various key issues with regard to the 11 aspects identified in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, which identified the main concerns of stakeholders, including community investment, product responsibility and supply chain management.

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



II. ENVIRONMENTAL MANAGEMENT

Environmental Management Policy

The Group always adheres to the environmental philosophy of green development, and firmly complies with laws and regulations such as the Environmental Protection Law of the People's Republic of China, Renewable Energy Law of the People's Republic of China, Laws of the People's Republic of China on Conserving Energy and Laws of the People's Republic of China on Prevention and Control of Water Pollution. In order to reduce energy consumption and emissions of wastes, we have prioritized the use of renewable energy and clean energy. Meanwhile, the Group consistently adhered to the concept of harmonious coexistence with the natural environment and optimized its production operation, striving to building itself into an "environmentally-friendly" enterprise. In 2018, no significant pollution and impact on the environment was found in the course of the Group's operation.

Environmental Management Measures

Relying on its own environmental management and control system, the Group has monitored and controlled the key procedures that may generate exhaust air, sewage and pollutant in the course of operation, thereby minimizing the waste of natural resources and the impact on the ecological environment. Meanwhile, we required manufacturers along the supply chain to upgrade their technology, and urged them to enhance their production efficiency and reduce emissions of pollutants. Pursuant to the relevant laws and regulations, the Group has enacted various internal management systems and measures, including the "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)", "Li Ning Company Energy Saving Measures (李寧公司節能措施)" and "Li Ning Company Dangerous Goods Management System (李寧公司危險品管理制度)". The Group has also strengthened the management and control over the use of energy, increased the employees' awareness of energy conservation, introduced energy-saving technology and equipment, sparing no efforts to minimize damage to the natural environment.

Reducing Emission of Wastes

The emission from the operation of the Group mainly involves the emission of wastes from office operation. We collaborated with qualified professional companies to properly recycle the wastes generated in our operation. We continued to promote the concept of paperless office. By setting duplex printing as default for our printing equipment and conducting regular examination of printing procedures of the employees, we have reduced unnecessary paper consumption and controlled the total paper consumption in office. We have implemented centralized management over packaging materials, such as paper boxes and paper bags. Each department is required to submit application for packaging materials based on actual needs, which has reduced wastage. In order to increase the employees' awareness of low-carbon travel and cultivate the green and low-carbon concept, the office park of the Group's headquarters have collaborated with shuttle rental companies to provide its employee with convenient shuttle services for commuting to work, this, together with the public transportation subsidies distributed, have encouraged our employees to reduce the frequency of using private cars, advocated them to travel green and hence reduced the impact on the environment.

Reducing Energy Consumption

The Group has been constantly improving its energy-saving system through formulation of energy saving plans for different stages and implementation of specific energy saving measures, endeavoring to achieve its energy saving goals and hence ensuring efficient use of energy.

- Promote Smart Office:** The office park of the Group's headquarters has implemented an efficient building automation system. During non-office hours, the lighting system of the park will be automatically switched to the energy-saving mode, thereby saving electricity used by the lighting system. Furthermore, temperature sensors at the park can provide real-time room temperature data to help the cooling/heating system to adjust operating conditions in time, and hence improving the efficiency of energy use.

- **Centralized Office Area:** The Group promotes efficient office and requires employees to complete their works within the specified office hours. For employees who need to extend their working hours due to special circumstances, they are required to work together in a designated area to reduce energy consumption for electricity, lighting and heat supply.
- **Increase Energy Efficiency:** In 2018, the Group completed the upgrade of fresh air ventilation system in the IT server room at headquarters. On the premise of ensuring cleanliness of the server room, the newly installed fresh air ventilation system of air-conditioners in the server rooms would be able to fully utilize the cold weather in winter and bring in filtered cold air outdoor for cooling the server room. By doing so, we have lowered the electricity consumption of air-conditioners from the original 1,700 kWh/day to 500 kWh/day, saving approximately 90,000 kWh of electricity consumption every year.
- **Strengthen Water Management:** The Group regularly carries out inspection and maintenance of water equipment to prevent an increase in water consumption due to leakage from these equipment. In addition, the administration department records the water and energy usage on a daily basis and compiles statistics thereof. It will report the situation and find out the causes once abnormal usage is identified. We have also posted water conservation slogans in public areas such as washrooms and pantries to increase employees' awareness of water conservation.

2018 Environmental Performance

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

1. Emission

Indicator	Performance
Total emission of greenhouse gases (Scope 1 and Scope 2) (tons) ²	7,287.59
Emission of greenhouse gases per square meter of floor area (Scope 1 and Scope 2) (tons/square meter)	0.05
Direct emission (Scope 1) (tons)	1,042.46
Company car oil consumption	4.32
Natural gas	1,038.14
Indirect emission (Scope 2) (tons)	6,245.13
Externally-purchased electricity	6,245.13
Total amount of hazardous waste (tons) ³	5.70
Weight of hazardous waste per square meter of floor area (tons/square meter)	0.000040
Total amount of non-hazardous waste (tons) ⁴	567.53
Weight of non-hazardous waste per square meter of floor area (tons/square meter)	0.0040

Notes:

1. 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.
2. 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數》) 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").
3. Types of hazardous waste generated from the Group's operation mainly included waste lead-acid batteries and waste ink cartridges, waste toner cartridges and waste toner incurred by the printing equipment in offices, etc.. The waste lead-acid batteries were disposed of by qualified professional companies, while the waste toner cartridges, waste ink cartridges and waste toner incurred by the printing equipment in offices were replaced and recycled by the respective print service providers.
4. Non-hazardous wastes generated from the Group's operation, the types of which mainly included office waste, kitchen waste and office waste paper, were handled by recyclers. Office waste and kitchen waste were centrally processed at the premises where they are located, while office waste papers were recycled by recyclers. In particular, the office wastes of the Group's retail subsidiaries in Lanzhou, Beijing, Harbin, Daqing, Ningbo, Xinjiang, Wuhan, Shenyang, Shenzhen and Wenzhou were 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污系數手冊》) issued by the State Council.

2. Energy and Resources Consumption

Indicator	Performance
Total energy consumption (MWh) ¹	13,938.18
Energy consumption per square meter of floor area (MWh/square meter)	0.10
Direct energy consumption (MWh)	5,326.85
Gasoline	17.63
Natural gas	5,309.22
Indirect energy consumption (MWh)	8,611.33
Externally-purchased electricity	8,611.33
Daily water consumption (tons) ²	75,109.56
Daily water consumption per square meter of floor area (tons/square meter)	0.53
Total amount of packaging material used for finished products (tons) ³	12,415.73
Amount of packaging material for finished products consumed per million revenue (tons/million yuan) ⁴	1.18

Notes:

1. Energy consumption data, including electricity, natural gas and company car oil consumption, 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)》), the national standard of the People's Republic of China.
2. Daily water consumption includes tap water and reclaimed water. In particular, daily water consumption of Shanghai office area, and the Group's retail subsidiaries in Lanzhou, Nanning, Xiamen, Hefei, Tianjin, Ningbo, Guangzhou, Chengdu, Hangzhou, Wuhan, Shenyang, Shenzhen, Xi'an, Chongqing and Changsha were controlled by the premises where they are located and the water charges are included in property management fees. 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.
3. Packaging material mainly includes plastic packaging bags, paper boxes, cartons and paper bags.
4. 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 adheres to the people-oriented approach and strives to provide its employee with a comfortable, healthy and safe working environment. It strictly complies with the laws and regulations such as the "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 "Prevention and Control of Occupational Diseases Law of the People's Republic of China". Moreover, it has formulated and optimized the employment management system and supervision system, established sound supervision and security mechanism for the rights and interests of employees, thereby effectively protecting the legitimate rights and interests of employees, showing its care for the health and safety of employees as well as their ongoing development.

Lawful Employment with Protection of Employees' Rights and Interests

As of the end of 2018, the Group had 2,412 full-time employees in total, including 2,233 employees in the Group's headquarters and retail subsidiaries, and 179 employees in the Group's other subsidiaries.

The Group has entered into labour contracts with employees according to the laws and clearly stipulated the rights and obligations of both parties in the contract in a view to establishing a harmonious and stable employment relationship. We offer equal employment opportunity. In the recruitment and promotion process, we always adhere to the principle of openness and fairness that all candidates are equally treated regardless of gender, ethnicity, religion, nationality, skin color, age and other factors, and strictly prohibits discrimination in any form. Our "Staff Handbook (員工手冊)" expressly emphasizes that all candidates must meet the legitimate age. Before signing the labor contract, candidates must provide valid identification document to ensure lawful employment. No employment of minors or forced labour has been found by the Group so far.

Adhering to the philosophy of co-development with employees, the Group has developed a remuneration strategy matching the Company's strategies with reference to the Group's strategic development goals, industry characteristics and other factors, and adjusted the Group's remuneration package and structure from time to time in a bid to effectively attract, motivate and retain excellent talents. Through the talent development and assessment mechanism, we will carry out comprehensive performance appraisal for our staff and more closely align the employees' performance results with remuneration package so as to motivate employees to work efficiently on a continuous basis. All these measures have embodied the Group's compensation concept of sharing risks and interests with its employees.

Pursuant to the requirements of the national and local governments, the Group provides employees with comprehensive social security benefits, including basic salary, incentive bonus, medical insurance, pension, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund. It also maintains supplementary commercial insurance covering accident insurance and critical illness insurance for its employees. Moreover, we have formulated the "Employee Attendance and Leave Management System (員工考勤及休假管理制度)" to promote work-life balance and encourage employees to schedule a vacation in due course by providing them with additional benefits such as transportation subsidy, festival allowance, marriage and birth gifts and birthday presents. In order to enrich the leisure life of employees, the Group has established diversified sports clubs and offered various fitness premises, equipment and sportswear to the employees so as to encourage them to actively participate in physical exercise. We organize anniversary celebration for the Company every year, at which our employees and their family members will be invited to the office park for celebration and feel the warmth and care within the Company, thereby increasing their sense of belonging to the Company and strengthen the team's cohesiveness.

Focusing on Health and Safety Protection

To ensure the personal safety of its staff, the Group has formulated "Li Ning Group Emergency Plan for Fire Protection (李寧集團消防應急預案)", "Li Ning Group Emergency Evacuation Plan (李寧集團疏散應急預案)" and other systems in light of the overall planning of the office park. The Group conducts regular inspection on and maintenance of security protection facilities to ensure that they are under normal operation at all times, and organizes safety training, fire drills, flood drills and other campaigns for our staff to equip them with basic knowledge for emergency circumstances and disaster and improve their capabilities to response against emergency as preventive measures. In 2018, the Group carried out more than 10 "5S Day" activities, including inspections under various series such as SEIRI, SEITON, SEISO, SEIKESU and SHITSUKE, where it conducted targeted thorough inspections on aspects such as fire protection facilities, emergency power supply and natural gas, and rectified hidden safety risks in the office area in a timely manner.

The Group organizes annual body check for our staff on a regular basis, and assists our staff in understanding their physical conditions, improving their self-healthcare capabilities, and adopting targeted healthcare practices by means of promoting health knowledge through seminars on body check report explanation, health knowledge lectures, investigation and research on sub-health conditions, etc. The Group set up a medical room in the park area at the headquarters to provide essential medicines for common diseases to our staff. Furthermore, we installed intelligent indoor fresh air ventilation system in the office park so that we can, through our back office, real-time monitor and adjust air quality, control the flows of indoor air and improve the indoor air quality, thereby providing a fresh and healthy working environment for our staff.

Talent Training and Promotion of Mutual Development

The Group regards talent development as the core of its talent management strategy, and organizes various targeted training on knowledge and skills to improving the skills and comprehensive individual quality of our staff at different positions so as to meet the needs of business and future development of the Company. By closely integrating training objectives with the development strategies of the Company, we have established a mechanism that links the training results with rewards, which has improved the learning ability and knowledge level of our staff, and enhanced their career development ability. We have adopted diversified ways of learning such as internal training courses, overseas study and job rotation to carry out on-the-job training and special training in an orderly and efficient manner, helping our staff to acquire sufficient professional knowledge, enhance diversified awareness, and rapidly strengthen their own capabilities. The basic principles of our training are as follows:

- 100% participation: All members, from the management to general staff, are required to proactively participate in training, fully understand the importance of the training and keep advancing by learning.
- Target-oriented: Training is provided based on actual needs.
- Well-planned: Training plans are formulated based on the need for training, and implemented in strict accordance to the plan.
- Career-long: Training is available for all stages of career from pre-job training, on-job training, re-designation to promotion.

- Comprehensive: Our training is a combination of basic training, quality training and skill training, and is carried out through various ways including lectures, discussion, site-visits, observation and training offered by external contractors.
- Tracking: Upon completion of training, examination will be carried out on the training contents to examine and evaluate the effectiveness of training on a regular basis.



Diagram on the Group's talent training

In 2018, a total of more than 130,000 of the Group's staff in service participated in various training organized by the Group, with over 20,000 training hours in aggregate.

IV. SUPPLY CHAIN MANAGEMENT

The Group always attaches great importance to supply chain management. It strictly implements the qualification and assessment system for suppliers and incorporates criteria such as harmonious labor relationship, health and safety of staff, and environmental protection into the management and evaluation system for suppliers. It also takes proactively measures to encourage the suppliers to perform their social responsibilities and environmental responsibilities with a view to achieving our goal of sustainable development, which facilitates mutual benefits and "win-win" results with our supply chain partners.

Qualification and Assessment of Suppliers

The Group has formulated stringent systems and standards regarding the introduction, assessment and termination of suppliers. Regular assessments are carried out to ensure compliance of suppliers.

- For new suppliers, the Group has laid down three modes of introduction, namely one-off collaboration, collaboration on a pilot basis and regular introduction. Potential suppliers are subject to assessment and examinations conducted by various departments in aspects such as basic qualifications, scale requirement, quality system, production technologies/techniques/engineering capability, bargaining power over cost, environmental protection and social responsibilities, etc. We will collaborate with those who pass the examinations. In 2018, the passing rate of supplier assessment of the Group was approximately 75%.
- For existing suppliers, the Group conducts quarterly assessment against the internationally-accepted Supply Chain Operations Reference Model (SCOR System). The Group sets up corresponding measure index for different types of suppliers at various levels to consistently apply the differentiation strategy. The Group conducts hierarchical assessment and compares the evaluation results of quarterly performance with prior periods for review. In case problems are identified, we will communicate with the suppliers separately and require them to rectify the problems within the specified period, making sure that they can fulfill the requirements of the Group. For suppliers who ceased to meet the business needs and standards of the Group, we will commence the termination process and duly consider the risks of the vacancy arising from the termination of suppliers and determine an appropriate solution.

Social Responsibility of Supply Chain

In 2018, the Group further clarified the “Code of Conduct on the Social Responsibility of Li Ning Company’s Suppliers (李寧公司供應商社會責任行為準則)” and updated and optimized the “Quarterly Self-assessment and Review Tool on the Social Responsibility of Li Ning’s Suppliers (李寧供應商社會責任季度自評審核工具)”, pursuant to which it has consolidated and strengthened the management over and guidance for suppliers by combining the quarterly management over social responsibility management performance of all finished product suppliers with third-party audits and assessment. It has also incorporated the scores of social responsibility for each quarter into the comprehensive quarterly assessment index system for suppliers. Moreover, the Group insists on the integration of daily management and pre-alert systems and conducts regular screening and inspection of the operation risks of suppliers. We require our suppliers to conduct self-assessment and self-inspection of their social responsibility on a regular basis. We also seek to improve the social performance of suppliers by urging them to enhance their self-management through measures such as training, rectification and follow ups. In 2018, the core suppliers of the Group passed the on-site audit conducted by a third-party consulting organization based on the “On-site Review and Assessment Tool on the Social Responsibility of Li Ning’s Suppliers (李寧供應商社會責任現場審核評估工具)”, and the factories of our collaborative brands have obtained the certification of Sedex (Supplier Ethical Data Exchange).

Environmental Responsibility of Supply Chain

The Group always places great emphasis on the environmental management of supply chain. Through policies, training, audits, sample testing and other methods, the Group has promoted its environmental protection philosophy along the supply chain, increased suppliers’ green awareness and enhanced their environmental performance.

- We signed the “Li Ning Company Manufacturing Restricted Substances List (MRSL) Compliance Statement (李寧公司生產工藝中限用物質(MRSL) 遵從聲明書)” with our suppliers, requiring them to undertake not to deliberately use toxic and hazardous substances, prevent the toxic and harmful chemicals from affecting the environment and the physical health of employees at source and reduce chemical pollution during the manufacturing process.
- We required all suppliers to carry out self-inspection/self-reporting of their environmental performance on a quarterly basis. Assessment and examinations will be conducted against them based on the “Quarterly Assessment Tool on the Environmental Audit for Li Ning’s Suppliers (李寧供應商環境審核季度評估工具)”. The scores will be incorporated into the comprehensive quarterly assessment index system for suppliers to encourage suppliers to increase their awareness of environmental protection and enhance the management of their environmental performance.
- We commissioned a third-party auditor to conduct an audit on core suppliers and evaluate their environmental management from various perspectives, including the management of emission and the use of resources.
- The Group conducted chemical management audit on key material suppliers using the third-party chemical management performance audit tool for assessing their risks in relation to chemical management. Meanwhile, we inspected the wastewater data of our suppliers to facilitate proper record and disclosure of their IPE¹ information. In 2018, we aided the rectification for compliance by 8 suppliers with poor IPE record and achieved positive results.
- We collected the energy consumption data along the supply chain and the related climate change data on a quarterly basis, which serves as the collection of baseline data for the strategic plan of the Group’s sustainable development. The Group also completed the internal statistics and analysis report on greenhouse gases data of suppliers for 2018.

Note:

1. IPE: Institute of Public and Environmental Affairs.

Participating in ZDHC Program

As one of the six founding brands of the Zero Discharge of Hazardous Chemicals Program of Member Brands (ZDHC Program or ZDHC), the Group is committed to the sustainable development of the textile sector. The Group proactively participated in regular meetings organized by ZDHC, and took part in the resolutions and voting of major issues concerning the ZDHC, hence contributing to the reduction of discharge of hazardous substances on a continuous basis with other brands. In 2018, the major tasks that the Group took part in are as follows:

- The Group participated in the discussion and formulation of procedures of gradual elimination of chemicals and substitutes for hazardous chemical substances, issued the new Manufacturing Restricted Substances List (MRSL1.1) and collaborated with four major commercial laboratories to develop unified testing method for 11 types of common hazardous substance and set up unified detection limit thereof.
- The Group proactively promoted the application of ZDHC gateway for chemicals along the textile supply chain, facilitated training for chemical management in the industry, raised the management level of chemicals among collaborative factories of purchasers of our brands, while simultaneously activated the pilot schemes of InCheck gateway for chemicals.
- The Group allied with major brands in the ZDHC program to facilitate the pilot schemes regarding the use of substitutes for DMF in the synthetic leather industry in China with a view to promoting zero discharge of hazardous chemicals in the leather industry.
- The Group proactively participated in the sludge project group of ZDHC, providing compiled information for the task group in relation to the sludge treatment and qualitative method in China. The Group also took part in the formulation of the first draft of sludge testing standards.

V. PRODUCT LIABILITY MANAGEMENT

Product Quality Control

The Group established the production and quality management system in line with its philosophy and standards in accordance with ISO 9001 Quality Management System, taking reference to the relevant standards of the industry.

In order to standardize the production process of products to ensure their quality, we constantly update and improve the product quality management system, which covers various aspects of products, including physical and chemical properties, quality of functional features, quality of appearance, quality of hot-stamped pattern and quality of auxiliary materials and accessories. In respect of products under development, we have established a risk assessment team comprised of the product development project team, quality control department (QC) and quality assurance department (QA) to conduct quarterly quality risk assessment on each product developed. In respect of finished products, we have established a joint audit review team comprised of members of QC and QA to perform joint quality audit review on products on a quarterly basis. Substandard products will be returned to ensure stable product quality.

Customer Complaints and Protection

The Group adheres to the service principle of "customer-first and professional services". In order to further improve its customer experience assurance system, the Group has successively established the "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 regulations, and strengthened the quick response time for handling various customer feedbacks so as to safeguard the rights and interests of the customers and enhance customer experience. Moreover, we have established a multi-channel feedback system for customers to give feedback via smooth channels including our stores, 400 customer care hotlines, emails, official Wechat and Weibo accounts, so that we can timely follow up, handle and respond to customer queries. On the other hand, we also arranged return visits and adopted other methods to ensure that customers' queries and suggestions will be properly addressed. Customers can evaluate our services through the satisfaction assessment function. In 2018, the customers' overall satisfaction on the Group was 98.64%. We will further improve our service quality and enhance the integration between customer experience of offline and online shopping with a view to providing delicate services to customers and creating a reassuring consumption environment for them.

Customer Data Protection

In accordance with the requirements of the Cyber Security Law of the People's Republic of China and other laws and regulations, the Group has established a comprehensive information security management mechanism where all customer information are strictly protected with technological means such as advanced firewall and only authorized personnel can access and use such information within their authority. Provision of any information to any third party without the authorization of customers is strictly prohibited. In addition, the Group has signed non-disclosure agreements with all third parties and outsourcing companies and supervised them to implement the same set of management standard to prevent information leakage.

Product Examination and Recall

In strict compliance with the Product Quality Law of the People's Republic of China and Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Group has formulated standards on recall and management of defective goods to timely handle product quality issues so as to better serve customers and improve consumers' shopping experience. We attach great importance to product quality and our products must pass the inspection carried out by state-accredited testing authorities and meet the corresponding national standards before launching for sale in the market.

The Group has 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)" and "Procedures and Standards on Recall of Li Ning's Defective Goods (李寧殘品收殘程序及標準)", which clarified the standards and procedures for recycling and handling of defective products and stipulated that during the process of production and sales, in the event that a defective product is identified and requires a recall, the production and sales of such product should cease immediately and the defective product should be examined by specialized product examination team. Meanwhile, the quality management center of the Group should promptly report product quality issues to every business stage from research, development and production as well as suppliers so as to continuously improve and enhance product quality and mitigate the risks of endangering consumers' health and safety due to the defective products.

Intellectual Property and Brand Protection

In accordance with the requirements of the national intellectual property strategy and based on relevant laws and regulations such as the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Advertising Law of the People's Republic of China and Provisions on Indicating Product Identification, the Group formulated the administrative measures on indication of product identification and established a complete trademark record to strictly manage and control the use of trademark, printing of identification and the manufacturing of security code. In addition, we have specially formulated the review system and procedures regarding the promotional and marketing contents of our products and strongly prohibited the use of any false statement or exaggerated advertising promotions. In the event of any violation, we will promptly take remedial actions. For individuals or enterprises that publish advertisements and other promotional materials in the name of the Group without our consent or authorization, we will immediately pursue legal actions.

The Group has further improved the intellectual property protection mechanism and established the mechanism and procedures for intellectual property review. The Group will strictly review the patents, domain name rights and copyrights which are exposed to infringement risks, encourage employees to raise the awareness of infringement risks and cooperate with renowned intellectual property law firms or agencies to conduct professional process analysis on important research and development results including pre-assessment and patent infringement retrieval so as to ensure that the patents are legally used and eliminate the possibility of infringement of intellectual property held by others. Meanwhile, we have built an intellectual property information database and formulated relevant management measures on intellectual property to take practical actions to protect intellectual property and our own intellectual property rights and interests. Recently, no material dispute or litigation of intellectual property against the Group has been identified.

VI. ANTI-CORRUPTION MANAGEMENT

The Group strictly complies with the relevant laws and regulations of anti-corruption, anti-bribery and anti-unfair competition. It has formulated internal regulations and systems such as the "Anti-Corruption and Anti-Bribery System of Li Ning Group (李寧集團反腐敗和反賄賂制度)" and "Gift Management System of Li Ning Group (李寧集團禮品管理制度)", specifying the Group's code of business conduct and implementation rules and standardizing the conduct of its employees and partners so as to procure all staff to always maintain the professional ethics such as dedication, justice and integrity. The Group has also strengthened its internal management and control and required its business departments to enter into "Letter of Undertaking on Anti-Corruption and Anti-Bribery (反腐敗和反賄賂承諾書)" with their long-time partners so as to achieve the goal of combating commercial corruption and bribery with joint efforts.

The Group encourages its employees to report any misconduct and suspected cases and reporting channels are in place to ensure that employees can report misconduct such as corruption, bribery and fraud by their colleagues or suppliers of the Group via telephone, email and other channels. We will impose severe penalties against employees who have violated the laws and regulations to firmly eradicate corruption.

VII. COMMUNITY INVESTMENT MANAGEMENT

As a leading sports brand in China, while expanding its own business, the Group has constantly been serving and giving back to the society and actively assumed the social responsibilities as a corporate citizen. We have vigorously promoted national fitness and proactively been engaged in community charity to combine love, sports and charity and convey warmth to the society with concrete actions to promote social public welfare, and make contributions to the construction of a harmonious society.

Building a love-filled society with charity

With the charity philosophy of "Practicing Love with Sports", the Group, by integrating its own advantages in sports resources into charity events, supports youth sports charity projects, cares for people in need in the society, proactively participates in female charity events and drives the development of the impoverished regions. By spreading love and charity concept more people can enjoy beautiful life and the joy of sports.

Sports charity sale

In May 2018, the Chinese Athletes Educational Foundation, which is jointly initiated, sponsored and established by Mr. Li Ning, one of the initiators of Chinese Athletes Educational Foundation and our executive chairman, and world champions, joined hands with the Group to gather love and power for charity sale. All of the proceeds were used for sports charity events organized by the Chinese Athletes Educational Foundation including "All-weather Playground (風雨操場)" and "Unique sports exploration (不一樣的體育拓展)". Both the Group and the Chinese Athletes Educational Foundation have been committed to education development and construction of sports facilities in impoverished and remote regions in China. So far, we have established 44 "Chinese Athletes Hope Primary Schools" and 37 "All-weather Playgrounds" as well as supporting projects such as Project Hope Mini-Library and training for physical education teachers, allowing children in remote regions to feel the charisma of sports and develop strong body and sound personality.



Design of charity sale products

“Postal Parcels for Mothers” Project

In July 2018, the donation launching ceremony of “2018 Li Ning Company’s Charity Donation for Caring the Impoverished Women and Children — Postal Parcels for Mothers, a Visit to Inner Mongolia” was held in the new district of Hulunbuir. The Group donated supplies to the Women’s Federation in Inner Mongolia Autonomous Region via China Women’s Development Foundation. 60 mothers and 30 teenagers and children from Hailar District, Ewenki Autonomous Banner and Old Barag Banner accepted our donation at the ceremony. After the conclusion of the donation ceremony, China Women’s Development Foundation and the Group’s visiting team paid an in-depth home visit to 4 impoverished mothers in Bayantala, Ewenki Autonomous Banner. For the past six years since the launch of “Postal Parcels for Mothers” project, the Group has donated a total of RMB56.50 million (in cash or in kind) to the project.



Home visit to impoverished mothers

“Charity” + “Industry” Poverty Alleviation Project

In October 2018, the Group entered into the “Eastern Airline Cooperation Agreement Regarding Assistance for the Disabled (東航殘疾人幫扶合作協議)” with, among others, CEA Holding, Donghua University, China Foundation for Poverty Alleviation and Beijing Hongzhi Secondary School, pursuant to which, we closely integrated poverty alleviation, charity and welfare and focused on various areas such as assistance for industry, employment, education and the disabled. In this project, the Group endeavored to provide assistance in, among others, sports and leisure apparel (ranging from design, training, marketing, channel and management) and donated the first batch of 14 units of factory garment manufacturing equipment to a handicraft company for Baraoke folk costumes in Cangyuan. We hope

that through the innovative model of “Charity + Industry”, we can open up brand-new rooms for development of special industry and inheritance of ethical culture of the regions receiving our assistance, thereby promoting sustainable economic development of the local economy.



Mr. Li Ning with the disabled recipient of our assistance

Charity Golf Tournament

In November 2018, the “2018 World Champions Charity Golf Tournament of Chinese Athletes Educational Foundation” kicked off in Shenzhen Genzon Golf Club. Mr. Li Ning, one of the initiators of the Foundation and our executive chairman, attended and contributed to this charitable event. At the event, numerous compassionate individuals generously made their contribution for public wellbeing. Under the vigorous support of Mr. Li Ning and kind-hearted individuals from all sectors, an auction was held at the dinner banquet that night to support charity and all of the proceeds will be used for pushing forward the educational development in impoverished and remote regions in China.



Caring people from all sectors

Supporting community development with sports

The Group has always maintained friendly relationship with its surrounding communities, enterprises and public institutions. Through various types of communications, we encourage residents in surrounding communities to engage in sports so that more people will understand, learn and enjoy the fun of sporting activities.

Li Ning Park Open Day

Every Tuesday and Friday is set by the Group as Open Day of our headquarters park in Beijing, during which residents of the nearby community, family members of the employees and sport enthusiasts can visit the Park. The Group also arranges volunteers to provide guided tour services for group visitors. The Park Open Day is an effective carrier to promote the Group's corporate culture and is gradually becoming an important channel for the Group to achieve community integration. In 2018, the Group received a total of over 100,000 visitors/time on the Park Open Day of our Beijing headquarters.

Football coaches training organized by Beijing Municipal Education Commission

The Group consistently pays close attention to the development of physical education. We proactive cooperate with relevant sports and education authorities to support the nurture of various sports and education talents by providing resources such as venues and sport equipment. From 3 to 10 December 2018, football coaches training organized by Beijing Municipal Education Commission was held at the indoor football

field and conference room in the Group's Li-Ning Centre. Over 100 coaches from a total of more than ten schools attended the training. The Group provided a complete set of sports equipment, venues and ancillary services and facilities for the attending coaches, which ensured a successful conclusion of the training event and garnered high recognition from participating coaches and relevant departments.

Li Ning Winter/Summer Camp

In January and from July to August 2018, the Group organized 2018 Li Ning Winter Camp and Summer Camp, respectively, at Li-Ning Centre in Beijing. The participants include a total of 484 children and teenagers from various age groups, such as U12, U13, U15 and U17, who attended sports courses for basketball, football, table tennis and badminton offered by professional sports coaches. As Li Ning Winter/Summer Camp progresses over the years, more and more children and teenagers become inspired with sportsmanship and increasingly enthusiastic for sports through these events.



Li Ning Basketball Training Camp

Park Visit from Primary and Secondary Students

The Group always values the communications with various primary and secondary schools as well as colleges. We welcome students who are interested in LI-NING brand and Li Ning Park to visit the Group's office park in groups. In 2018, the Group's headquarters park in Beijing received a total of 4,431 students from 11 schools, including Beijing Primary School, primary school affiliated to Peking University, Jiangtai Road Primary School of Chaoyang District, Baijiazhuang Primary School and Shibalidian Secondary School. The Group arranged volunteers to guide student visitors to look around the major venues of the Park. The students, under the guidance of the park coaches, had their on-site experience of various sports facilities at Li-Ning Centre. We expect that through continuous visits for primary and secondary school students, more teenagers can gain better understand of the Group as well as the sports industry and build up a passion for sports.



Sports experience of student visitors

VIII. PARTICULARS OF THE REPORT

Report Summary

This report describes the basic policies of environmental, social and governance of Li Ning Company Limited in 2018, 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. Please refer to Corporate Governance Report for the corporate governance section.

Reporting period

From 1 January to 31 December 2018, with some contents of the report dating back to previous years as appropriate.

Scope of ESG Report

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

Basis of Preparation

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