



**Li-Ning Company Limited**

Supplier Corporate Social Responsibility  
Management Manual (*First Edition of 2019*)

## About this Manual

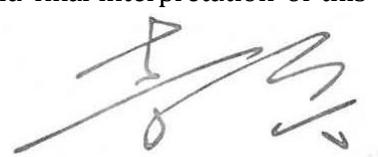
The social responsibility management goal of Li-Ning Company Limited (hereinafter referred to as Li-Ning Company, Company, Li-Ning or Us) is to be a good corporate citizen and promote the growth of partners in our value chain. In order to achieve this goal, Li-Ning has launched the "Li-Ning Supplier Corporate Social Responsibility (hereinafter referred to as CSR) Management Manual" to introduce the relevant guidelines, principles, expectations and objectives of CSR management into the procedures of supplier selection, assessment and further continuous improvement, thus achieving the goal of a responsible supply chain for a sustainable win-win development with our partners.

In response to the our three major management tasks including the new suppliers introduction, the daily assessment and evaluation of existing suppliers, and the optimization and elimination of suppliers, this manual describes the procedures, assessment criteria and qualifications of the CSR management in detail and introduces the tools and templates used in combination to conduct the work, so that the relevant functional departments within the company can conduct related work accordingly. Meanwhile, it also enables suppliers and other partners to gain a systematical and accurate understanding of our relevant requirements and standards, so that they could better coordinate with their self-review before production, regular review and continuous improvement. By doing this, we aim to help suppliers with a clear understanding of the required working conditions for factories to produce Li-Ning brand products, and promote the compliance with the "Guidelines on Code of Conduct on the CSR of Li-Ning Company's Suppliers" during the process of building a safe, inclusive and respectful workplace and making their continuous improvement towards social responsibility project management objectives.

This manual is used in combination with the guidelines, and it's a compass for suppliers to optimize their CSR management performance, while the code of conduct is a guideline for all aspects of suppliers' CSR.

The Chinese version of this document is the original version, and the translated versions of all other languages are for reference only. If there is any confusion between the two versions, the Chinese version will be the priority. And relevant content will be revised and updated in due course by the Li-Ning Company. For more information, please visit [www.lining.com](http://www.lining.com).

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Li-Ning Company Limited  
July 2019

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## I. Management System and Key Principles

As a representative sports brand in China, Li-Ning Company not only actively improves its level of operations in accordance with relevant Chinese laws and regulations, but also firmly committed itself to conducting business in a legal and ethical manner, including cooperating with supply chain partners (abbreviated as "Partners") which follow the same principles.

For this purpose, the company has established a sound system on suppliers' CSR management and identified the key principles in this work, thus working with partners to build a value chain ecosystem for sustainable development.

### 1. Company's Internal Management Structure

At Li-Ning Company, the work related to suppliers' CSR management is led by the social responsibility team and jointly promoted by relevant departments. The main tasks of the social responsibility team include:

- audit approach and methodology, content development and process management on the suppliers' social responsibility;
- conducting CSR audits on new suppliers and existing suppliers with the support of the Supplier Management Department and the Purchasing Department;
- following up the improvement of the suppliers to ensure that its related management and practice meet the relevant regulations and requirements of Li-Ning Company.

The division of our professional technical team is as follows:

- Ryan Li: overall responsibility and CSR external cooperation;
- James Gao: compliance management on suppliers' social responsibility;
- Katherine Ji: Technical experts on environmental compliance, following up with the Zero Discharge of Hazardous Chemicals Program of Member Brands (ZDHC) and the Institute of Public and Environmental Affairs (IPE).



*Supplier CSR audit is aimed at all physical production plants that have or are about to have a real producing partnership with the company. Agents, sales channels, and traders are beyond the scope of the audit object.*

### 2. Procedure and Scope of Supplier CSR Management

The core objective of CSR management on Li-Ning Company's suppliers is to ensure that the actual production process is legal and ethical. Therefore, all physical production plants that cooperate with the company must be included in the scope of CSR management. At present, non-physical production units such as stores, sales agencies or trade agencies are not subject to management and audit on CSR, except for some projects with special instructions.

Physical production plants include, but not limited to suppliers of raw and auxiliary materials, printing and dyeing, final products, packaging materials, etc.

The main contents of social responsibility management include:

- The review on CSR documents of new suppliers is mainly based on the paper documents. For more details, please see the Chapter 2 of this manual.
- The on-site assessment for all suppliers includes business ethics and morality, labor issues, health and safety, and environmental protection. For more details, please see the second part of the Chapter 3 of this manual.

### **3. Anti-corruption and Anti-bribery**

Li-Ning Company and its partners sincerely cooperate and share sustainable and healthy development based on honesty and trustworthiness, integrity and law-abiding, openness and fairness. We hope to prevent and eliminate the occurrence of misconduct such as corruption and commercial bribery with our partners. We officially declare and promise with our partners as follows:

- Activities must strictly abide by laws, regulations and bilateral contractual agreements. All forms of illegal or unjustifiable business cooperation are prohibited. During the business dealings between both sides, it is prohibited to give benefits in any way, directly or indirectly, by bribery, kickback, commission, or any way of giving benefits or benefits in disguised form to any personnel of Li-Ning Company or his relatives, friends or other persons with special interests.
- Li-Ning Company will regularly visit the responsible person of the partner to review their implementation of relevant requirements and the compliance with the integrity of employees or agents of Li-Ning Group. Partners should fully cooperate and provide relevant information truthfully. If any partner is found to have accepted bribes or paid bribes to employees or agents of Li-Ning Company, we will take appropriate legal measures against this partner and those employees or agents who have accepted or provided bribes, and terminate the cooperation with this partner immediately. At the same time, we have the right to recover all losses suffered as a result, and it needn't provide any compensation or reparation for this.
- If there is clear evidence that employees or agents of us have asked for bribes from partners, Li-Ning Company will conduct an independent investigation to protect the interests of both sides.
- Our employees are not allowed to hold the internal shares of the partners. If someone related to the interests of Li-Ning Company (including but not limited to: our employees, relatives of employees, resigned employees) holds the internal shares of the partners, partners should inform us in time.

- Li-Ning Company welcomes real-name whistle-blowing with verifiable information and clues from anyone. Within three days after receiving the report information, we will contact the whistleblower to initiate the work of verification. We do not accept the anonymous report without verifiable evidence. We promises that the identity and information of the whistleblower will be kept strictly confidential.

Our contact information for anti-corruption and anti-bribery whistle-blowing:

Chairman of the Li-Ning Group, Mr. Li Ning: [lining@li-ning.com.cn](mailto:lining@li-ning.com.cn)

Independent Director of the Li-Ning Group, Jane Wang: [jane@bici.com.cn](mailto:jane@bici.com.cn)

Vice President of the Li-Ning Group, Liao Bin: [liaobin1@li-ning.com.cn](mailto:liaobin1@li-ning.com.cn)

Vice President of the Li-Ning Group, Zeng Huafeng: [TerenceTsang@li-ning.com.cn](mailto:TerenceTsang@li-ning.com.cn)

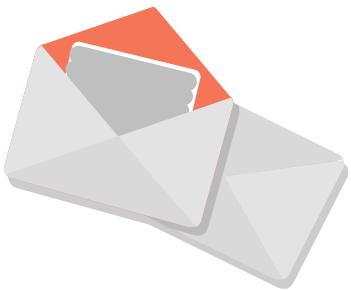
Complaints and Suggestions Email: [tousujianyi@li-ning.com.cn](mailto:tousujianyi@li-ning.com.cn)

Mailing Address: Building No.1, Li-Ning Center, No. 8 Xing Guang, 5th Street, Opto-Mechatronics Industrial Park, Zhongguancun Science & Technology Area, Tongzhou District, Beijing, China.

- If the corruption or bribery of employees of Li-Ning Company or other partners reported by any partner as a whistleblower has been verified and could reduce the losses of Li-Ning Company, we will directly reward the whistleblower with cash. This amount of reward could be more than 50% of the loss reduction or less than RMB 1 million. If this whistleblower is our partner company, we will increase its business share by more than 10% with this company.
- The management personnel of the partners and their personnel related to the business with Li-Ning Company should confirm that they have known and understood the content of this anti-corruption and anti-bribery commitments, and promise to strictly abide by it. The partners and personnel of Li-Ning Company are fully aware and recognized before negotiating and agreeing on cooperation, and willing to bear all the consequences of violating the commitment above.

#### 4. Supplier Code of Conduct

This Code of Conduct specifies the social responsibility management principles and fundamental requirements of Li-Ning Company on its suppliers, with the aim of conveying the Company's corporate value of sustainable win-win development with all of its partners in the supply chain, as well as Li-Ning Company's brand concept of social responsibility. In order to implement this Code of Conduct, Li-Ning Company will strive to promote dialogues, exchanges, and cooperation among all stakeholders on the basis of mutual respect and



understanding, and urge all its suppliers to ensure that this Code of Conduct is also accepted and implemented by their subcontractors.

Suppliers of Li-Ning Company are required to abide by the following essential requirements of this Code of Conduct:

- Compliance with Laws and International custom.** Compliance with all applicable laws and regulations, industrial standards and any other relevant statutory requirements whichever requirements are more stringent. Compliance with business practices of free will, equality, fairness and good faith, and to refrain from, prevent and punish commercial bribery.
- Child Labor and Underage Workers.** Employment of child labor is strictly prohibited. The employment of underage workers shall be subject to applicable provisions relating to underage workers, such as types of work, working hours, work intensity and special labor protection measures.
- Forced Labor.** Use or support the use of any form of forced labor shall be strictly prohibited, including but not limited to restricting liberty, withholding deposits or identity paper, or forcing workers to complete work by way of coercion, forced overtime or working under inappropriate conditions.
- Discrimination.** Discrimination on the ground of ethnicity, race, gender, geographic origin, religion, disability, or individual characteristics, against job applicants or employees, in recruitment, establishment of labor relation, access to training, remuneration, benefits and social insurance, termination of employment or retirement, shall be strictly prohibited. Female employees, members of minority ethnic groups and disabled persons shall be treated with equality and care.
- Harassment and Abuse.** The physical and mental health of employees shall be respected and protected, and any form of harassment or abuse shall be prohibited, prevented, and punished.
- Working hours.** Provisions in applicable laws and regulations concerning working hours, rest, and vacations shall be followed. The total weekly working hours per employee, plus overtime hours, shall not exceed 60 hours. An employee is entitled to a rest of 24 consecutive hours after working for 6 consecutive days. Overtime work must be based on consensus between the employer and employees, and overtime pay or compensation shall be paid to employees pursuant to applicable rates.
- Compensation and Benefits.** Compensation, benefits, and social insurance contributions shall meet or exceed the requirements of all applicable laws, regulations or industrial standards, and that the wage standards shall be determined and adjusted in consultation with the trade union or through

collective negotiation. Employees, who have done the same amount of work with identical performances, shall be compensated equally.

- Trade Union and Collective Negotiation. The right of employees to form and join a trade union and engage in collective negotiation shall be recognized and respected; suppliers shall actively negotiate with a trade union or employee representatives on an equal basis.
- Occupational Health and Safety. The health and safety of all persons, especially workers, at the workplace shall be protected. Measures shall be adopted to maintain and improve occupational health and safety management. In particular, those shall provide a necessary guarantee for occupational safety protection of all individuals and of special groups, security of food and drinking water, personal hygiene, employee accommodation, and emergency plan.
- Environmental Protection. Environmental protection policies and management measures shall be formulated to reduce and control the impact, on human health and environment, of air emissions, solid wastes disposal, and water discharge, as well as hazardous wastes, as a result of business operations. Procurement, storage, use, or disposal of restricted materials shall meet applicable compulsory standards and requirements. Proper measures shall be adopted to promote energy conservation, sustainable economy and to reduce the emission of greenhouse gases.



*Li-Ning Company is determined not to accept any zero-tolerance violation discovered during the audit. The introduction of new suppliers will be terminated if any violation is found. Li-Ning Company has the right to terminate the partnership if any violation is found in daily audits.*

This Code of Conduct must be made available at the workplaces of suppliers, our factories, and partners, in such a way that all their employees shall have full access to the information in the Code of Conduct.

## 5. Zero Tolerance

Li-Ning Company adheres to the goal of optimizing and improving together with its suppliers during their cooperation in the practice of social responsibility. However, Li-Ning identified the following as zero tolerance.

- False records and documents. The supplier must ensure the accuracy and authenticity of the relevant documents and information provided to Li-Ning Company, including but not limited to normal working hours, overtime hours, wages, wage composition, wage deductions and any other relevant information, etc.
- Commercial bribery. The supplier tries to bribe the auditor at the audit site.
- Employment and use of child labor. More stringent requirements apply when the employment age policies and/or practices do not meet the legal requirements and/or Li-Ning Suppliers' Code of Conduct. The minimum

standard of employment age of international standards and the Li-Ning Supplier Code of Conduct is not less than 16 years.

- Forced labor and inhuman treatment. It includes situations where workers are not willing to work/serve under any form of punishment and threat. Acts of slavery include human trafficking, bonded labor, imprisonment, contract labor or other forms of forced labor.
- Remuneration below the legal minimum wage. The supplier does not pay the legal minimum wage in the country or region where the employees, including the subcontractors, are located.
- Occupational Health and Safety. Work and life contain conditions that may directly cause serious injury or death to employees or the public.
- Illegal discharge of sewage and hazardous waste.

If any zero tolerance is found during the social responsibility audit on its suppliers, Li-Ning Company has the right to terminate the partnership or stop the introduction of the supplier until the relevant rectification is completed and confirmed by Li-Ning Company.



## II. Assessment of the Introduction of New Suppliers

During the process of new supplier introduction, the accessibility assessment on CSR performance is a key section to ensure a well-established supplier cooperation ecosystem for Li-Ning Company. At present, the company has established a relatively complete audit process on social responsibility for the introduction of new suppliers, and also regards the audit on social responsibility as a priority for the introduction of suppliers. Only after this audit is completed can other assessments continue forward.

It should be noted that in this section, the audit on social responsibility focuses on document review to ensure the smooth and efficient introduction of new suppliers, and thus suppliers need to provide relevant materials and information in a timely and accurate manner in accordance with the company's relevant time requirements.

### 1. Assessment Procedure of New Suppliers

The assessment on social responsibility of new suppliers consists of four major parts, supplier information collection, supplier document self-inspection, first-round provision of document and second-round provision of document. The specific procedure is shown in Figure 1.

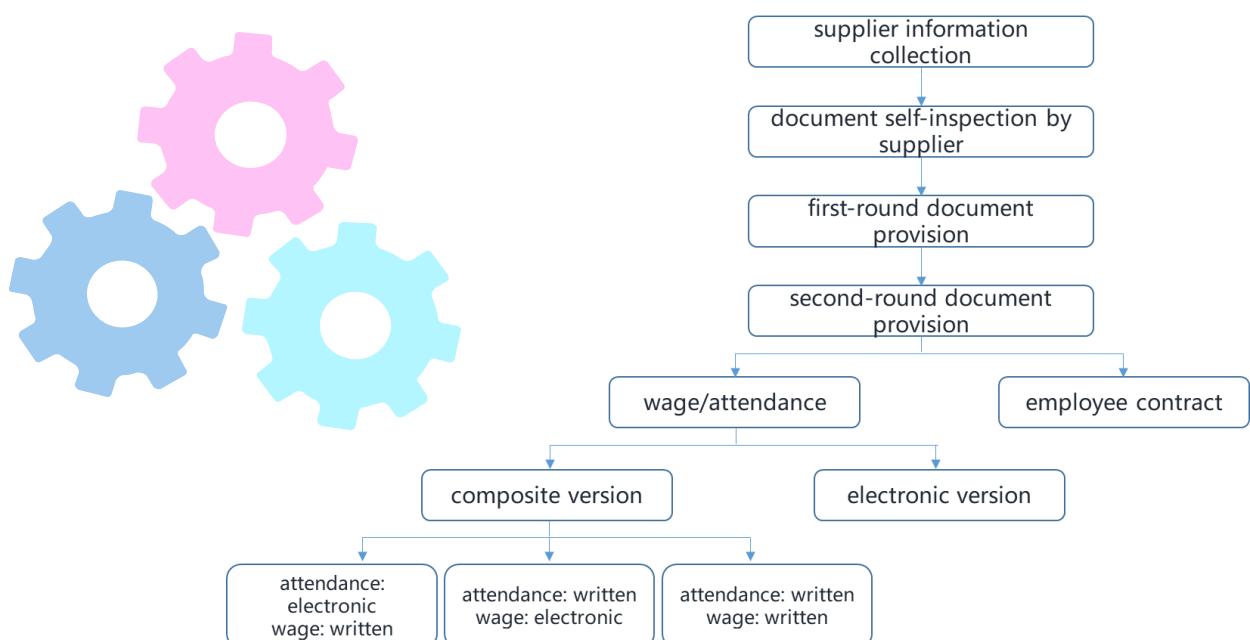


Figure 1: CSR Assessment Procedure of New Suppliers

At the same time, it should be noted that in the second-round provision of document, Li-Ning Company will conduct a sample review of employee contracts and wage/attendance documents based on the employee roster.

## 1.1 Supplier Information Collection

After the introduction of new suppliers is launched by the relevant departments inside our company, the first step of the CSR team is to collect supplier basic information to gain a basic understanding of potential partners. The specific information is shown in Table 1. Suppliers are required to complete the information in an accurate and error-free manner. If any relevant information is incomplete, it will be returned to the supplier for re-filling.

Table 1: Supplier Basic Information Collection Form

No.	Content
<b>1. Basic Information of the Company</b>	
1.1	Company Name (Chinese):
1.2	Company Name (English) – if applicable:
1.3	Starting Time of Business License:
1.4	Total Area Occupied: Total Construction Area: Amount and Purpose of Buildings: Notes on Other Companies in this Region (if applicable):
<b>2. Basic Information on Production</b>	
2.1	Procedures of Production:
2.2	Procedures of Subcontracting (if applicable):
<b>3. Basic Information on Employees</b>	
3.1	Total Number of People (including management personnel): 1) Number of Management Personnel: 2) Number of Non-management Personnel: 3) Number of Female Employees: Number of Male Employees: 4) Number of Temporary Employees: 5) Number of Employees with Local Household Registration:
<b>4. Information on Wages and Working Hours</b>	
4.1	Working Days in a Normal Week: ( ) to ( ) Working Hours in a Normal Working Day: ( ) to ( ) Notes on the Break Time:
4.2	Methods of Attendance Recording: 1) Fingerprint or Face Recognition: <input type="checkbox"/> 2) Sign in (written): <input type="checkbox"/> 3) Sign in (electronic): <input type="checkbox"/>
4.3	Methods of Wage Calculation: 1) Paid by Hours: <input type="checkbox"/> (calculating the monthly wage by working hours) 2) Paid by Pieces: <input type="checkbox"/> (calculating the monthly wage by the number of completed pieces) 3) Paid by Months: <input type="checkbox"/> (calculating the monthly wage by the basic wage plus performance bonus)
4.4	Methods of Wage Payment 1) Bank Transfer: <input type="checkbox"/> 2) In Cash: <input type="checkbox"/>
4.5	Calculation Period of Wage: 1) Calendar Month: <input type="checkbox"/> 2) Others:
4.6	Date of Payment:



*Li-Ning Company  
strongly recommends  
that potential  
suppliers should  
understand the  
requirements of  
relevant documents in  
advance and submit  
materials in a timely  
and accurate manner  
in accordance with the  
documents to improve  
the efficiency of  
document review.*

## 1.2 Supplier Document Self-inspection

While the supplier fills in the basic information, Li-Ning Company will also send all the form documents to the supplier for self-inspection to ensure that suppliers could prepare all materials in advance and check for vacancies, thus reducing the repeated communication and improving efficiency.

## 1.3 First-round Provision of Document

After the basic information is approved by Li-Ning Company, the social responsibility team will ask the supplier for the first-round provision of documents. The specific information is shown in Table 2. Suppliers are required to read the detailed description of the specific content carefully to ensure that their information is accurate. At the same time, after the relevant documents are ready, the suppliers need to establish their folders by number.

Table 2: Information Required in the First-round Provision of Document

5.1 Labor (the first round)		
5.1.1	Roster	Including but not limited to: name, gender, ID number, form of employment (full-time, part-time, dispatch, etc.), department, start time of employment, period of labor contract
5.1.2	Staff Handbook / Corporate System	Focuses: corporate social responsibility (child labor, discrimination, forced labor, equal pay for equal work, payment of wage, etc.)
5.1.3	Comprehensive Working Hour System Waiver (CWHSS) (if applicable)	Please provide it if applicable.
5.1.4	Receipt of Social Insurance (for the last 12 months)	Please provide it. Required information: the number of participants in each type of insurance (inquiries through the website of the authority, specific consultation with the factory financial staff)
5.1.5	Record of Commercial Insurance (if applicable)	Please provide it if applicable.
5.2 Occupational Health		
5.2.1	Penalty Record by Government Department (if applicable)	If inapplicable, there is no need to provide it.
5.2.2	Record of Serious Occupational Injuries and Diseases	If inapplicable, there is no need to provide it.
5.2.3	Report of Occupational Hazard Detection	If inapplicable, there is no need to provide it. (Combination with verification is needed.)
5.2.4	Report of Occupational Health	If inapplicable, there is no need to provide it. (Combination with verification is needed.)
5.2.5	Evaluation of Occupational Hazards	If inapplicable, there is no need to provide it.
5.3 Fire Protection		
5.3.1	Acceptance Inspection on Fire Protection	Please provide it.

5.3.2	Qualified Report on Fire Protection issued by the government or a third party (if applicable)	Please provide it. (if acceptance inspection on fire protection is unavailable)
5.3.3	Acceptance Inspection on the Construction Completed	Please provide it.
5.3.4	Plan for Fire Drill	Please provide it.
5.3.5	Record of Fire Drill	Please provide it.
<b>5.4 Management on Chemicals</b>		
5.4.1	List of Chemicals	Please provide: list of all chemicals used in production
5.4.2	Self-assessment Record of ZDHC and MRSI	The factory shall conduct an assessment on the hazards of the chemicals used by itself or according to the Li-Ning standard.
5.4.3	Business License of Hazardous Waste Disposal Unit	If no hazardous waste is produced, there is no need to provide it.
5.4.4	Business Permit of Hazardous Waste Disposal Unit	If no hazardous waste is produced, there is no need to provide it.
5.4.5	Contract on Hazardous Waste Disposal	If no hazardous waste is produced, there is no need to provide it.
5.4.6	Permit of Hazardous Waste Transfer	If no hazardous waste is produced, there is no need to provide it.
<b>5.5 Environmental Protection</b>		
5.5.1	Evaluation Document towards Environmental Impact of Construction	If the entire production does not produce or emit pollutants, please provide: the registration form of environmental impact (recorded by the local authority). If the production produces or emits pollutants, please provide: the form or report of environmental impact assessment.
5.5.2	Environmental Impact Assessment Ratification	If the entire production does not produce or emit pollutants, please provide: the filing certificate of the registration form of environmental impact. If the production produces or emits pollutants, please provide: the feedback on the form or report of environmental impact assessment by the environmental authority
5.5.3	Environmental Acceptance Report of the Construction Completed	If the entire production does not produce or emit pollutants: it is inapplicable. If the production produces or emits pollutants, please provide: the monitoring report of the environmental acceptance inspection and the ratification of the completion and acceptance.
5.5.4	Monitoring Report of Waste Water / Exhaust Gas	If the entire production does not produce or emit pollutants: it is inapplicable. If the production produces or emits pollutants, please provide: regular monitoring report on waste water and exhaust gas in the past year.
5.5.5	Permit of Sewage Discharge	If the entire production does not produce or emit pollutants: it is inapplicable. If the production produces or emits pollutants, please provide: the original version and a copy of the latest permit of sewage discharge.

## 1.4 Second-round Provision of Document

On the premise that the relevant documents collected in the first round have been approved and confirmed by Li-Ning Company and no zero tolerance was found, Li-Ning Company will ask the suppliers for the second-round provision of document. The specific information is shown in Table 3.

Table 3: Information Required in the Second-round Provision of Document

5.6 Labor (the second round)		
5.6.1	Labor Contract	Labor Contract of Production Employee (Non-management) Sample selection: sampled according to the roster by Li-Ning Company
5.6.2	Record of Working Hours	Sample selection: sampled according to the roster by Li-Ning Company Requirement: the original record (not the summary)
5.6.3	Record of Payment of Wage	Sample selection: sampled according to the roster by Li-Ning Company Requirement: the original record (not the summary)
5.7 Optional Information as Bonus		
5.7.1	Certificates of ISO14001 and OHSAS18001 System Certification	
5.7.2	Certification of Ecological Products from the Third-party	
5.7.3	Audit Report on Environmental and Corporate Social Responsibility from Other Partner Purchasers	

## 2. Admittance Standards for New Suppliers



If any zero-tolerance violation is discovered during the introduction of new suppliers, Li-Ning Company will terminate the process of introduction. At the same time, any risk found in the review must also be improved and recognized in a timely manner.

Zero-tolerance violation is the only factor that may terminate the introduction of new suppliers. Li-Ning Company recommends all suppliers to learn the relevant policies in detail. The specific information is shown in the fifth part in the Chapter 1 of this manual.

At the same time, if the major risks as follows appear in the introduction of new suppliers, the potential supplier needs to complete the rectification before restarting the introduction procedure:

- The regulatory record on the IPE (Institute of Public and Environmental Affairs) website has not been eliminated.
- There is no acceptance inspection or record on fire protection.
- There is no physical examination of underage employees, etc.
- There is no detailed record on attendance.
- There is no record on payment of wage.
- There is “three in one” dormitory (refers to the dormitory where the function of accommodation is placed together with the production, operation, and storage);

- No occupational hazards have been monitored and controlled.
- Any restricted substance has been used.
- There is no environmental document (environmental impact assessment and its ratification, acceptance inspection, detection, permit of sewage discharge, etc.)
- There is no agreement on hazardous waste transfer signed with the qualified units.



### III. Regular Assessment and Evaluation on Suppliers

For suppliers with existing partnerships, Li-Ning Company will conduct a comprehensive assessment of its social responsibility performance and risk on a quarterly and annual basis to ensure their compliance in their daily management and continuous improvement.



*In the process of QBR, the supplier must submit the corresponding documents in accordance with the time requirements. Any material submitted beyond the required limit of time will not be used as the rating basis in this quarter, and the supplier is responsible for this result.*

#### 1. Quarterly Business Review

QBR (Quarterly Business Review) is one of the ways in which Li-Ning Company checks the performance of suppliers' social responsibility routinely. It requires suppliers to identify risks at work and take effective measures through relevant document provision and active self-examination.

##### 1.1 QBR requirements on procedures and time

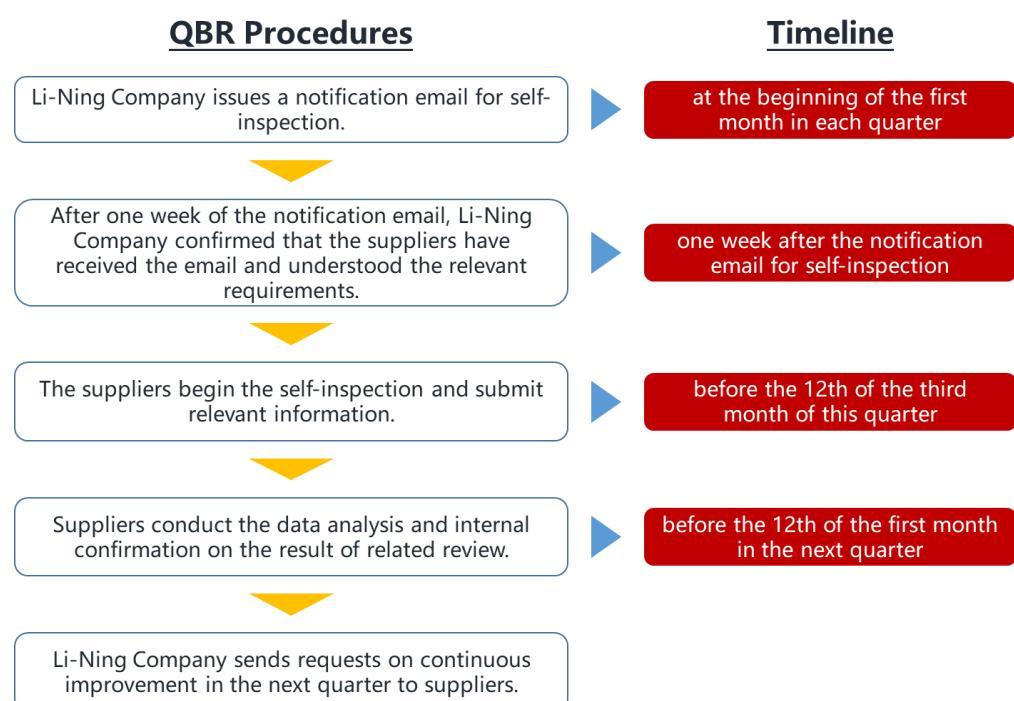


Figure 2: QBR Procedures and Requirement on Time

It should be noted that any material submitted beyond the required limit of time will not be used as the rating basis in this quarter.

## 1.2 List of Data Requirement from Suppliers

Table 4: QBR List of Data Requirement from Suppliers

No.	Required Documents and Data	Specific Requirements
1.	the latest roster of employees	electronic version of Excel document including all employees and management
2.	the latest roster of underage employees	electronic version of Excel document
3.	as of the end of the second month of this quarter, the total number of factories is (), the total number of employees in the production line is (), the total number of males is (), the total number of females is (), the total number of the underage is ()	
4.	as of the end of the second month of this quarter, the total number of recruits in the first two months of this quarter is (), the total number of resigned people is (), the total number of new contracts is (), the total number of renewed contracts is ()	The statistics of people is the accumulation of the first two months of this quarter.
5.	photo of the contract expiration and renewal of the same production employee in the first two months of this quarter	The photo must contain all the contents of the contract and show the date of signing.
6.	sampling the attendance records of the first two months of this quarter of 5% (no less than 20 people) production employees and all underage employees	electronic version of the original record on attendance
7.	calculating the maximum of employees who cannot guarantee a hebdomadal break and who work for more than 60 hours in a week	
8.	the record of wage and payment of the first month of this quarter for the samplers above	1. electronic version of the original record on attendance 2. a record of payment with a specific time (such as a record on the bank transfer or a receipt from employee)
9.	statistical table and related records of employees with insurance contribution in the first month of this quarter	1. The statistics table includes the number of employees with five insurance contribution is (); the number of employees with commercial insurance contribution is (); the number of employees with housing provident fund contribution is (); 2. The relevant records shall include the receipts or relevant certificates issued by the Social Security Bureau or the bank showing the number of

		participants and the amount of the contribution; 3. Related records can be clear photos with the date.
10.	the latest record of fire drill	including text records and site photos (please provide original photos and file them in separate folders).
11.	the latest training record on fire evacuation knowledge for employees	including training check-in records, site photos and content of training (please provide original photos and file them in separate folders).
12.	distribution map/table of the firefighting facility	a map or list showing the exact location of the firefighting facility
13.	record of regular inspections of the firefighting facility	original record or photo
14.	list of hazards and risks against occupational safety and health in the main production procedures	The list provided must contain the main production procedures and the possible risks.
15.	suppliers' permit of fire protection, construction, environmental protection and sewage discharge, report of environmental impact factors, test report of occupational hazard at the workplace, test report on firefighting facility and electrical facilities	original photo or scanned copy
16.	list and release record of appliances for labor protection	Record should contain the date.
17.	list of chemicals	list of all the chemicals and chemical substances used or stored at the site
18.	list of major pollutants and their sources	
19.	list of major energy use	such as electricity, coal, diesel, natural gas, etc.
20.	monthly report of energy consumption	monthly consumption record for the first two months of each quarter
21.	assessment system on energy consumption or action plan and measures for energy saving	including all measures and programs for energy saving and emission reduction used in the factory
22.	inventory of greenhouse gas	should include equipment, use of equipment, greenhouse gases used-produced, amount generated, frequency of leak detection, etc.

### 1.3 Principle Requirements for Suppliers' Provision of Documentary Evidence



*The supplier shall ensure the authenticity and reliability of all documentary materials submitted to Li-Ning Company. Li-Ning Company is determined not to accept any false documentary materials. Once discovered, the company has the right to terminate its partnership with the supplier. The relevant responsibility should be borne by the supplier.*

- Transparency.** Factories must ensure that all documents provided are true and consistent with the original information, which will be checked against during the on-site assessment. If there is obvious fraud or inconsistent deception, once confirmed through communication, a serious warning will be issued and notified for the first time, and the Department of Social Responsibility, Environment and Sustainability will advise the supplier to withdraw from the supply chain system for the second time.
- Clearness.** Factories must ensure that all documents and photographs provided are clear and readable. (It is recommended that the factory browses by itself before sending to ensure that all documents are clearly visible.)
- Relevance.** The factory must assign personnel responsible for social responsibility work to prepare relevant documents. During the preparation, this person should fully understand the necessary documents and ensure that all the documents provided are related, clear and complete. If the document is inaccurate or incomplete, the company shall explain it in the final report. Incomplete information in the documents will affect the final score of the factory.
- Timeliness.** Factories must provide documents and information covering the given period according to the work instructions. Any material submitted beyond the required limit of time will not be used as the rating basis in this quarter. Besides, for whatever reason, please check with the auditor again whether your information has been received after submitting the information, so as not to affect the result of factory evaluation due to other unrelated reasons such as network or sending and receiving.
- Traceability.** Ensure that all provided documents are traceable with records and all changed and increase or decrease are documented.

### 2. On-site Assessment

In each calendar year, Li-Ning Company will select a certain number of factories to conduct the on-site assessment for the coming year based on the depth of cooperation and their evaluation results in the previous year. The assessment covers four major parts of business ethics and morality, labor employment, health and safety, and environmental protection. Whether it is a second-party audit organized by Li-Ning Company or a third-party audit, the on-site assessment will be conducted in accordance with the content in Table 5.

Table 5: List of Indicators for the On-site Assessment on Suppliers CSR

Module	Content	Indicator	
Business Ethics and Morality	Commercial Bribery	Does the factory have any attempt to bribe auditors on site?	
	Transparency	Does the factory intentionally record and disclose information inaccurately, or falsify records or statements?	
	Protection of the Whistleblower	Is there any confidentiality mechanism in the factory to ensure that workers and employees who report suspected moral misconduct would be protected?	
		Is there any measure in the factory to ensure that the whistleblowers would be protected from retaliation?	
	Child Labor	Is there any child labor in the factory?	
		Does the factory keep a copy of the employees' ID and record their ID number?	
		Is there any rescue plan for child labor in the factory?	
	Underage Workers	Does the factory allow underage employees to engage in operation in hazardous jobs, including exposing to chemicals, etc?	
		Does the factory allow underage employees to work on the night shifts (by province)?	
		Does the factory allow underage employees to work overtime (by province)?	
		Does the factory have registration of underage employees?	
		Does the factory regularly organize physical examination for underage employees?	
		Does the factory pay for the physical examination for underage employees?	
		Does the factory organize training on occupational health and safety education for underage employees?	
	Forced Labor	Does the factory use prison labor or forced labor, etc?	
		Does the factory detain personal documents such as ID cards?	
		Can factory employees leave the factory freely after work?	
		Can factory employees use the restroom, drink water, etc. freely?	
		Does the factory employee have freedom of resignation?	
Labor Employment	Discrimination	Is there any policy for a non-discrimination system (recruitment, training, promotion, wage increase, resignation, etc.) in the factory?	
		Does the factory organize pregnancy tests when employees are employed?	
	Harassment, Abuse, Disciplinary Measures, etc.	Do the factory's disciplinary measures include fines?	
		Is there any harassment, torture and abuse on employees in the factory?	
		Does the factory conduct improper frisk on employees?	
	Labor Contract	Does the factory sign labor contracts with all employees in time?	with none of employees
			with part of employees
			didn't sign contract without a fixed term
			signed a contract after 1 month
		Are there any clauses missed in the labor contract used by the factory?	

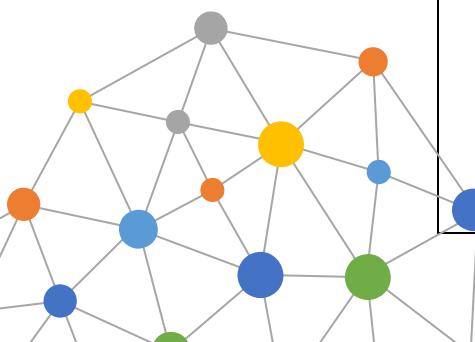
	Does the probationary period given by the factory exceed the requirements of the Labor Law?
	Is there any provision for liquidated damages in the labor contract signed between the factory and the employee?
	Does the factory give employees a contract for retention?
	Is there any roster of employees in the factory?
	Is the factory's employee roster complete and accurate?
	Do the foreign employees in the factory have a work permit?
	Does the labor company that cooperates with the factory have a business license for labor dispatch?
	Does the factory sign an agreement on labor dispatch with the labor company?
	Does the factory sign labor contracts with the dispatch employees? with all dispatch employees with part of dispatch employees
	Does the labor dispatch company that cooperates with the factory charge the service fee from the employee?
	Does the wage and benefits of the employees assigned by the labor dispatch company from the other places meet the employment terms of the local authority?
	Does the dispatch contract signed by the dispatch employees meet the relevant legal requirements?
	Is the term of the labor dispatch contract less than 2 years?
	Are the positions of contract employees, subcontractors, domestic employees and apprentices temporary, auxiliary, and alternative?
	Does the proportion of labor dispatched employees used in the factory exceed 10%?
Freedom of Association	Can factory employees choose to form or join a legal employee organization?
	Is there any system in the factory to guarantee the right of all employees to participate in collective bargaining or not participate in collective bargaining?
	Is there any system in the factory to guarantee the right of all employees to participate in peaceful gatherings or not participate in gatherings?
Employee Appeal and Complaint	Is there any appeal or complaints mechanism for employees in the factory to ensure that employees are able to conduct work-related complaints in secret without fear of retaliation or intimidation?
Working Hours	Is there any attendance record of employees in the factory?
	Is the attendance record complete and easy to judge, such as using symbolic records, no entry and exit time, etc?
	Is the attendance record of factory employees complete (only for the last three months)?
	Does the factory's comprehensive approval on working hours exceed the time limit?
	Does the factory employee work overtime for over 3 hours per day and over 36 hours per month (without



		comprehensive approval on working hours)?
		Does the factory's weekly working hours comply with relevant laws and regulations? The weekly working hours are between 61-71 hours. The weekly working hours are between 72-90 hours. The working hours are more than 91 hours.
		Can factory employees take a day off each week (maximum 12 days)?
	Wage	Is there any complete record of payment of wage in the factory? a complete record no record only part of record
		Is the minimum wage in the factory higher than the local minimum wage?
		Does the factory issue full overtime pay according to relevant requirements?
		Is there any delay in the payment of wage in this factory (more than one month)?
	Benefit	Does the factory purchase and pay for social insurance for employees in accordance with legal requirements?
		Is the factory's payment for resignation timely and accurate?
		Are employees legally entitled to statutory annual leave, including statutory holidays, paternity leave, marriage leave, late marriage leave, etc?
		Do the female employees have maternity leave, abortion leave, etc?
		Do the employees have sick leave?
	General Working Environment	Is the working environment safe and clean, such as complete windows and doors, no broken glass, etc?
		Is the temperature in the workshop suitable for employees to work?
		Is the factory workshop well ventilated?
		Is the lighting in the workshop suitable for employees to work?
		Are the toilet seats adequate in the factory?
		Are the toilets in the factory clean?
		Does the factory provide clean and safe drinking water for employees?
	Health and Safety	Are there alarm bells that function well in the relevant areas of the factory?
		Is there a smog detection or other fire detection system in the relevant areas of the factory?
		Does the spray in each area in the factory meet the relevant requirements (depending on the circumstances)?
	Firefighting and Escape	Is the setting and layout of the fire hoses in the factory reasonable and in compliance with laws and regulations?
		Is the factory equipped with fire hydrants in compliance with laws and regulations?
		Is the number of extinguishers in each area of the factory sufficient?
		Are the types of extinguisher configured in each area of the factory in compliance with laws and regulations?
		Are there any insufficient pressures on the extinguishers in each area of the factory?

	Does the height of the extinguishers in the factory in compliance with laws and regulations?
	Are the firefighting facilities in the factory blocked but available?
	Are the firefighting facilities in the factory blocked and unavailable?
	Is the factory-configured sign of firefighting facility clear and equipped with instructions for use?
	Does the factory regularly inspect the firefighting facilities?
	Are the safety exits in the workshop, office area, restaurant and other areas sufficient?
	Are the safety exits equipped with relevant signs in compliance with laws and regulations?
	Is there any evacuation indication in the relevant areas in the factory?
	Is the safety exit in the factory unblocked? unblocked blocked and movable blocked and unmovable
	Is the safety exit in the factory locked? unlocked locked, is a commonly used exit locked, is not a commonly used exit
	Is the distance between safety exits less than 5 meters?
	Does the direction of the safety exit comply with relevant legal requirements? shutter door sliding door revolving door inward opening door
	Does the width of safety exit and evacuation channel comply with relevant laws and regulations?
	Is there any escape map in the factory?
	Are the corridor, stairs and escape route of the factory unblocked? unblocked blocked and movable blocked and unmovable
	Is the factory equipped with emergency lights in the relevant areas?
	Are the factory-configured emergency lights function well?
	Are the evacuation channel and platform in the factory equipped with handrails or guardrails?
	Does the factory organize evacuation drills in all areas?
	Is the firefighting water in the factory function well without problems such as insufficient water pressure?
	Is the factory equipped with explosion-proof lights in the warehouse for chemicals?
	Does the luminaire in the warehouse meet the requirements with the installation of thermal insulation material?
Occupational Health	Does the factory have a first-aid kit in every workshop?
	Is the medicine in the first-aid kit provided by the factory complete?
	Does the factory have first-aider configured in accordance with relevant laws?
	Is the factory equipped with eyewash and rinsing

	<p>facilities?</p> <p>Does the factory have a procedure for record on occupational injuries?</p> <p>Does the factory investigate the cause of incidents and take relevant corrective measures after the occupational injuries?</p> <p>Does the factory provide relevant procedures for first aid?</p> <p>Does the factory provide regular physical examinations on occupational diseases for employees?</p> <p>Does the employee bear the cost of physical examinations on occupational diseases organized by the factory?</p> <p>Does the factory have relevant policies and procedures to identify, evaluate, and control the risk that manual workers may suffer from, manual labor, lifting heavy objects, repeating operations, etc. (ergonomic requirements)?</p> <p>Does the factory regularly organize testing towards occupational hazard factors? Is there any occupational hazard factor exceeding the standard?</p> <p>Is there any occupational hazard factor detected by the factory exceeding the standard?</p>
Protection Against Mechanical Injuries	<p>Does the factory have all the latest required permits, licenses and test reports for machinery?</p> <p>Does the factory install protective equipment on the machines, such as belt covers, personal safety locks, etc?</p> <p>Does the factory install an emergency brake switch on the machines?</p> <p>Does the factory provide PPE (personal protective equipment) (earplugs, gloves, masks, etc. while operating the machines)?</p> <p>Does the factory change PPE regularly?</p> <p>Do employees need to pay for the PPE provided by the factory?</p> <p>Does the factory supervise employees wearing PPE?</p>
Safety of Employment	<p>Does the factory carry out registration and inspection of special equipment?</p> <p>Does the factory regularly check the safety of the wires to ensure that there is no exposure or warehouse wire outside the tube, etc?</p> <p>Does the factory conduct regular line inspections?</p> <p>Do the special equipment operators in the factory have a certificate?</p> <p>Does the electrician in the factory have an electrician certificate?</p> <p>Does the electric welder in the factory have a welding certificate?</p> <p>Does the factory provide PPE for special operations?</p> <p>Does the factory change PPE for special operations regularly?</p> <p>Do employees need to pay for PPE for special operations provided by the factory?</p> <p>Does the factory supervise employees wearing PPE for special operations?</p> <p>Are the various cylinders used in the factory stored separately?</p> <p>Are the various cylinders used in the factory fixed?</p>



Safety of Buildings	Is the use and structure of the buildings related to the factory consistent with the information on fire prevention inspection or other documents?
	Does the building related to the factory have an acceptance report/record on fire prevention?
	Does the building related to the factory have an acceptance report on the quality of the building completed?
Safety of Chemicals	Are there any permit and record for highly toxic chemicals and precursor chemicals used in the factory?
	Is the Material Safety Data Sheet (MSDS) for the chemicals related to the factory complete?
	Are the chemicals stored and used in the factory clearly labelled?
	Does the factory have separate storage space for chemicals and ensure that their storage environment (e.g. temperature) meets the requirements according to the MSDS?
	Is the hazardous waste placed with non-hazardous waste in the factory?
	Is there a lid for the container for hazardous waste in the factory?
	Is the container for hazardous waste in the factory clearly labelled?
	Does the factory have facilities and measures for prevention of secondary chemicals leakage?
	Does the factory provide PPE against chemicals, such as gas masks, goggles, etc., to employees exposed to chemicals?
	Does the factory change PPE against chemicals regularly?
	Do employees need to pay for PPE against chemicals provided by the factory?
	Does the factory supervise employees wearing PPE against chemicals?
	Does the factory organize training on chemical, hazardous chemicals and emergency plan?
	Does the factory organize drills against leakage or accident of chemical or hazardous substance?
Safety in Dormitory and Canteen	Does the factory have an explosion protection zone and protective measures for flammable gases or liquids?
	Does the factory have equipment to detect the air concentration of toxic and hazardous substances and take protective measures?
	Does the factory provide a three-in-one dormitory?
	Does the dormitory space provided by the factory meet the relevant requirements?
	Is the dormitory environment provided by the factory clean and comfortable, including temperature and lighting?
	Are the escape exits in the factory's dormitory sufficient? Do these exits meet the relevant requirements?
	Are the escape exits of the dormitory provided by the factory blocked or locked?
	Are the escape exits of the dormitory provided by the factory clearly labelled?
	Is there an evacuation map for the dormitory



		<p>provided by the factory?</p> <p>Is the dormitory provided by the factory equipped with emergency lights?</p> <p>Does the emergency lights in the dormitory provided by the factory function well?</p> <p>Is the dormitory provided by the factory equipped with an alarm bell?</p> <p>Is there any smog detection or other fire detection system in the dormitory?</p> <p>Does the number of sprays in the dormitory meet the relevant requirements (in accordance with laws and regulations)?</p> <p>Does the extinguisher in the dormitory meet the relevant requirements and function and maintain normally?</p> <p>Can the fire hoses inside the dormitory function well?</p> <p>Does the hydrant inside the dormitory meet the relevant legal requirements?</p> <p>Are the doors and windows of the dormitory complete without broken glass?</p> <p>Can the dormitory door be locked properly with a handle?</p> <p>Is the dormitory equipped with toilets and water rooms?</p> <p>Is the environment in the kitchen clean?</p> <p>Is the container for storing food in the kitchen clean?</p> <p>Is the canteen in the factory clean and dining area not adjacent to the poisonous and harmful work?</p> <p>Does the canteen in the factory have enough seats for employees?</p> <p>Do the staff of the canteen in the factory have health certificates?</p> <p>Does the canteen in the factory have a valid permit of catering service?</p> <p>Does the width of the escape exit of the dormitory provided by the factory meet the relevant requirements?</p> <p>Does the evacuation stairs and width of the walkway in the dormitory provided by the factory meet the relevant requirements?</p> <p>Is the opening direction of the dormitory doors provided by the factory correct?</p> <p>Does the height of the extinguishers in the dormitory provided by the factory meet the relevant requirements?</p>
Environment	Relevant Qualifications and Compliance	<p>Has the environmental violation record related to the factory been eliminated in the IPE system?</p> <p>Does the facilities and buildings related to the factory have an evaluation document and record towards environmental impact?</p> <p>Does the facilities and buildings related to the factory have the environmental impact assessment ratification?</p> <p>Does the facilities and buildings related to the factory pass the environmental acceptance inspection?</p> <p>Is there any re-approval of environmental impact assessments for new projects in the factory?</p> <p>Has the factory had any record of environmental fine in the past 3 years?</p>

		Does the factory regularly identify and update environmental laws and regulations and customer requirements?
Waste Management		Does the hazardous waste treatment unit used in the factory have qualifications on hazardous waste? Is there a five-in-one list for related hazardous waste treatment?
		Is the factory registered for wastewater discharge? Is there a record of excessive wastewater discharge?
		Is the factory registered for exhaust gas discharge? Is there a record of excessive exhaust gas discharge?
		Does the factory handle solid waste in a legal and compliant manner?
		Does the factory discharge waste directly without proper treatment?
		Is the hazardous waste placed with non-hazardous waste in the factory?
		Is there a lid for the container for hazardous waste in the factory?
		Is the container for hazardous waste in the factory clearly labelled?
Energy Conservation and Emission Reduction		Does the factory adopt energy-saving measures and new technologies?
		Does the factory conduct work on carbon reduction?

### 3. Types of Audit

Generally, there are three main types of audits on supply chain social responsibility. They are the first-party audit, the second-party audit, and the third-party audit. Their specific meanings and differences are shown in the following table:

Table 6: Comparison of Different Types of Audit

Types	First-party Audit	Second-party Audit	Third-party Audit
Definition	audit on the supplier by itself	audit on the supplier by the purchaser	audit on the supplier by the independent external third party
Purpose	The result of the audit usually serves as an opportunity for internal improvement of the supplier, focusing on testing the effectiveness of the relevant procedures.	The result of the audit is the basis of the purchase decision, focusing on the supplier fulfilling the relevant requirements of the purchaser.	The audit is usually a means of conducting certification and in-depth verification, focusing on the consistency between the suppliers' practices and their commitments.

#### 3.1 First-party Audit

The first-party audit, sometimes referred to as internal audit, is conducted by the supplier itself or on behalf of the supplier. The target of the audit is the

supplier's own management system, verifying that the management system can continue to meet the specified requirements and keep running. It provides information for effective assessment on management and actions for correction and prevention. Its purpose is to verify whether the management system of the organization is functioning effectively, which could be served as the basis for the self-declaration as qualified of the organization. In many cases, especially in small-scale companies, it can be conducted by people who are not responsible for the audited activity to demonstrate its independence.

Reasons for suppliers to conduct internal audits include:

- a requirement of international management system standards for quality, environmental and occupational health and safety;
- a means of self-management for the organization manager;
- a way for the organization to implement relevant national regulations and other requirements;
- a way for the organization to continuously improve the operation of the integrated management system;
- identifying and correcting problems before external review.

The implementation of the internal audit focuses on verifying the consistency of activities and related results, ensuring the effectiveness of the quality management system, the reliability of the procedures, and the applicability of the product, evaluating the extent to which it achieves the intended purpose, and identifying opportunities and measures for improvement (including corrections and prevention).

At the same time, auditors should be able to maintain relative independence and impartiality. They should also be specifically authorized by the organization's managers to be fully qualified. The number and qualification of auditors should meet the needs of the internal audit.

### **3.2 Second-party Audit**

The second-party audit is an audit on the supplier conducted by the purchaser. The result of the audit is usually the basis of the purchase decision. During the second-party audit, the degree of impact of the purchased product on the quality or use of the final product should be considered first, and then the method and scope of the review could be determined accordingly. Factors such as technology and capacity of production, price, timeliness of delivery, and service should also be considered.

The scope of the second-party audit is determined by the auditor. It could include procedures, locations, and departments related to the purchased products. The second party should also inform the supplier of the standards and requirements of the systematic audit and leave sufficient time for preparation. After the supplier accepts, the second party then sets up an audit group, makes an audit plan, prepares working documents such as forms and records. The

second party can send someone to help the supplier with system establishment when necessary.

For qualified suppliers, the second party should determine the type of control and implement follow-up audit or dispatch on-site monitoring.

### **3.3 Third-party Audit**

An audit on the organization by a third party, often referred to as an external audit, is conducted by an organization with third-party certification. Once approved, the supplier would be issued a certificate. The third-party audit is often a means of authentication.

A third-party audit is usually initiated by the purchaser. The purchaser then makes a final decision on the audit scope with the assistance of the third party. After receiving the application, the third party may conduct an initial visit to the auditee to gain an understanding of its size, characteristics, and management status, and reach an agreement on the required fees to decide whether to accept this application. After an agreement from two sides has been reached, a contract on audit (or certification) would be signed. The selected standards of the quality management system, the products covered by the system, the procedures and the official audit time should be included in this contract.

The auditee shall provide relevant documents as the basis for making the audit plan in accordance with the requirements of the third party. The main purpose of the audit on documents is to:

- Preliminarily decide on whether the auditee meets the requirements on document of the audit agreement to determine whether the applied audit could be conducted;
- Understand the auditee's implementation of the relevant management system in order to develop an audit plan.

The auditee that has passed the audit on documents could be notified to move on to the next procedure of audit. The auditee who fails to pass the audit on documents shall improve its unqualified parts before continuing working until the auditor and the auditee are both satisfied.

The audit plan shall be confirmed by the entrusting party and informed to the auditor and the auditee. When the auditee disagrees with some terms in the audit plan, it should immediately inform the leader of the audit group. These objections shall be resolved through the consultation by the audit team leader and the auditee before the audit.

The relevant procedures of the on-site assessment are shown in the next section.

## 4. Procedures of On-site Assessment

The on-site assessment on social responsibility is conducted in a semi-public way. The supplier will be informed one week before the audit group arrives. The audit will be conducted in every production plant.



If there are warnings or serious problems in the result of the audit, the audit group will conduct a follow-up audit within 60 to 90 days to confirm that the problem has been eliminated and ensure that appropriate procedures have been established to prevent the recurrence of the problem. The follow-up audit will also inspect if there is any other serious or warning issue.

The audit group usually consists of two auditors who perform separate audit sections. One conducts the audit on documents and the other conducts the audit on operation (environment, health, and safety). The specific procedure is shown in Figure 3.

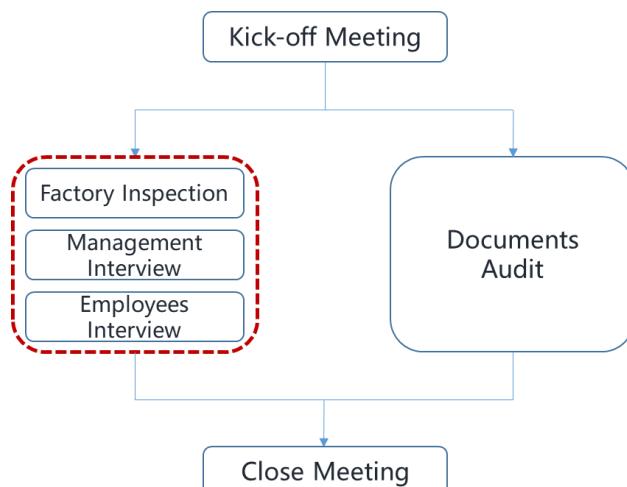


Figure 3: Procedures of On-site Assessment

### 4.1 Kick-off Meeting

The purpose of this meeting is to arrange for the audit group to do the self-introduce to the plant management and employees of the supplier and review important aspects of this audit, such as the schedule for the day, the specific issues to be resolved, the guidelines of supplier, and the way in which the audit reports would be prepared and delivered. The audit group will also explain the statement of completeness, require the supplier to sign the statement that the supplier is committed to ensuring transparency, and prohibit any supplier or audit representative from providing, accepting or requesting any form of bribe.

Participants from the supplier should include: Factory Senior Manager, Senior Manager of Operations, Manager of Social Responsibility, Senior Manager of Environment, Health and Safety, and Senior Manager of Human Resources.

### 4.2 Factory Inspection

The supplier shall lead the audit group to inspect the factory. The inspection

should be conducted after the first meeting. The audit group can be familiar with the layout and operations of the plant during the inspection, identify and prioritize areas of operations that may require more detailed inspection or review during the procedure of audit. All buildings involved in the production, distribution or storage of the purchaser's products, as well as all public areas (such as canteens, dormitories, etc.), are subject to inspection.

The members of the audit group can ask the supplier to approve photo-taking of the factory interior and audit results. The audit includes:

- storage and disposal of hazardous materials;
- manufacturing and processing operations;
- canteen for employees, kitchen and food storage area;
- medical clinic;
- dormitory;
- distribution center/warehouse.

The plant operator or manager of health and safety should accompany the auditor during the audit, as serious issues or issues that need immediate resolution will be highlighted during the audit.

#### **4.3 Documents Audit**

The audit group usually starts work separately after the inspection: one conducts the audit on documents and the other conducts the audit on operation (environment, health, and safety). Suppliers should be prepared to provide the following documents before the audit group arrives. The documents to be audited include:

- record on wage;
- employee documents: proof of age and identity, work permit, etc.;
- human resources policy: employment, recruitment;
- certificate, permit, formalities of factory inspection;
- employee records on specific health checks required by law;
- labor institutions and hiring practices;
- roster;
- any other documents that the audit group may request.

#### **4.4 Management Interview**

The members of the audit group will conduct private interviews with the management of the factory. Interviewees included Plant Manager, Manager of Production, Manager of Environment, Health and Safety, Manager of Human Resources, supervisors, etc. The purpose of the interview is to confirm the respondents' understanding of policies, documents, records, and operational practices.

## 4.5 Employees Interview

The members of the audit group will conduct private interviews with the employees of the factory. The purpose of employee interviews is to confirm their understanding of the policy, operational practices, working relationships with supervisors and other employees, and working conditions. Interviews are confidential and must be conducted in private, without any factory manager or other employees of the supplier. All the information from the employee interview must be kept anonymously as confidential material. Suppliers are strictly prohibited from taking any punishment against the employees interviewed in the procedure of audit. It is not allowed to deduct employee salaries or impose other penalties on employees for interviews.

## 4.6 Close Meeting

At the summary meeting, the audit group will issue an interim audit report summarizing the problems existing in the factory and the areas that need improvement. It may need a follow-up audit if necessary, depending on the seriousness of the problem. The final audit report will be sent to the initiator of the audit within a certain working period after the audit is completed.



*In order to make suppliers' cost more effective for CSR auditing, Li-Ning Company recognizes and accepts the relevant audits on social responsibility by the authoritative third-party standards and agencies with international recognition.*

## 5. Third-party Auditing Agency, Standards and Qualifications of Auditor Recognized by Li-Ning Company

In order to avoid repeated investment by the supplier in the audit on social responsibility, Li-Ning Company approves the procedures and results of the audit on CSR conducted by the authoritative third-party agencies in accordance with the relevant international standards. The authoritative third-party agencies approved by Li-Ning Company are shown but not limited as shown in Table 7.

Table 7: The Authoritative Third-party Agencies Approved by Li-Ning Company

Name	Related Information
TUV Rheinland	<a href="https://www.tuv.com/cn/greater_china/home.jsp">https://www.tuv.com/cn/greater_china/home.jsp</a>
SGS	<a href="https://www.sgsgroup.com.cn/">https://www.sgsgroup.com.cn/</a>
UL	<a href="https://china.ul.com/">https://china.ul.com/</a>
Intertek	<a href="https://www.intertek.com.cn/">https://www.intertek.com.cn/</a>
BV	<a href="http://www.bureauveritas.cn/wps/wcm/connect/bv_cn/Local">http://www.bureauveritas.cn/wps/wcm/connect/bv_cn/Local</a>
ELEVATE	<a href="https://www.elevatelimited.com/">https://www.elevatelimited.com/</a>
BSI	<a href="https://www.bsigroup.com/zh-CN/">https://www.bsigroup.com/zh-CN/</a>
APCER	<a href="https://www.apcergroup.com/zh/amfori-bsci">https://www.apcergroup.com/zh/amfori-bsci</a>
ALGI	<a href="https://www.algi.net/zh/">https://www.algi.net/zh/</a>

On the other hand, relevant international standards have already reflected characteristics of the industry as the practice of responsible procurement and

supply chain social responsibility management are constantly innovating. Li-Ning Company has given full consideration to this situation. Therefore, we also recognize the certification that suppliers have obtained through the assessment of authoritative international standards in addition to Li-Ning Company's audit standards on social responsibility. The list of specific standards is shown in Table 8.

Table 8: The Audit Standards Approved by Li-Ning Company

Name of Standards	Related information	Notes
WRAP	Worldwide Responsible Accredited Production (WRAP) <a href="http://www.wrapcompliance.org/zh/home">http://www.wrapcompliance.org/zh/home</a>	
Higg Index	<a href="https://apparelcoalition.org/the-higg-index/">https://apparelcoalition.org/the-higg-index/</a>	
CM	Chemical Management Auditing <a href="http://www.intertek.com/uploadedFiles/Intertek/Divisions/Consumer_Goods/Media/PDFs/Services/Chem-Mgmt-Auditing.pdf">http://www.intertek.com/uploadedFiles/Intertek/Divisions/Consumer_Goods/Media/PDFs/Services/Chem-Mgmt-Auditing.pdf</a>	For auditing tools without a score presentation, we will rectify the findings based on the audit report, identify color levels after the internal review, and at the same time focus on the Minimum Requirement and Zero Tolerance.
SMETA	<a href="https://www.sedexglobal.com/zh-hans/smeta-%e5%ae%a1%e6%a0%b8/">https://www.sedexglobal.com/zh-hans/smeta-%e5%ae%a1%e6%a0%b8/</a>	
WCA	<a href="https://www.intertek.com.cn/service/WCA.html">https://www.intertek.com.cn/service/WCA.html</a>	
amfori BSCI	<a href="https://cn.amfori.org/zh-hans/content/amfori-bsci-platform">https://cn.amfori.org/zh-hans/content/amfori-bsci-platform</a>	
DISNEY ILS	<a href="https://ditm-twdc-us.storage.googleapis.com/ILS_Program_Manual_10_2015_English.pdf">https://ditm-twdc-us.storage.googleapis.com/ILS_Program_Manual_10_2015_English.pdf</a>	
SA8000	<a href="http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&amp;pageId=1689">http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&amp;pageId=1689</a>	
RBA	<a href="http://www.responsiblebusiness.org/">http://www.responsiblebusiness.org/</a>	
TGI	Assessment on Factory's Environmental Performance: Think Green Initiatives (TGI) <a href="https://www.intertek.com.cn/service/TGI.html">https://www.intertek.com.cn/service/TGI.html</a>	Clothes Shoes

At the same time, the company also recognized the audit reports and related certifications of its suppliers by internationally-renowned brand companies. Please contact the Li-Ning Social Responsibility Team for specific information.

Finally, for the third-party auditors, Li-Ning will consider the relevant capabilities of the members of the audit group, including but not limited to:

- whether they have the qualifications (such as WCA, Sedex, BSCI, Disney and other standards accrediting auditors);

- whether they have business content and work experience of the registration and audit involved by the auditee (It requires several years of audit experience of supply chain social responsibility, and one of them must have an in-depth understanding of the auditee's industry, such as relevant industry experience or years of audit experience);
- evaluation of the performance of each employed auditor during the audit;
- ability of work coordination;
- acceptance by the auditor;
- The auditee has the right to assess the audit performance of each employed auditor.

## IV. Rating Standards on Supplier CSR Performance



*The fundamental purpose of Li-Ning Company's audit on supplier CSR is to benchmark the international standards and best practices, improve the overall sustainability of the supply chain, and achieve common progress and optimization with partners.*

In each natural year, Li-Ning Company will select a certain number of factories to conduct the on-site assessment for the next year based on the depth of cooperation and their evaluation results in the previous year. The assessment includes but is not limited to the environment, labor, human rights, and occupational health. The results of the on-site assessment are divided into four levels: green label, blue label, yellow label, and red label. Among them, the green label, the blue label, and the yellow label are all qualified, and the red label is unqualified. The specific score ratings and treatments are shown in Table 9.

Table 9: Rating Standards on Li-Ning Company's Supplier CSR Performance

Rating	Definition and Treatment	Score	Rating
<b>Green Label</b>	This supplier is a global leader in the production of factories, which serves as a model for other factories. Its level of management exceeds Li-Ning Company's requirements for suppliers. It can conduct self-management and improvement and be exempted from audit for one year.	environmental score > 85	Pioneer
		social score (CSR-LN) > 95	
<b>Blue Label</b>	This supplier achieves an overall level of compliance and requires itself to continuously discover and rectify its problems.	environmental score: 70~85	Good
		social score (CSR-LN): 85~95	
<b>Yellow Label</b>	This supplier basically meets the requirements (some parts may exceed the requirements). It needs to accept on-site spot checks that may be performed by the brand within six months to verify the effect of its rectification. If any rectification undone is found during the spot check, this supplier would be downgraded to red label.	environmental score: 60~70	Qualified
		social score (CSR-LN): 70~85	

<b>Red Label</b>	<p>The supplier was found to have problems of zero tolerance, fraud, transparency or a low overall rating. The factory is required to accept self-funded counseling and self-review, and determine the validity period based on the level of risk. If the supplier is rated as a red label for two years, it will be required to withdraw from the cooperation.</p>	<p>environmental score &lt;60</p> <p>social score (CSR-LN): &lt;70</p>	<p>Unqualified</p>
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## V. Appendix

### 1. Related Terms and Explanations

Related Terms	Explanations
CSR	Corporate Social Responsibility
QBR	Quarterly Business Review
Audit on Supply Chain Social Responsibility	The company reshapes its internal governance structure and management procedures, aligns its strategy on procurement behavior, communicates and cooperate with suppliers (including subcontractors) to encourage them to comply with related laws and regulations, guidelines and initiatives on social responsibility, and to urge them to implement effective management programs to systematize their compliance behavior.
Child Labor	Defined in the following order: (1) a person below the minimum age of employment in the country; or in the absence of relevant laws, (2) a person below the completion age of compulsory education; or in the absence of relevant laws, (3) a person under the age of 16.
Underage Employee	The underage employee referred to in China's legal provisions is an employee who is over 16 years old but under 18 years of age.
Bonded Labor	It refers to being forced to work by the employer or creditor to pay off the debt.
Imprisonment	It refers to being forced to work without personal freedom.
Contract Labor	It refers to the services provided in accordance with the instructions of the employing unit based on commission and contract. In this case, the workers' freedom of movement is strictly restricted, and labor remuneration is often unpaid. Employers often prohibit contract workers from leaving freely, or contract workers cannot choose to end employment freely.
Minimum Wage	It refers to the minimum amount of labor remuneration paid by the employer or employing unit under the premise that the employees have provided normal labor during their statutory working hours. The minimum wage generally does not include overtime pay, allowances under special working environments or special conditions, labor insurance, benefits, and various non-monetary income. The minimum wage should be paid on time in legal tender, which is generally enacted by legislation in a country or region.
Approval of Special Working Hours	In accordance with the Article 5 of the "State Council Regulations on Working Hours of Employees" that "due to the nature of work or the limitations of production characteristics, if it is impossible to implement the standard working hours system of 8 hours per day and 40 hours per week, other measures of work and rest may be implemented in accordance with relevant state regulations", the permit for special working hours

	obtained by the company need to be approved by the administrative department in turn.
Temporary Labor	It refers to workers who are employed informally in the workplace and usually paid on a daily basis. They are not as protected as formal workers with a pension and a monthly minimum wage. The temporary workers are divided into two categories: hiring employees and dispatch employees.
Dispatch Employee	Labor dispatch is labor lease. The dispatching agency signs labor contracts with the workers, pays the remuneration, and dispatches the laborers to other employing units. And then the employing units pay a service fee to the dispatching agency. The dispatch employee refers to the laborer who is dispatched.
Testing towards Occupational Hazard Factors	It is an assessment of influence on the degree of danger of the various factors that constitute occupational hazards. It mainly analyzes the impact of occupational hazards on employee health through monitoring on production environment, monitoring on employee health, investigation on occupational epidemiology, and laboratory research.
Occupational Injury	It refers to the injury suffered by employees during production or work. According to national regulations, occupational injury including those in performing work that is temporarily assigned or agreed to in daily work and corporate administration, in engaging in emergent work that is beneficial to the company but not assigned by the company, and in the invention or technical improvement.
Occupational Diseases	It refers to diseases caused by exposure to dust, radioactive substances and other toxic and harmful substances during the work in enterprises, public institutions, and individual economic organizations.
OHSAS 18001	The OHSAS18000 Occupational Health and Safety Management System is an international standard jointly launched by 13 organizations including the British Standards Institution (BSI) and the Det Norske Veritas (DNV) in 1999. Among them, the OHSAS18001 standard is a certification standard, which is the basis for the organization (enterprise) to establish a management system for occupational health and safety, and the main basis for the enterprise to conduct an internal audit and for a certification authority to implement certification audit.
Hazardous Waste	According to the "Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes", solid wastes which are listed in the National Hazardous Waste List or with hazardous properties identified by the state's identification standards and methods of hazardous waste must be disposed in accordance with national laws and regulations.
Evaluation towards Environmental Impact	Evaluation towards Environmental Impact refers to the analysis and demonstration of the possible environmental impacts of the proposed human activities, and the preventive countermeasures and strategies based on the evaluation.

Permit of Sewage Discharge	It refers to the certificate that allows a pollutant discharge unit to emit a certain amount of pollutants after it applied to the authority of environmental protection. It is widely used as an important part of the permit of environmental protection.
ZDHC	Zero Discharge of Hazardous Chemicals
ZDHC MRSL	Manufacturing Restricted Substances List issued by the Zero Discharge of Hazardous Chemicals
IPE	Institute of Public and Environmental Affairs is a public welfare environmental research institution registered in Beijing. Since its establishment in June 2006, IPE has been dedicated to collecting, arranging and analyzing environmental information disclosed by the government and enterprises, building the environmental information database and two application platforms of the Pollution Map Website and the Blue Map, and integrating environmental data services into green procurement, green finance, and government environmental decision-making. Through the joint efforts of enterprises, governments, non-profit organizations, research institutions, etc, a large number of enterprises are encouraged to achieve a transformation of environmental protection and promote the improvement of environmental information disclosure and environmental governance mechanisms. <a href="http://www.ipe.org.cn/">http://www.ipe.org.cn/</a>
PPE	PPE is the abbreviation of Personal Protective Equipment, which is primarily used to protect employees from serious occupational injuries or diseases caused by exposure to chemical radiation, electric radiation, chemical corrosion, electrical equipment, labor equipment, mechanical equipment or dangerous workplace.
MSDS	MSDS, the Material Safety Data Sheet, can also be translated as a chemical safety instruction or a chemical safety data sheet. It is a document used by chemical producers and importers to clarify the physical and chemical properties of chemicals (such as pH, flashpoint, inflammability, reactivity, etc.) as well as possible harm to the user's health (such as carcinogenicity, teratogenesis, etc.).
Greenhouse Gases	It refers to some gases in the atmosphere that absorb long-wave radiation reflected from the ground and re-emit radiation, such as water vapor, carbon dioxide, most refrigerants, and so on. Their role is to make the surface of the earth warmer, which is similar to the role of greenhouses in intercepting solar radiation and heating the air inside. This effect is called the "greenhouse effect". Water vapor (H <sub>2</sub> O), carbon dioxide (CO <sub>2</sub> ), nitrous oxide (N <sub>2</sub> O), freon, and methane (CH <sub>4</sub> ) are the major greenhouse gases in the earth's atmosphere.
Reduction in Carbon Emissions	It refers to initiatives and actions that reduce the emission of carbon dioxide. As global warming occurs, the emission of carbon dioxide must be reduced to alleviate the human climate crisis.
ISO14001	It is the code name for environmental management system certification. It is an environmental management system standard developed by the International Organization for Standardization (ISO). Global environmental

	<p>pollution and ecological damage are becoming more and more serious. Major environmental problems such as ozone layer destruction, global warming and the disappearance of biodiversity threaten the future survival and development of mankind. ISO14001 is designed to address these issues above in line with the needs of international environmental protection, international development on economy and trade.</p>
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## 2. Laws, Regulations and Standards for Reference

Name of Laws, Regulations and Standards
Labor Law of the People's Republic of China
Employment Contract Law of the People's Republic of China
Regulation on the Implementation of the Employment Contract Law of the People's Republic of China
Safe Production Law of the People's Republic of China
Regulation on Work-related Injury Insurances
Provisions on the Prohibition of Using Child Labor
Regulations Concerning the Labor Protection of Female Staff and Workers
Law of the People's Republic of China on the Protection of Minors
Regulations Concerning the Special Protection of Underage Workers
Provisions of the State Council on Working Hours of Workers and Staff
Law of the People's Republic of China on the Protection of Rights and Interests of Women
Social Insurance Law of the People's Republic of China
Trade Union Law of the People's Republic of China
Regulations on the Control over Safety of Dangerous Chemicals
Provisions on the Supervision and Management of Labor Protection Articles
Detailed Regulation on the Implementation of the Safety Signs for Special Labor Protection Articles
Regulations on Labor Protection in Workplaces where Toxic Substances are Used
Measures for the Declaration of Projects with Occupational Hazards
Law of the People's Republic of China on the Prevention and Control of Occupational Diseases
Fire Prevention Law of The People's Republic of China
Provisions on Fire Prevention Management for Enterprises, Organizations and Institutions
Emergency Response Law of the People's Republic of China
Environmental Protection Law of the People's Republic of China
Marine Environment Protection Law of the People's Republic of China
Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes
Law of the People's Republic of China on Environmental Impact Assessment
Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise
Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution

Water Pollution Prevention and Control Law of the People's Republic of China
Cleaner Production Promotion Law of the People's Republic of China
Regulation on Environmental Impact Assessment of Planning
Regulations on the Administration of Environmental Protection of Construction Project
Classified Management List of Environmental Impact Assessment of Construction Project
Interim Measures on Clean Production Checks
Emission Standard for Community Noise
Standards for Pollution Control of General Industrial Solid Waste Storage and Disposal Sites
Notice on Printing and Distributing the Provisions on Cleaner Production Audit Procedures of Key Enterprises
Regulation on the Administration of Collection and Use of Pollutant Discharge Fees

### 3. Version Tracking and Approval Process

Record of Version Update			
Version	Date	Description of the Modification	
Version 1	July 18, 2019	Original version	
Record of Approval			
	Name	Position	Date
Drafting by	James Gao	Supervisor	July 10, 2019
Revising by	Katherine Ji	Senior Consultant	July 12, 2019
Approval by	Ryan Li	Senior Manager	July 16, 2019
	Huang Jie	Director	July 18, 2019

### 4. Contact Information of Li-Ning

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## About Li-Ning

Li-Ning Company is a sports goods company founded in 1990 by Mr. Li Ning, a well-known 'Prince of Gymnastics' in China. After more than 20 years of unremitting efforts and exploration, Li-Ning Company has gradually become a representative Chinese sports brand company. At the beginning of its establishment, Li-Ning Company took the lead in establishing a marketing system of franchise throughout the country. Later, it continued to sponsor Chinese sports delegations for various domestic and foreign events for many years. Li-Ning Company was the first sporting goods company to implement ERP in China. Later, it continued to adjust its brand positioning and listed in Hong Kong in June 2004. In this process, Li-Ning Company experienced the development and prosperity of Chinese national enterprises.

For more company information, please visit [www.lining.com](http://www.lining.com).

