

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MANAGEMENT SYSTEM

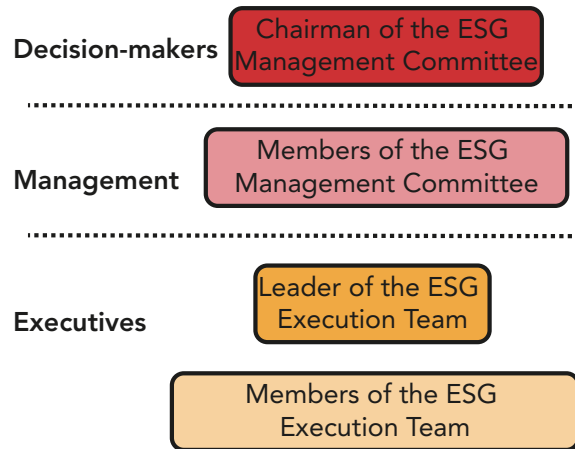
Taking "Ignite Passion with Sports" as its mission and becoming "a leading sports brand company in the world" as its vision, the Group adhered to the principle that "sports activities are not merely for the purpose of competition or fitness, but also have the functions of public service and social education" and focused on the research on sports and related products with a view to providing quality sports products for the consumers. Meanwhile, the Group always regards social responsibilities as its mission and strives to spread love and care with the consumers, its employees and residents in the surrounding communities.

The Group attaches great importance to and do its utmost to shoulder its social responsibilities. It has incorporated social responsibilities into its corporate culture and established the core values of "fulfilling dreams", "consumer orientation", "our culture" and "breakthrough", striving to become an environmental-friendly company that continuously promotes the synergistic development of the communities and the society.

### ESG Management Structure and Philosophy

The Group has established the ESG management committee under the Board, and ESG execution teams for handling specific affairs were formed to carry out ESG-related works efficiently. In particular, the Board is responsible for supervising ESG-related matters and reviewing the content of the ESG report before disclosure; the ESG management committee is responsible for formulating ESG strategies in the mid-to-long term, promoting the implementation of specific works by the ESG execution teams, and reporting to the Board regularly; and the ESG execution teams will be responsible for carrying out specific ESG-related works, including formulating relevant management systems and annual targets of ESG, implementing the relevant ESG measures, and evaluating relevant ESG risks and opportunities, so as to ensure the implementation of ESG-related works in an efficient and orderly manner.

### ESG Management Structure



The Group incorporated the ESG philosophy into its daily operation by actively advocating the concept of green operation and providing guidance to suppliers on giving consideration to their environmental and social responsibilities. It also placed strong emphasis on the well-being and development of its staff, and safeguarded their interests. Meanwhile, the Group actively participated in charitable events to make contributions to promoting the harmonic and sustainable development of the society.

### ESG Strategy

The Group has formulated ESG strategies for aspects such as environmental protection, supply chain management, care for employees and community investment that are in line with the Group's development strategies, and has incorporated measures in response to the sustainable development goals (SDGs) of the United Nations in such strategies.

### In respect of environmental protection:



- Comply with the laws and regulations regarding environmental protection of the places where the Company operates; actively and consistently adhere to the philosophy of "lucid waters and lush mountains to be treated as invaluable assets"; implement measures for energy conservation and emission reduction to reduce carbon emission;

- Enhance the efficiency of energy utilization by actively adopting environmentally-friendly equipment in the office area and utilizing clean energy in a reasonable manner;
- Advocate the concept of green operation and cultivate the employees' awareness of environmental protection to reduce the amount of office wastes;
- Conduct research and development of fabrics that are environmentally-friendly and renewable for launching green products; actively respond to climate change and promote sustainable development.

### In respect of supply chain management:



- Establish comprehensive supplier corporate social responsibility management system that is in line with the benchmark of international standards and best practices of the industry; conduct stringent review on the performance of environmental and social responsibilities by suppliers to facilitate improvement of the sustainable development ability of the supply chain;
- Provide guidance to suppliers to improve their environmental protection awareness and evaluate the environmental performance of suppliers in various aspects; strengthen the management over carbon emission along the supply chain; urge suppliers to adopt measures for energy conservation and emission reduction;
- Enhance the level of supply chain social responsibility management by urging suppliers to safeguard the rights and interests of their employees in aspects such as health and safety, remuneration and benefits, equal opportunities, etc.;
- Exercise all-round supervision over the procurement, use and storage of chemicals by suppliers; evaluate the suppliers' exposure to chemical risks; urge suppliers to enhance the level of chemical management;

- Participate in the formulation of standards for global environmental performance; promote zero-emission of hazardous chemicals during the production process; establish sustainable and ecological value chain system in collaboration with various partners.

### In respect of care for employees:



- Comply with the laws and regulations regarding employment of the places where the Company operates and adhere to the people-oriented employment philosophy;
- Safeguard the legitimate rights and interests of the employees, improve the social security, remuneration and benefit system and adopt a "Zero-Tolerance" policy for discrimination;
- Care about the health and safety of the employees and provide a safe, comfortable and harmonious working environment for the employees with an aim to establish a united and friendly workforce;
- Provide high-quality training and offer huge rooms for development and diversified paths for promotion to the employee to help develop their careers, hence fostering mutual growth of both the employees and the Company.

### In respect of community investment:



- Incorporate the sports culture and sportsmanship into charitable events and communication with the community, thereby showing great love through sports activities;
- Pay close attention to the demand of the community and encourage sports-for-all and healthy living style;
- Actively respond to the national policy of poverty alleviation to facilitate the development of poverty-stricken regions; offer help to women and children suffering from hunger and improve their nutrition;
- Attach great importance to national sports education with strengthened efforts in promoting the cooperation with schools and enterprises and providing support for the cultivation of sports talents.

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## Actions for Sustainable Development

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2019
<b>Environmental Protection</b>		
SDG6 Clean water and sanitation	<ul style="list-style-type: none"> <li>Comprehensively promote the development of a water-saving society by strengthening the management over water demand and water utilization process</li> </ul>	<ul style="list-style-type: none"> <li>Utilize the water from the landscape pond for watering of plants.</li> <li>Conduct regular inspection and maintenance of water equipment to prevent the increase of water consumption due to leakage of equipment.</li> <li>Post promotional slogans about water conservation in common areas such as bathrooms and pantries.</li> </ul>
SDG7 Affordable and clean energy	<ul style="list-style-type: none"> <li>Optimize the energy structure by enhancing the utilization rate of fossil fuel energy and increasing the proportion of clean energy consumption</li> <li>Develop modern energy system that is clean, low carbon consumption, safe and efficient</li> </ul>	<ul style="list-style-type: none"> <li>Install solar panels at the top of the buildings within the office park of the headquarter with a total area of approximately 15,000 square meters, thereby providing electricity required for daily operation in the office park through solar energy.</li> <li>Complete the upgrade of new wind power generating units in the IT server room of the headquarter to fully utilize the low temperature environment during winter to reduce electricity consumption.</li> </ul>
SDG11 Sustainable cities and communities	<ul style="list-style-type: none"> <li>Implement development strategy that prioritize public transportation to promote the development of sustainable urban transportation system</li> </ul>	<ul style="list-style-type: none"> <li>Encourage the staff to use public transportation and provide convenient shuttle bus services for staff working in the office park of the Group's headquarter to reduce carbon emission for commuting to work.</li> </ul>
SDG12 Responsible consumption and production	<ul style="list-style-type: none"> <li>Reduce the adverse impact of chemicals on human health and the environment</li> <li>Significantly enhance the level of green chemical engineering technology</li> <li>Strenuously develop circular economy with significant increase in the recycling of major types of wastes</li> </ul>	<ul style="list-style-type: none"> <li>Exercise all-round supervision over every stage of the production processes, especially those involving the use of chemicals, to control the quality of raw materials by ensuring product quality at source.</li> <li>Use of environmentally-friendly and renewable fabrics that are in line with global recycling standards as raw materials for apparels. For instance, the Company has participated in the "24 hours Clean Water Scheme (淨水24小時計劃)" charitable project and launched apparels made of disposed water bottle after treatment.</li> <li>Advocate environmental protection concepts to increase customers' acceptance of products produced under circular economy.</li> <li>Participate in the "Restyling Contest (衣再造競賽)" as a member of the judge/advisory panel to promote sustainable development concepts such as recycling and reuse of clothes and environmental protection.</li> </ul>
SDG13 Climate action	<ul style="list-style-type: none"> <li>Popularize the knowledge about climate change and low-carbon development concepts with guidance to the general public for taking active actions in response to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Provide employees with education on energy conservation and emission reduction to enhance their awareness of energy conservation.</li> <li>Encourage overtime staff to work together in designated office areas to minimize the range of usage of air conditioning and lighting, so as to increase the utilization efficiency of energy and reduce energy consumption.</li> <li>Encourage staff to increase the use of environmentally-friendly electric vehicles and public transportation and introduce professional shuttle bus service companies for the office park of the headquarter in Beijing to reduce the use of private cars.</li> </ul>



SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2019
<b>Supply Chain Management</b> SDG5 Gender equality	<ul style="list-style-type: none"> <li>Adhere to the basic national policy of gender equality to eliminate all forms of discrimination and bias against women</li> </ul>	<ul style="list-style-type: none"> <li>Strictly prohibit any form of discrimination of the Group's suppliers against female staff in aspects such as recruitment, employment relationship, training or remuneration, benefits, etc..</li> </ul>
SDG6 Clean water and sanitation	<ul style="list-style-type: none"> <li>Significantly increase the proportion of treated compliant wastewater by strengthening the supervision and monitoring over major water functional zones and river outlets</li> <li>Comprehensively promote the development of a water-saving society by strengthening the management over water demand and water utilization process</li> </ul>	<ul style="list-style-type: none"> <li>Conduct stringent review of the wastewater monitoring report and sewage discharge permit of the Group's suppliers and carry out tests on suppliers' wastewater data to enhance the monitoring and control over wastewater along the supply chain.</li> <li>Encourage supplier to disclose data in relation to discharge and treatment of wastewater.</li> </ul>
SDG12 Responsible consumption and production	<ul style="list-style-type: none"> <li>Reduce the adverse impact of chemicals on human health and the environment</li> <li>Significantly enhance the level of green chemical engineering technology</li> <li>Comprehensively promote the extended producer responsibility system to encourage enterprises to fully implement the concept of sustainable development in their production management</li> </ul>	<ul style="list-style-type: none"> <li>Amend the "Manufacturing Restricted Substances List and Policy of Li Ning Company (《李寧公司生產工藝中限用物質清單政策》)" and the "Tools for Quarterly Review of Environmental Evaluation of Suppliers of Li Ning (《李寧供應商環境審核季度評估工具》)" with detailed requirements on management and control of restricted substances in the production process.</li> <li>Suppliers are required to sign the "Declaration of Compliance Regarding the Manufacturing Restricted Substances List (MRSL) of Li Ning Company (《李寧公司生產工藝中限用物質(MRSL)遵從聲明書》)".</li> <li>Formulate and promulgate the "Manual for Social Responsibility Management of Suppliers of Li Ning (《李寧供應商社會責任管理手冊》)" to optimize the social responsibility management system of the supply chain.</li> <li>Formulate the "Code of Conduct Regarding Social Responsibilities of Suppliers of Li Ning (《李寧供應商社會責任行為準則》)" to incorporate the requirements on harmonious employment relationship, health and safety and environmental protection into the strategies and evaluation systems of supplier management.</li> </ul>
SDG13 Climate action	<ul style="list-style-type: none"> <li>Popularize the knowledge about climate change and low-carbon development concepts with guidance to the general public for taking active actions in response to climate change</li> </ul>	<ul style="list-style-type: none"> <li>As the first brand to be committed to the "Climate Stewardship 2030 (氣候創新2030行動)", the Company jointly organized the "Climate Leadership and Low Carbon Training Camp of Li Ning (李寧氣候領導力低碳訓練營)" with the Social Responsibility Office of China National Textile and Apparel Council (中國紡織工業聯合會社會責任辦公室) in Shanghai.</li> <li>Collect data in relation to energy consumption and climate change from the supply chain on a quarterly basis with a view to enhancing the management of carbon emission along the supply chain.</li> </ul>
SDG17 Partnerships for the goals	<ul style="list-style-type: none"> <li>Actively participate in the establishment of global partnerships to promote more balanced global partnerships for development</li> <li>Actively participate in the works in relation to the establishment of mechanisms for global technology advancement</li> </ul>	<ul style="list-style-type: none"> <li>Continue to participate in the decision-making and election for major affairs of the Zero Discharge of Hazardous Chemicals Program (ZDHC).</li> <li>Participate in the formulation of methods for elimination of chemicals and replacement of hazardous chemicals.</li> <li>Participate in the promulgation of Manufacturing Restricted Substances List (MRSL) 2.0.</li> </ul>

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## SDGs

## China's National Plan Regarding SDGs

## Actions for Sustainable Development taken by the Group in 2019

### Care for employees

SDG1 No poverty	<ul style="list-style-type: none"> <li>Improve social security system and implement the plan for universal participation in social insurance</li> </ul>	<ul style="list-style-type: none"> <li>Strictly comply with the "Social Insurance Laws of the People's Republic of China" (《中華人民共和國社會保險法》) to establish a comprehensive social security system and provide social security benefits for its employees.</li> <li>Provide "five insurances and housing provident fund" and maintain accidental injury insurance and supplemental medical insurance for its employees.</li> </ul>
SDG3 Good health and well-being for people	<ul style="list-style-type: none"> <li>Promote equality of and accessibility to basic medical and healthcare services</li> </ul>	<ul style="list-style-type: none"> <li>Arrange regular body checkup for its employees and popularize health knowledge through seminars on health knowledge and other activities.</li> <li>Establishment of health consultation rooms to provide its employees with basic medicines for treating common diseases.</li> <li>In addition to statutory medical insurance, maintain supplementary commercial insurance covering accident insurance and critical illness insurance for its employees free-of-charge.</li> </ul>
SDG5 Gender equality	<ul style="list-style-type: none"> <li>Adhere to the basic national policy of gender equality to eliminate all forms of discrimination and bias against women</li> <li>Enhance the working and entrepreneurial capability of women by offering public childcare services</li> </ul>	<ul style="list-style-type: none"> <li>The work performance of employees would not be evaluated based on their gender, and great efforts have been made to safeguard its employees from being harassed or discriminated due to such reasons.</li> <li>Establishment of "Home of Employees" to provide free childcare services for children of the employees during winter or summer holidays or under extreme weather conditions so as to assist the employees to maintain a balance between work and family life.</li> </ul>
SDG8 Decent work and economic growth	<ul style="list-style-type: none"> <li>Promote the development of the manufacturing industry towards a high-end, intelligent, green and service-oriented direction</li> <li>Improve the employment and entrepreneurial system and implement a life-long work skills training system</li> </ul>	<ul style="list-style-type: none"> <li>Develop training programs that are in line with the demands for the development of the Company and the staff, at the same time providing a diversified development mechanism to enhance the employees' knowledge, work capability and motivation.</li> </ul>
SDG10 Reduced inequalities within and among countries	<ul style="list-style-type: none"> <li>Attach great importance to providing equal opportunities and ensuring equal rights of participation and development for all employees</li> <li>Consistently promote growth of both resident income and the economy, as well as growth of both salary and work productivity</li> </ul>	<ul style="list-style-type: none"> <li>Comply with the recruitment principle of open, transparent, fair and equitable to provide equal employment opportunities.</li> <li>Formulate remuneration strategy in line with the Company' strategies to provide various performance incentives based on the results contribution of employees working at different positions.</li> </ul>



SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2019
<b>Community Investment</b> SDG1 No poverty	<ul style="list-style-type: none"> <li>Accurately provide classified support for impoverished people in rural villages</li> </ul>	<ul style="list-style-type: none"> <li>Enter into the "Eastern Airline Cooperation Agreement Regarding Assistance for the Disabled (東航殘疾人幫扶合作協議)" to foster organic combination of poverty alleviation, charity and public services with a focus on areas such as support through industry and employment, support for disabilities, etc..</li> </ul>
SDG2 No hunger	<ul style="list-style-type: none"> <li>Ensure that everyone stays safe with enough nutritious food all year</li> <li>Provide nutrition guidance and intervention for targeted groups such as teenage girls, pregnant women, women who are lactating and elderly women</li> </ul>	<ul style="list-style-type: none"> <li>Since 2012, the Company collaborated with China Women's Development Foundation to organize charitable events. The "Postal Parcels for Mothers" Project was organized every year to lend a helping hand to mothers struggling with poverty. Donation of monies and supplies worth over RMB60 million has been made in aggregate.</li> </ul>
SDG4 Quality education	<ul style="list-style-type: none"> <li>Safeguard equal rights of vulnerable groups for receiving compulsory education</li> <li>Implement a model for cultivation of technologies, skills and talents through collaboration of schools and enterprises</li> <li>Strengthen sports education in schools</li> </ul>	<ul style="list-style-type: none"> <li>Join hands with Chinese Athletes Educational Foundation to support the education and sports development in poverty-stricken and remote regions in China with 44 "Chinese Athletes Hope Primary Schools" and 37 "All-weather Playgrounds" established so far.</li> <li>Enhance sports education for teenagers by entering into contracts with point-to-point (P2P) sports teams and jointly developed schools for the establishment of Li Ning Sports Scholarship.</li> <li>Organize activities such as winter camps and summer camps to provide diversified and professional sports programs for children and teenagers.</li> </ul>

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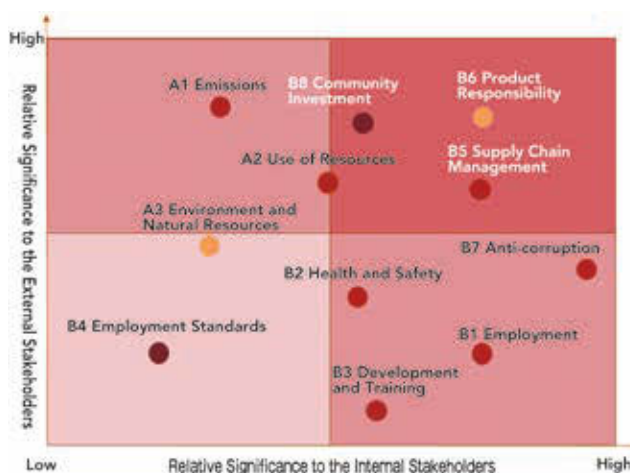
## Communication with Stakeholders and Key Issues Identification

We are fully aware that communication with stakeholders is a foundation for the sustainable development of a corporation. Based on the features of the industry and its own conditions, the Group has identified seven major stakeholders groups that are closely related to its development, including government and regulatory authorities, shareholders and investors, employees, distributors and suppliers, media, consumers, communities and general public. In order to better achieve sustainable development, fulfill its corporate social responsibilities and respond to the expectation of the stakeholders, the Group has maintained sound communication with stakeholders through various methods and channels, identified their main concerns and responded actively.

### 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
Shareholders and investors	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
Employees	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
Distributors and suppliers	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
Consumers	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

In respect of the 11 aspects identified in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, the Group has invited various key stakeholders to conduct evaluations on the significance of ESG issues by way of questionnaires. Based on the feedback from representatives of key internal and external stakeholders, the Group has identified the main concerns of stakeholders, including product responsibility, community investment 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 actively put into practice the principle of green operation and adhered to the basic national policy of resources conservation and environmental protection. It strictly complied with laws and regulations such as “the Environmental Protection Law of the People’s Republic of China”, “Laws of the People’s Republic of China on Prevention and Control of Water Pollution”, “Laws of the People’s Republic of China on Conserving Energy”, and “Implementation Plan for Household Waste Segregation”. The Group has also devoted great efforts to enhance the level of sustainable development of the Company by, in its daily operation, reducing the emission of greenhouse gases, efficiently utilizing various types of energy, prioritizing the use of renewable energy, strengthening water management, standardizing the supervision over waste management, and transferring the wastes to respective qualified companies for transportation, storage, utilization and disposal. In 2019, no significant pollution and impact on the environment was found in the course of the Group’s operation.

### Environmental Management Measures

In order to realise its goals for energy conservation and emission reduction, and promote green operation and management, the Group has formulated and optimized various internal management systems, including the “Li Ning Company Energy Saving Arrangements (李寧公司節能工作安排)”, “Li Ning Company Energy (Resources) Saving Management Standards (李寧公司節能(源)管理標準)”, “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)”. Upholding the low-carbon and environmental principle, the Group has reduced the use of resources, reduced and controlled the emission of gases and solid wastes from its production and operation activities, increased the employees’ awareness of environmental protection, gradually increased the investment in environmental protection every year, and actively responded to the national policy of low carbon development. Meanwhile, we exercised stringent monitoring and control over various key procedures in the course of operation and

production along the supply chain, urging them to formulate approaches and management systems for environmental protection, adopt and improve measures for resources conservation and emission reduction in an effort to promote circular economy.

### Reducing Emission of Wastes

The emission from the operation of the Group mainly involves the emission of wastes from office operation. We encouraged employees to use public transportation, and introduced professional shuttle bus companies to the office park of the Group’s headquarter to provide employees with convenient shuttle services for commuting to work, thereby reducing the exhaust gas emission from vehicles and hence reducing the carbon emission of employees for commuting to work. At the same time, the Group encouraged its employees to use environmental-friendly electric vehicles for transportation by installing 6 charging stations for electric vehicles in the office park of the headquarter to provide convenience to staff using environmentally-friendly electric vehicles. In addition, the Group provided transportation subsidies to its employees to encourage them to use shuttle bus or other public transportation, hence reducing the frequency of using private cars and advocating them to travel green.

We collaborated with qualified professional companies to properly recycle the wastes generated in our operation. The Group strictly managed the use of printing equipment. Hazardous wastes produced from printing such as toner, toner cartridges, and ink cartridges were collected centrally and stored at designated locations, which were then passed to relevant qualified professional companies for cleansing, transportation and disposal. We also encouraged the staff to participate in the “Clean Your Plate (光盤行動)” campaign when dining and treasure the office equipment in daily operation to reduce the emission of non-hazardous wastes.

### Reducing Resources Consumption

The Group attached great importance to the management of energy consumption and advocated efficient use of resources. Old facilities were replaced in a timely manner and energy saving plans were formulated based on actual conditions to enhance its employees’ awareness of energy conservation with an aim to become an enterprise that practices green operation.



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- **Save electricity by promoting the use of smart equipment:** The Group has installed lighting automation systems and temperature sensors for the office park of its headquarter in Beijing, which is able to automatically switch to energy-saving lighting mode during non-office hours, and collect temperature data to timely adjust the mode of the cooling/heating systems, hence reducing energy consumption and improving the utilization efficiency of electrical appliance.
- **Power generation with the use of new energy:** To fully utilize the enormous space available at the top of the buildings of the office park of its headquarter, the Group cooperated with professional companies and installed over 5,700 solar panels with a total area of approximately 15,000 square meters to provide the office park with electricity required for daily operation through solar energy. Currently, this small solar energy power station is able to satisfy over 30% of the electricity demand in the office park of the headquarter, which has significantly reduced the use of power generated with non-clean energy.
- **Strengthen management of paper and packaging materials:** The Group advocates the concept of paperless office. Our printing equipment used duplex and black-and-white printing as default setting and regular examination of printing procedures of the employees has been conducted to reduce unnecessary printing demand. Moreover, we have implemented centralized management over the use of packaging materials. Each department is required to submit application for obtaining and distribution of packaging materials based on actual needs.
- **Strengthen water management:** The Group implemented ecological management over the landscape pond in the office park and utilize the water from the pond for watering of plants within the office park. It has also reduced the frequency of changing water of the pond to avoid the increase in water consumption due to deterioration of water quality. Meanwhile, we have strengthened the monitoring of water pipelines in the office park in an effort to timely identify and fix leakage of equipment. Promotional slogans about water conservation were posted in common areas such as pantries and bathrooms to enhance the employees' awareness of water conservation.
- **Energy saving management for warehouses:** The Group has established a dedicated warehouse energy saving management team and assigned part-time management officers in various regions to analyze the energy consumption on a monthly basis so as to explore potentials for energy saving. It also conducted comprehensive inspection and maintenance for water pipelines in the office park on a quarterly basis to ensure that the equipment are completely sealed. Routine patrol and inspection at certain locations were carried out every day after work to ensure that lighting and electrical appliance in office areas without staff working have been switched off.
- **Energy saving management for stores:** The Group required all stores to switch off the lighting in warehouse and lounges in a timely manner and strictly prohibited "lights staying on all night long". It also implemented strict requirements on the time period for switching on the spotlights at the entrance of stores on ground floor and prohibited "Lights staying on during daytime". During overtime work and inventory-taking at night, the spotlights of stores shall be switched on according to zoning. Air-conditioning is not allowed before 10:00am and shall be turned off 20 minutes before store closing; and the temperature of the air-conditioning shall not be lower than 24°C in summer and not higher than 20°C in winter.

## 2019 Environmental Performance

Unless otherwise stated, the statistical basis of environmental performance herein covered major operating premises of the Group's headquarter 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.

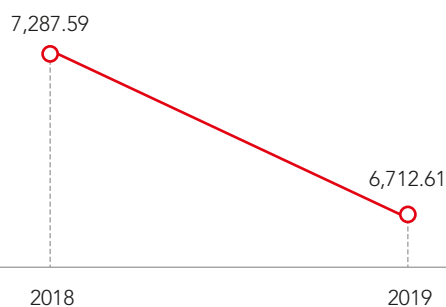
## 1. Emission

Indicator	Performance
Total emission of greenhouse gases (Scope 1 and Scope 2) (tons) <sup>2</sup>	6,712.61
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)	769.77
Company car oil consumption	1.65
Natural gas	768.12
Indirect emission (Scope 2) (tons)	5,942.84
Externally-purchased electricity	5,942.84
Total amount of hazardous waste (tons) <sup>3</sup>	1.93
Weight of hazardous waste per square meter of floor area (tons/square meter)	0.000014
Total amount of non-hazardous waste (tons) <sup>4</sup>	508.35
Weight of non-hazardous waste per square meter of floor area (tons/square meter)	0.0036

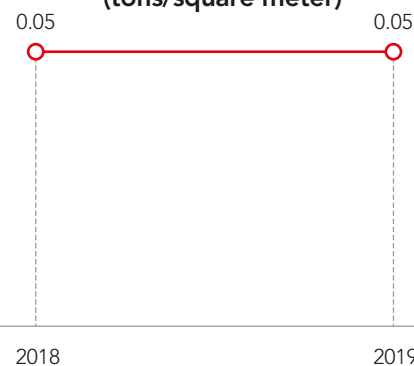
### Notes:

- Due to the nature of the Group's operation, the major types of gas emissions are greenhouse gases as well as electricity and fuels converted from fossil fuels.
- 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 "2017 Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects" (《2017年度减排項目中國區域電網基準線排放因子》) issued by the Ministry of Ecology and Environment of the People's Republic of China and the "IPCC 2006 Guidelines for National Greenhouse Gas Inventories (2019 Revision)" (《IPCC 2006年國家溫室氣體清單指南 2019修訂版》) issued by the Intergovernmental Panel on Climate Change ("IPCC").
- 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.
- Non-hazardous wastes generated from the Group's operation mainly included office waste, kitchen waste and waste production hard disks. Office waste and kitchen waste were centrally processed at the premises where they are located, while waste production hard disks were recycled by recyclers. In particular, the office wastes of the Group's retail subsidiaries in Nanning, Xiamen (Fuzhou office), Harbin, Daqing, Xinjiang, Wuhan, Shenyang, Shenzhen and Foshan office area 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係數手冊》) issued by the State Council.

Total emission of greenhouse gases (tons)



Emission of greenhouse gases per square meter of floor area (tons/square meter)



Change in total emission of greenhouse gases and intensity

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

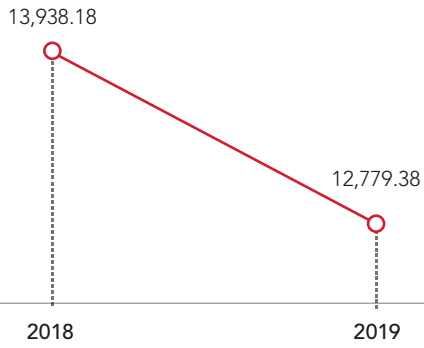
## 2. Energy and Resources Consumption

Indicator	Performance
Total energy consumption (MWh) <sup>1</sup>	12,779.38
Energy consumption per square meter of floor area (MWh/square meter)	0.09
Direct energy consumption (MWh)	3,935.05
Gasoline	6.75
Natural gas	3,928.30
Indirect energy consumption (MWh)	8,844.33
Externally-purchased electricity	8,844.33
Daily water consumption (tons) <sup>2</sup>	64,313.10
Daily water consumption per square meter of floor area (tons/square meter)	0.46
Total amount of paper used (tons) <sup>3</sup>	14.98
Total amount of packaging material used for finished products (tons) <sup>4</sup>	14,323.56
Amount of packaging material for finished products consumed per million revenue (tons/million yuan) <sup>5</sup>	1.03

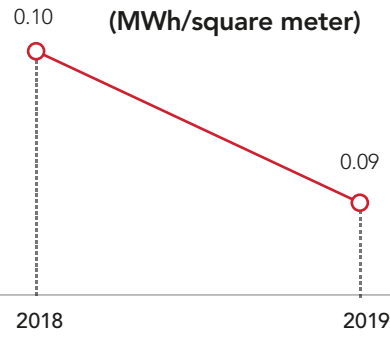
*Notes:*

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, Xiamen (Fuzhou office), Hefei, Tianjin, Guangzhou, Hangzhou, Wuhan, Shenyang, Shenzhen, Xi'an, Changsha and Jinan 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 "Regulations for Design of Water Supply and Drainage of Buildings (GB50015-2019) (《建築給水排水設計規範》 (GB50015-2019))" issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China.
3. Copying paper includes both A4 and A3 copying paper.
4. Packaging material mainly includes plastic packaging bags, paper boxes, cartons and paper bags.
5. Amount of packaging material consumed per million revenue represents the weight of packaging material consumed per million income of the Group.

**Total energy consumption (MWh)**

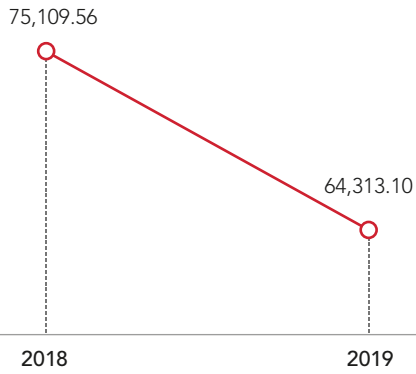


**Energy consumption per square meter of floor area (MWh/square meter)**

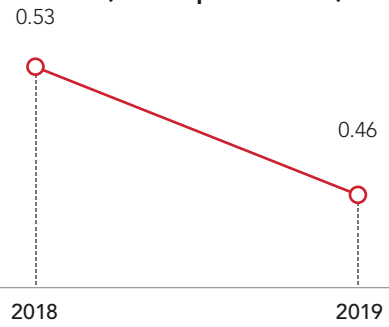


**Change in energy consumption and intensity**

**Daily water consumption (tons)**



**Daily water consumption per square meter of floor area (tons/square meter)**



**Change in daily water consumption and intensity**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## III. EMPLOYMENT MANAGEMENT

The Group 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” and “Social Insurance Law of the People’s Republic of China” and has formulated various systems and measures including “Staff Handbook of Li Ning Company Limited (《李寧有限公司員工手冊》)” in order to optimize the employment management system, effectively protect the legitimate rights and interests of employees, show its care for the health of employees as well as their ongoing development, thereby providing employees with a healthy and safe working environment and stable promotion channels. These measures protect the interests of employees and at the same time lay a solid foundation for the Group’s sustainable development.

As at 31 December 2019, the Group had 3,783 employees, among which 3,610 employees were at the Group’s headquarter and retail subsidiaries, and 173 employees were at other subsidiaries.

### Lawful Employment with Protection of Employees’ Rights and Interests

The Group always adheres to the principle of openness, high transparency and fairness in the recruitment process, and offers equal employment opportunity for all candidates. In the contract, the rights and obligations of both parties are clearly stipulated to ensure lawful employment with a view to establishing a harmonious and stable employment relationship. Our “Staff Handbook” expressly stipulates that candidates must provide valid identification document before confirming employment to ensure he/she must meet the legitimate age. Taking employees’ ability and actual situation at work into consideration, forced labour is strictly prohibited. No employment of minors or forced labour has been found by the Group so far.

The Group encourages gender equality and diversity of employment and strictly prohibits discrimination in any form. We strive to create a fair, respectful and diverse working environment and respect every employee regardless of gender, age, ethnicity, religion, disability, sexual orientation, family background and maternity status. In the event of discrimination or harassment, the Company will conduct responsibility assessment and record as well as necessary punishment.

The Group has established a trade union. For any major measures involving the interests of employees, we should seek the opinions and recommendations from the trade union representatives and the measures can only be implemented after voting and approval by the union representatives. In addition, employees can make complaints and feedback on the Company’s management or unfair treatment through the suggestion box. Management also communicate with employees from time to time to understand their needs and challenges encountered with a view to practically promoting democratic management and paying great attention to the protection of employees’ rights and interests.

### Caring for Employees and Improving their Well-being

The Group has established a comprehensive social security system and provided employees with basic salary, incentive bonus, medical insurance, pension, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund pursuant to the requirements of the national and local government. In addition, it maintains accident insurance and supplementary medical insurance for employees. We have formulated the “Employee Attendance and Leave Management System (《員工考核及休假管理制度》)” that clearly stipulated the number of entitled holidays and provided employees with additional benefits such as festival allowance and birthday presents. Employees can arrange working hours according to the job nature and business needs in a reasonable approach. In the case of exceeding the standard working hours due to work reasons, the Group will compensate employees by way of compensatory leave or overtime payment.

In order to enrich the leisure life of employees, the Group has established diversified sports clubs and built fitness premises in the office park so as to encourage the employees to exercise during leisure time with an aim to maintain physical health and relieve stress at work. We have also set up a mutual assistance fund to help employees who encounter difficulty in daily living due to accidents or critical illnesses, thereby easing their burden. Moreover, we establish a “Home for Employees” that offer free caring services for employees’ children during winter and summer vacations or extreme weather to facilitate the employees’ balance between work and family, and thus bringing warmth from the Company and improving their sense of belonging.



"Home for Employees"



Fitness Center in Office Park of the Headquarter

## Focusing on Health and Safety Protection

Employees are the foundation of corporate development and the health and safety of employees are the prerequisites for the Company's efficient operations. The

Group strictly abides by various provisions of the "Labour Contract Law of the People's Republic of China" on the employment environment and the laws and regulations such as the "Production Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", and is committed to providing employees with a comfortable, healthy and safe working environment so as to guarantee the employees' personal and property safety in the workplace, enhance employees' safety and health awareness and strengthen the prevention of occupational diseases.

The Group appoints professional property company to provide 24-hour security services and sets up monitoring equipment covering the office park. External visitors are required to register and verify their identity before entering to ensure the safety of the office area. In order to timely check the potential safety hazards in the office area and identify security risks, the Group organized more than 10 series of "5S" inspection activities in 2019 that ensures the facilities and equipment are always in normal working status.

For accidents and emergencies, the Group has formulated systems including "Li Ning Group Emergency Plan for Fire Protection (《李寧集團消防應急預案》)" and "Li Ning Group Emergency Evacuation Plan (《李寧集團疏散應急預案》)", and formulated the most safe and effective evacuation route by integrating into the overall planning of the office park. In 2019, the Group held two full-scale fire education activities to promote firefighting knowledge, organize employees to learn the actual operation of fire equipment, thereby enhancing employees' ability in response to emergencies.

The Group conducts annual health checkup for employees in a regular basis, and invites experts to explain the results of medical checkup through on-site consultation, telephone consultation and APP interpretation to facilitate employees' understanding on their own health condition. We also set up a health consultation room to provide employees with basic medicines for prevention and control of common illness, and organize health education talks from time to time so as to raise employees' health awareness and therefore helping employees to develop healthy living and working habits.

*Note:*

1. 5S: SEIRI, SEITON, SEISO, SEIKEISU and SHITSUKE.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Talent Training and Promotion of Mutual Development

Adhering to the philosophy of co-development with employees, the Group has developed a competitive remuneration system and provided various performance incentives such as sales bonuses, share options and share awards, and profit sharing plans based on the performance and contributions of employees from different positions. The Group adjusts employees' remuneration and welfare benefits on a regular basis according to the Company's development stage, market and industry environment and employees' past performance. Moreover, we have formulated a comprehensive performance appraisal mechanism to carry out performance appraisal for our staff and assess employees' potential based on the appraisal results. Leveraging the talent development evaluation mechanism, the Group achieves a high degree of unity in organizational development, talent development and corporate strategy.

Employees' career development and capability improvement is the most valuable strategic investment of an enterprise. The Group encourages employees to receive on job training while providing consulting feedback and training courses for employees. Through close integration of training goals into corporate development strategies, the Group has formulated training plans that satisfy the development needs of the Company and employees, created learning opportunities for employees, provided diversified growth mechanisms, thereby continuously enhancing employees' knowledge standards, working ability and initiative. By means of professional training, leadership development and talent team building, the Group has established a learning organization to facilitate employees to improve their capabilities, achieve self-realization, and therefore enhancing the Company's core competitiveness.



2019 Li Ning Training Session for Retail Staff



2019 Li Ning Training Camp for Management Trainee

The basic principles of our training are as follows:



We organize training for new office staff and retail staff from stores on a monthly basis to help them understand the Company's system, marketing skills, product knowledge and management skills. Featured trainings including product knowledge contest, management trainee training, WeChat self-learning, management training are held from time to time so as to enhance employees' career development capabilities and overall quality and working ability. In 2019, the Group's staff in service participated in various trainings organized by the Group, with over 20,000 training hours in aggregate.



Diagram on the Group's Talent Training

## IV. SUPPLY CHAIN MANAGEMENT

Through benchmarking international standards and industry best practices, the Group hopes to facilitate the mutual development with its partners along the brand value chain. In 2019, we have formulated and issued "Manual for Corporate Social Responsibility Management of Suppliers of Li Ning Company Limited (《李寧有限公司供應商企業社會責任管理手冊》)" which integrated the corporate social responsibility management into the introduction, evaluation, continuous improvement and termination process of suppliers, and gave explicit details of the working procedures, assessment standards and target requirements of the supply chain management, and therefore achieving responsible supply chain goals and facilitating the sustainable development of the supply chain.

### 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 the compliance of suppliers.

For new suppliers, the Group introduces the evaluation process including four major steps, i.e. collection of suppliers' information, document self-examination by suppliers, first round and second round of document provision. The potential suppliers are subject to the assessment in aspects such as basic qualifications, scale requirement, quality system, business level, environmental and social responsibility, etc. We will first conduct assessment on the environmental and social responsibility of the potential suppliers. Only suppliers who have passed the assessment on the social responsibility can undergo the next round of assessment. In 2019, the passing rate of potential supplier assessment of the Group was 85.5%.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For existing suppliers, the Group sets up assessment index for different types of suppliers at various levels in accordance with the international-accepted Supply Chain Operations Reference Model (SCOR System), and conducts regular quarterly inspection and on-site assessments of its environmental and social responsibility performance and risks on a quarterly or annual basis so as to ensure the continuous improvement of social responsibility management of the suppliers.

- **Quarterly Assessment:** The Group requires suppliers to actively conduct quarterly self-examination and submit social responsibility materials including employee management, emergency drill records, environmental inspection reports and greenhouse gas list. The Group evaluates the materials provided by the suppliers, confirms the review results and eventually proposes improvement requirements to the suppliers for the new quarter.
- **On-site Assessment:** Taking factors such as cooperation level of suppliers into account, the Group selects the suppliers for on-site assessment in the coming year annually based on the suppliers' assessment results of the previous year. Assessment includes four aspects namely business ethics and morals, labour, health and safety as well as environment. Suppliers with serious problems will be required to make corrections with time limit.

For suppliers who ceased to meet the business needs and standards of the Group, or who was found any "zero-tolerance circumstance" such as false records, commercial bribery, employment of child labour, illegal discharge of sewage and hazardous waste during the review, the Group shall have the right to terminate the cooperation. At the same time, we will consider the vacancy and other related risks arising from the termination of suppliers, and formulate the exit solution and risk prevention and control measures that pose minimum effect on the overall supply chain so as to ensure the healthy and sustainable development of the supply chain.

## Environmental Responsibility of Supply Chain

In order to achieve sustainable development of the supply chain, the Group facilitates the suppliers to strengthen the environmental management and enhance their environmental awareness by ways of policy management, testing and inspection as well as awareness promotion.

### Policy Management

- In 2019, the Group revised the "Li Ning's Restricted Substances List Policy on Manufacturing (《李寧公司生產工藝中限用物質清單政策》)" and "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》)" that further regulated the management and control of restricted substances during the manufacturing process, and urged all material suppliers to conduct self-examination of environmental performance and strengthen its self-management on environmental performance.
- The Group required its suppliers to sign 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》)" that they undertake not to deliberately use toxic and hazardous substances and prevent such substances from entering the production process at source and therefore minimizing the environmental pollution and at the same time enhancing the protection of its employees' health.

## Energy Saving, Emission Reduction and Chemicals Management

- The Group conducted testing and inspection of the wastewater data of the core material suppliers and facilitated the disclosure of IPE<sup>2</sup> data by all suppliers. In 2019, we aided the rectification for environmental compliance by 24 suppliers with poor IPE record.
- The Group continuously collected the energy consumption data along the supply chain and the related climate change data on a quarterly basis, which serves as the baseline data for the strategic planning of the Group's sustainable development. The Group also completed the "Report on Greenhouse Gases Data of Suppliers for 2018".
- The Group included the suppliers' energy consumption statistics, energy consumption assessment system or formulation of action plan for energy saving as well as list of greenhouse gas into the assessment scope during the quarterly review of suppliers.
- The Group conducted chemical management audit on key material suppliers using third-party chemical management performance audit tools and assessed the risks of the suppliers' chemicals. The audit mainly focused on the procurement, labeling, storage, testing, usage and protection of the chemicals, emergency drills and training.

Note:

2. IPE: Institute of Public and Environmental Affairs.

## Climate Leadership and Low Carbon Training Camp

On 31 October 2019, the Group, as the first brand committed in "Climate Stewardship 2030", jointly organized the "Climate Leadership and Low Carbon Training Camp of Li Ning" in Shanghai with the Social Responsibility Office of China National Textile and Apparel Council (CNTAC). Such initiative aimed to accelerate the transformation of low-carbonization of the industry, improve the utilization of clean energy and the application efficiency of emission reduction, and enhance the international competitiveness of Chinese enterprises in the global low-carbon supply chain. In the training camp, representatives from multiple suppliers participated in discussions on practical experiences and development directions in tackling climate change and achieving energy saving and emission reduction.



Climate Leadership and Low Carbon Training Camp of Li Ning

## Social Responsibility of Supply Chain

The Group regards the performance of social responsibility as the focus of supplier audits and, based on the audit, expects to promote the health and safe management of suppliers, protect the rights of their employees and enhance their social responsibility management level. In 2019, on the basis of "Code of Conduct Regarding Social Responsibilities of Suppliers of Li Ning (《李寧公司供應商社會責任行為準則》)", the Group has formulated the "Manual for Social Responsibility Management of Suppliers of Li Ning (《李寧供應商社會責任管理手冊》)" and "Social Responsibility Implementation Guideline of Li Ning Supplier (《李寧供應商社會責任實施指南》)" to further standardize the social responsibility management system and procedures along the supply chain.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of audit, the Group adopts a combination of supplier self-examination, audit from the Group and third party. In 2019, the Group conducted multi-dimensional social responsibility audits on suppliers:

- The Group appointed a third-party audit organization to select an influential group of 12 first-tier suppliers and 10 second-tier suppliers for on-site audits.
- The Group strictly implemented the annual certification principles for product manufacturing factories of cooperating brands and a total of 49 factories obtained WCA<sup>3</sup> certification throughout the year.
- The Group, adhering to the principles combining audit and rectification, conducted tracking and rectification for all finished product suppliers participating in the audit, and substantially improved their social responsibility management capabilities.

*Note:*

3. WCA: Workplace Conditions Assessment.

## Participating in ZDHC Program<sup>4</sup>

ZDHC Program is committed to formulating comprehensive environmental performance standards for the global clothing and footwear industry, guiding the industry's awareness to environmental protection, and striving to achieve zero emissions of hazardous chemicals in the manufacturing process. As one of the six founding brands of ZDHC Program, the Group proactively participated in regular meetings organized by ZDHC Committee, and took part in the resolutions and voting of major issues concerning the ZDHC, collaborated with other brands in facilitating the sustainable development of textile industry and was rewarded the "ZDHC Roadmap 2020 Awards" by ZDHC. In 2019, the major tasks that the Group took part in are as follows:

- The Group continuously promoted the application of ZDHC gateway for chemicals, encouraged training for chemical management in the industry, while simultaneously activated the pilot schemes of InCheck gateway for chemicals.
- As the sole Chinese brand, the Group involved in the formation of the updated version of "Wastewater Guidelines (《廢水指南》)" published by ZDHC and made active contributions to the goal of zero discharge of hazardous chemicals in textile supply chain.
- The Group assisted the ZDHC Foundation and CNTAC to jointly organize the Implementation Circuit Workshop of Chemicals Stewardship 2020 in order to enhance the management capability for chemicals of Chinese textile enterprises and push forward their green transformation and upgrade.
- The Group actively participated in the contracted brand leadership project team of ZDHC, developed key performance indicators, verified third-party selection criteria and training materials, and formulated the 2020 joint roadmap for corresponding brands.

*Note:*

4. ZDHC Program: Zero Discharge of Hazardous Chemicals Program.



**ZDHC Wastewater Guidelines  
Best Practice Sharing**

## V. PRODUCT LIABILITY MANAGEMENT

The Group strictly abides by the laws and regulations such as the “Product Quality Law of the People’s Republic of China” and the “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests” and has formulated relevant systems and measures in order to strictly control the product quality, pay attention to customer demands, guarantee the security and privacy of customer information, protect customer rights and interests, and safeguard brand reputation and value, thereby ensuring consumers to shop at ease and enjoy high-quality products and services.

### Product Quality Control

The Group strives for strict product quality control and 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 addition, the Group has formulated quality requirements and management standards beyond the national regulations, industrial and group standards including “Quality Management and Control Procedures for Clothing R&D Phase (《服裝研開發階段質量管控流程》)”, “Quality Management and Control Requirements for Development and Production of QS Clothing (《QS服裝開發及生產質量管控要求》)”, “Physical Property Standard Manual for Li Ning’s Footwear Product (《李寧鞋產品物性標準手冊》)” and “Safety Technical Requirements for Footwear, Clothing and Accessories (《鞋、服裝及配件安全技術要求》)”.

The Group conducted comprehensive supervision throughout the production process and established a risk assessment team comprised of the product development project team, quality control department (QC) and quality assurance department (QA) as well as a joint audit review team comprised of members of QC and QA. During the development stage, the Risk Assessment Team evaluated the product quality piece by piece to ensure the comprehensiveness and completeness of the quality assessment. In the production stage, the joint audit review team conducted joint quality inspections on finished products from procedure management, material quality and production techniques. In order to guarantee the product quality at source, the Group required all suppliers to conduct quality management self-assessments on a quarterly basis, and conducted random inspections on the batch production from material suppliers. If the quality of the materials provided by the suppliers fails to meet the requirements of the Group, we will implement penalty measures based on the actual situation including interviews, circulation of a notice of criticism, reduction in order volume and request of withdrawal from Li Ning supply chain, that urge the suppliers to improve their service quality and supply level.

### Customer Complaints and Protection

In order to better serve the customers and improve consumer shopping experience, the Group adheres to the service goal of “customer priority and professional services” and has formulated “Li Ning Product Aftersales Service Manual (《李寧產品售後服務手冊》)”, “Customer Services and Phone Replies Management Regulations (《客戶服務電話解答管理規定》)” and “Customer Services Knowledge Management Principles (《客戶服務知識管理準則》)”, to optimize the customer service management system and provide guidelines for the improvement of customer service standards. We complied common problems regarding product quality and services in the system, and formulated the corresponding policies, standards, handling procedures, judgment diagram and complaint solutions for aftersales services so as to ensure customer problems can be resolved in a quick and effective approach.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group continued to optimize its multi-media customer service platforms for customers to give feedback via various channels including our stores, official websites, 400 customer care hotlines, emails, official WeChat and Weibo accounts. Professional customer service personnel in various channels help solve problems for customers and timely follow up and handle customer feedback. In addition, we arranged return visits and adopted other methods to ensure customers' queries and suggestions can be properly addressed. In 2019, the customers' overall satisfaction on the Group was 99.07%.

## 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 comprehensive and sound information security management system and mechanism and formulated customer privacy protection policies in order to prevent leakage and misuse of customer information.

For the collection of customer information, the Group will not proactively collect any information from customers other than mobile authentication of customers required by the government. Additional membership requirements, such as email address, birthday information and shipping address, are collected upon customer consent. For the management of information reception, processing and storage device, the Group applies technologies such as advanced firewalls so as to strictly monitor the entire process of customer data flow and protect information from external malicious theft. Authorization must be obtained if the department requires the usage of relevant information, and the information could only be used within the specified scope. In addition, the Group signed confidentiality agreement with cooperating third parties and suppliers, supervised their confidential management of customer information, and required them to implement the same confidentiality standards as the Group so as to prevent information leakage.

## Product Examination and Recall

In accordance with laws and regulations of 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 the management measures including "Li Ning Company's Defective Product Recall Management Regulations (《李寧公司缺陷產品召回管理規定》)", "Service Commitment (Repair, Replacement and Return) of Product Quality (《產品質量三包服務承諾》)" and "Procedures and Standards on Recall of Li Ning's Defective Goods (《李寧殘品收殘程序及標準》)" to standardize the product examination and recall procedures, and improve the aftersales service system. We attach great importance to product quality and guarantee our products fulfill the corresponding national inspection requirements of nationally-recognized testing institutions before launching.

During the production and sales process, if the products are found to be defective which may harm the safety of users, public, property and environment, the Group will take prompt measures such as sales suspension, warnings, product recalls, harmless disposal and destruction in order to protect the health and safety of consumers. For any product quality problems arising within the promised period, the Group will offer return, replacement and repair services. In 2019, in order to swiftly resolve customer issues, we gradually conducted training for sales staff, provided operating guidelines for sales staff in product quality problem resolution, aftersales services, management of defective goods, and recall and return of defective goods. The Group also set up an examination team engaging in inspections of the defective goods returned from sales end, and provided feedback of the inspection results to customers, sales team and suppliers. At the same time, the Group gathered the relevant data and analysis of the defective products into the Monthly Quality Report on a monthly basis which provided effective market feedback for R&D Department and therefore continuously enhancing and improving product quality.

## Intellectual Property and Brand Protection

The Group strictly abides by the 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" and "Advertising Law of the People's Republic of China" and has formulated and promulgated internal management systems such as "Patent Management Measures of Li Ning Company Limited (《李寧有限公司專利管理辦法》)", "Master Logo Usage Standards of Li Ning Company Limited (《李寧公司主標識使用規範》)" and "Logo Standards of China Li Ning (《中國李寧標識規範》)" to gradually improve the intellectual property protection system, enhance employees' awareness of intellectual property protection, strictly manage the usage of brand logos, continuously strengthen brand image promotion, and further standardize the review procedures of product promotion, prohibit any misrepresentation or exaggerated advertising, thereby preventing the occurrence of infringements.

In order to minimize the risks of intellectual property infringement, the Group identified key risk factors in the design, production and sales processes, and established corresponding approval and supervision procedures based on the risk factors so as to enhance the approval level of important risk factors. While strengthening internal management, the Group made full use of external resources by building long-term partnerships with renowned law firms and agencies to conduct patent infringement risk analysis on important research and development results and products, including pre-assessment, patent infringement retrieval and analysis, and patent novelty retrieval and analysis so as to ensure the patents are legally used. Recently, no material dispute or litigation of intellectual property against the Group has been identified.

Regarding brand protection, we have strengthened our cooperation with external agencies in order to protect and enhance the Company's brand image and its intangible value, and strived to achieve online and offline brand protection. By ways of customer and distributor reporting, routine inspections by enforcement organizations and daily monitoring, the Group obtained evidences of manufacturing and sales of counterfeit products or patent infringement, carried out litigation and right protection actions including administrative and criminal crackdown, and civil litigation so as to control the spread of counterfeit products and at the same time protect the Company's brand interests.

## VI. ANTI-CORRUPTION MANAGEMENT

Adhering to the operation philosophy of being honest, the Group strictly complies with the requirements of relevant laws and regulations such as "Company Law of the People's Republic of China (中華人民共和國公司法)" and "Interim Provisions on Banning Commercial Bribery (關於禁止商業賄賂行為的暫行規定)". It has also formulated and timely revised "Anti-Corruption and Anti-Bribery System of Li Ning Group (李寧集團反腐敗和反賄賂制度)". The Group arranges trainings for all staff regarding anti-corruption and anti-bribery annually and regularly reports the investigation and punishment of suspected crimes of staff so as to procure all staff to always maintain the professional ethics of dedication, justice and integrity and strengthen the staff awareness of anti-corruption and anti-bribery through trainings and warnings. To prevent behaviours such as malpractice for selfish ends and commercial bribery, the Group required its 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 partners so as to combat commercial bribery with joint efforts.

The Group has established dedicated reporting channels where staff can report any suspected cases of violating laws or regulations, corruption and bribery to the Group via emails and other channels, and the Company will keep the identity of reporting staff strictly confidential to avoid revenge and discrimination against such reporting staff as a result of speaking up, so as to guide all staff to prevent and stop corruptive behaviours with concerted efforts and hence promote business development of the Company and maintain a healthy market environment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## VII.COMMUNITY INVESTMENT MANAGEMENT

With the charity philosophy of “Practicing Love with Sports” and as a global leading sports brand, the Group, while constantly offering quality sports products, fully leverages its own advantages to convey culture and sportsmanship through various charity and volunteering events so as to encourage nationwide fitness and promote the development of sports in China and within the community. The Group has constantly been giving back to the society, spreading love and warm-heartedness and is passionate about social welfare with a view to constructing a harmonious society. Meanwhile, the Group has been carrying out targeted poverty alleviation in regions of ethnic minorities to make its own contribution in building a society of common prosperity.

### Building a harmonious society with charity

The Group takes pragmatic actions in charity events and is concerned about the economic development in the impoverished regions. Through long-term cooperation with China Women’s Development Federation, the Group offers practical help to impoverished mothers to solve living difficulties with an aspiration to influence more people to join public charity and help more people earn a better life by spreading love and charity philosophy.

### *Caring Women and Children-charity event of China Women’s Development Federation*

In August 2019, the Group joined hands with China Women’s Development Federation and specially invited partners to carry out charity visit in Yanbian Prefecture, Jilin Province, during which the Group donated LI-NING brand apparels worth RMB10 million to China Women’s Development Federation and 20 representatives of impoverished mothers and children accepted the loving donation on site. The charity visit tour carried out a visit and survey on women’s hand crafts and cared impoverished mothers in counties and cities such as Longjing and Dunhua to give them loving supplies. Since organizing charity events with China Women’s Development Federation in 2012, the Group has cumulatively donated money and items worth over RMB60 million.



**Caring Impoverished Women and Children--charity visit in Jilin Province**

### ***Caring special groups—integration event during International Special Olympics***

On 5 December 2019, at the integration experiencing event of the International Special Olympics in East Asia, special Olympic athletes from Pudong Special Education School demonstrated integrated floor ice hockey. Mr. Li Ning and various other senior council members from East Asia experienced integrated sports with athletes. In the evening, Mr. Li Ning was invited to attend “2019 Charity Banquet for Integration (2019融合慈善晚宴)” hosted by China Friendship Foundation for Peace and Development where he participated in charity auction with numerous compassionate individuals from all walks of life such as enterprise representatives, caring people and representatives from integrated education. In the future, Li Ning Company will continue to join hands with the International Special Olympics to provide a cultivation platform for mentally handicapped individuals and to make concerted efforts in integration project.



Demonstration of integrated floor ice hockey

### ***Empowering and building a beautiful Va ethnicity region with knowledge—targeted poverty alleviation, from fish to fishing***

On 17 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, for launching the poverty alleviation for Baraoke folk costume handicraft companies in Cangyuan Va Autonomous County, Yunnan Province. For hardware, the Group procured over 20 internationally-leading quality equipment and tools and for software, the Group took the lead on a number of occasions in arranging staff of Baraoke folk costume handicraft companies to attend trainings regarding production management and technological skills in leading enterprises and has assigned its own engineers to front production lines to give comprehensive technological training numerous times. In terms of internal management, from preliminary plant design to internal procedure consolidation at later stages, the Group spared no effort in helping them. With their joint efforts, on 19 April 2019, the new workshop under the Group’s alleviation project for Baraoke folk costume handicraft companies was officially put into operation. In the second half of 2019, the Group again assigned engineers and designers to improve and enhance the production procedures and designs in Baraoke folk costume handicraft companies. In the future, the Li Ning Group will definitely offer constant help and alleviation to them.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Demonstration base for industrial poverty alleviation for the disabled

## Supporting green environmental protection with charity

As a Chinese brand practicing sustainable development, apart from launching environmental protection products, the Group also advocates sustainable living approach, with a view to helping more people to understand and recognize plastic recycled materials and facilitating the progress of global sustainable development.

## “24-hour Clean Water Scheme”—brand-new environmentally-friendly life vests

In September 2019, the Group, together with Coca-Cola China, participated in the “24-hour Clean Water Scheme” charity event, where the Group provided rescue personnel with brand-new environmentally-friendly life vests. The life vests use bright red design with reflective printing process to ensure safe operation at night as well as waterproof and breathable materials and special crafts to ensure no water seepage or leakage, offering more comprehensive protection to the rescue personnel and ensuring smooth rescue actions. Besides, in response to the sustainable development initiative, the life vests adopt environmentally-friendly recycled materials which are in compliance with the Global Recycled Standard (GRS) and are made out of environmentally-friendly yarns processed from waste water bottles. The Group hopes to make its contribution to reducing environmental pollution through recycling and reutilization.



“24-hour Clean Water Scheme” – brand-new environmentally-friendly life vests

### ***Li Ning X UPanda themed products of "Environmental Protection"—advocating "zero" waste and "zero" pollution***

In 2019, regarding "UPanda", a global cultural promotion scheme for teenagers, Li Ning created cross-over product series and successively launched two new products under the themes of "waste sorting" and "protecting the ocean", using daily plastic recycling materials to manufacture "apparel" and advocating the living approach of "zero" waste and "zero" pollution. At the offline experience event, through activities such as creative plastic recycling workshop and charity workshop for waste-made hand crafts, the Group informed the public on the living attitude of making the best use of items and turning waste into treasure.



Charity workshop for waste-made hand crafts

### ***Vitalizing the community with sports***

By integrating charity with sports, the Group actively engages in surrounding communities to encourage more people to know new technologies and new ways of healthy sports, take part in sports and learn sportsmanship so as to build a healthy society.

### ***Badminton competition for staff of foreign enterprises***

In October 2019, the "19<sup>th</sup> Badminton Friendship Competition", hosted by Beijing Trade Union Federation for Foreign Enterprises and organized by the Group, was successfully held in the tennis court in Li-Ning Centre. A total of 232 badminton enthusiasts from 31 enterprise trade unions actively enrolled in the competition. During the competition, participants played wholeheartedly and aggressively and fully enjoyed the joyfulness of badminton sports. As a member entity of Beijing Trade Union Federation for Foreign Enterprises and fully leveraging the advantage of its own venues, consecutive years of experience in organizing badminton friendship competition for staff of foreign enterprises has facilitated communication between the Group and foreign enterprises as well as making a contribution to promoting sportsmanship.



Badminton friendship competition for staff of foreign enterprises

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Joint establishment project for secondary school sports teams

The Group pays attention to the sport education of primary and secondary school students and hopes to educate sporting knowledge to students through in-depth communications with various types of schools so as to develop sport hobbies and cultivate sportsmanship. In March 2019, the Group and Luhe Middle School held the signing ceremony for joint establishment of sports teams. As the Group's first school for peer-to-peer joint establishment of sport teams, the Group will establish Li Ning Sport Scholarship in Luhe Middle School to provide professional sporting equipment for school sports teams free of charge and offer technological guidance with a view to helping students do sports in a scientific manner. In addition, the Group will invite Luhe Middle School to visit office park of the headquarter and lead the students to visit Li Ning laboratory for sports science every year to gain an in-depth understanding of cutting-edge sports science.



Signing ceremony of joint establishment of secondary school sports team between Li Ning and Luhe Middle School

## VIII. PARTICULARS OF THE REPORT

### Report Summary

This report aims to disclose to the stakeholders the latest progress of the Group's work in respect of Environmental, Social and Governance (ESG) in 2019. This report has been prepared in accordance with the ESG Reporting Guide set out in Appendix 27 to the Listing Rules on the Hong Kong Stock Exchange. This report should be read together with the "Corporate Governance Report" section in the 2019 Annual Report and the "Social Responsibility" column on the Group's website.

### Reporting period

From 1 January 2019 to 31 December 2019, with some contents of the report dating back to previous year as appropriate.

### Reporting scope

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

### Reporting principles

**Materiality:** This report evaluates the areas of major concerns of the stakeholders and provides disclosure on major issues.

**Quantification:** All key performance indicators disclosed in this report are measurable, and the basis for calculation of the environmental data has also been disclosed.

**Balanced:** The contents presented in this report are unbiased with no selection, omission or presentation that will have inappropriate influence on the decision-making or judgement of the readers of this report.

**Consistency:** The methods and scope of statistics in this report remained unchanged and the data disclosed is comparable to that of the previous years.