

Environmental, Social and Governance Report

Li Ning Company attaches great importance to corporate social responsibility (CSR) and continuously carries out a variety of actions that promote care and compassion in society. The Group believes that its commitment to being a “responsible corporate citizen” helps bring long-term benefits not only to its employees, but also to the community and the environment as a whole.

“Shouldering social responsibility” has become an important constituent of the corporate culture of Li Ning Company. Li Ning Company consistently upholds the concept that “sports activities are not solely for competition or fitness, but they also have charity and social education functions”, and deliver our most sincere compassion through quality products and encourage the community to participate in charity initiatives so as to rally strengths for contribution to society.

CORE VALUES

The Group believes that its employees are its greatest asset. By maintaining a working environment that promotes employees’ physical and psychological well-being as well as providing them with skill training and career development opportunities, the Group was able to enhance staff cohesion and create a greater sense of belonging while upskilling its staff. As a result, the staff grows as the Company grows.

In 2015, the Group continued to adhere to its core values that embrace excellence and breakthrough, creating consumer-oriented work ethics with both integrity and

commitment, as well as building the Li Ning Company culture and dream. Senior management and staff had many opportunities to communicate with each other through various internal platforms, including town hall meetings, the Group’s intranet and various training courses. Our staff was also greatly encouraged to project their positive energy and develop a sense of ownership of the Company, which helped them deliver excellent performance, inspire innovation and proactively take part in the corporate reform and transformation.

STAFF TRAINING

Adhering to the “people-oriented” principle and based on the well-established system that integrates the perspectives of trainees, lecturers and curriculum, the Group developed its training programs with the focus on meeting the mutual needs for the development of both the corporation and the staff. The Group also provided targeted training courses, internal or external, for staff of various positions across different business units, including courses on protection of consumer rights, reasonable and lawful sales promotion techniques, regulations on rebates of distributors, product knowledge training, new employee orientation program and assessment centre for shop managers, in order to support the team building and development of our business units.

At the same time, the Group continued to perfect its talent review and development system. It reviewed staff performance and took stock of staff with potentials through Organization

and Talent Roundtable, and provided corresponding training courses to assist our management personnel in nurturing staff with potentials in a focused manner. The above measures not only facilitated staff development and enhanced the overall strength of our teams, but they also help develop a sustainable internal talent pool displaying strong potential and competitiveness.

WORKING ENVIRONMENT AND CULTURE

As a company specializing in sports brand, the Group regards highly the physical and psychological well-being of its employees. Employees are encouraged to participate in various activities to promote sportsmanship, diligence and the spirit of striving for excellence. Sporting activities also provide valuable opportunities for team interaction and bonding and enhance their understanding about the corporate mission of the Li Ning Group.

The Li-Ning Centre, situated at the Group's headquarters in Beijing, offers a variety of facilities and venues for staff use, ranging from basketball courts, badminton courts, tennis courts, swimming pools and football fields to fitness centres. Professional coaches are hired not only to teach our employees various sports but also to foster their positive attitude toward sports.

The Group is also funding a number of sports clubs set up by our staff on their own initiatives, and those sports clubs have organized or participated in various internal and external competitions, including badminton/basketball/football contests, Beijing marathons, and basketball competitions for foreign-invested enterprises in Beijing. These sporting activities provided our staff with unique opportunities to continuously deepen their appreciation of our corporate



values. Our unique sporting culture has also become one of the important elements in attracting talents to the Group.

The Group remains steadfast in its development with sustainability and social responsibility by protecting environment and resources conservation. It also endeavors to ratchet up in terms of safety, health and environment protection in a bid to provide its staff with a healthy and safe workplace in every working area to keep occupational accidents at bay.

Furthermore, as 2015 marked the 25th anniversary of the Company, the Company revised the 5S management system (which include Sort (SEIRI), Set in order (SEITON), Shine (SEISO), Standardize (SEIKEISU) and Sustain (SHITSUKE)) and commenced the continuing 5S improvement and examination across the board, in order to enhance the Company's implementation of 5S management from "form" to "substance", with the ultimate goal of cultivating a 5S practice in the Company.

EMPLOYMENT STANDARD FOR THE CORPORATE

Recruitment and employment of employees of the Group are fully in compliance with relevant laws and regulations. The Company will select candidates who are in line with our corporate culture and of legal age based on our recruitment criteria.

The Group treats each staff member equally. All matters regarding recruitment, dismissal, emolument, promotion, work and recess are in compliance with relevant policies and laws. The Group places emphasis on an environment that encourages sharing in which its staff members can freely exchange their ideas, learn continuously and grow in different areas.

The Group selects and positions its employees based on their capability by making necessary adjustments on positions on this basis without taking into account race, religion, nationality, gender, color, age or physical or mental disability. We are committed to providing equal career opportunity in compliance with relevant regulations on equal opportunity on employment and anti-discrimination in full recognition of the spirits of such regulations.

TAKING CARE OF STAFF AND THEIR FAMILIES

In addition to our unique sporting culture, the Group has also regularly organized various activities including parent-child gatherings, annual gathering and health talks for our staff and their families. These activities have helped enhance employees' sense of belonging to the Group and demonstrated the Group's care for its employees and their families.

EMPLOYEE BENEFITS AND WELFARE

The Group provides supplementary commercial medical insurance to all employees and their family members, and arranges free medical check-ups for its staff every year. Our offices are furnished with various green plants and environment-friendly facilities to create an elegant and soothing working space and ensure a healthy and comfortable working environment. At the same time, the Group has set up nursery rooms for female employees during their lactation period. The Group streamlined the welfare system to transform our staff welfare system into a more personalized flexible benefits program. In addition, regular departmental meetings were held to provide additional platforms for communications between the management and our staff.

CONTRIBUTING TO SOCIETY

The Group has been actively fulfilling its social responsibility as a corporate citizen, and Mr. Li Ning, the founder of the Group, regards corporate social responsibility and charitable activities as highly important to the Company. In 2015, the Group rolled out "Give New Year Warmth – Donation to Sunvillage", through which 2,256 pieces of clothes were donated to the children in Banqiao Village, Zhaoquanying Town, Shunyi District, Beijing, coming as a lovely surprise to the children during the spring festival. The Group attaches great importance to corporate responsibility, and will continue to encourage employees to participate in charitable activities in future.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY MANAGEMENT

1. Li Ning's Supply Chain Social Responsibility, Environment and Sustainable Development:

The Group all along attaches great importance to the balance between the Company's growth and environmental protection, and is committed to exploring efficient solutions on chemical management through continuing collaborations with industry organizations, suppliers, NGOs, external experts and other stakeholders. On the basis of the Company's extensive management of and collaborations with its suppliers, in 2015, Li Ning Company carried out targeted projects of CSR and environmental performance management, and promoted the continuing enhancement of management standards of its suppliers.

A. Occupational Health, Safety and Social Responsibility of Li Ning's Supply Chain:

This year, the Group continued to implement the "Li Ning Company Supplier Social Responsibility Code of Conduct" and consolidated and strengthened the management of its suppliers through the following measures:

- The new supplier approval system was strictly executed. In the year, audits were conducted on a total of 11 potential suppliers, among which 5 of them became our suppliers officially and 5 of them were approved conditionally, while the introduction of 1 potential supplier was terminated. The total passing rate was about 46%;

- Li Ning's supplier quarterly reporting/assessment system was implemented, whereby suppliers were required to evaluate and improve their CSR performance on a regular basis. Li Ning Company conducted quarterly assessments and evaluations on CSR performance of all suppliers of finished products in a bid to strengthen suppliers in terms of self-management and continuing improvement. The quarterly CSR ratings will be taken into account in the Group's supplier quarterly comprehensive assessment indicators system;
- With the continuing combination of the suppliers' self-management and improvement and the supervision by Li Ning Company, the Group further improved its supplier audit assessment tool and commissioned a third-party consulting organization to conduct CSR on-site audit on 10 representative suppliers during the year;
- Coupling auditing with improvement measures, the Group emphasized on the improvement requirements for suppliers and tracked the progress of CSR auditing and improvement of all participating suppliers of finished products in order to step up suppliers' ability to manage and control;
- With the combination of daily management and emergency planning, the Group conducted risk review and assessment of suppliers' operation on a regular basis.

B. Environmental Responsibility of Li Ning's Supply Chain:

Impact on the environment has always been a major focus of the Group. In order to become an enterprise which puts emphasis on environmental protection and sustainable development, the Group focuses on the following two aspects: the business operation environment and the production environment. During the year, the Group continuously strengthened the suppliers' awareness and concept of environmental protection and provided them with ways and means

to improve their environmental performance by way of policy revision, specialized training, on-site audits, sample testing, etc.:

- The Group issued the "Li Ning Manufacturing Restricted Substances List (MRSL)", which sets out the requirements on control of restricted substances used in the manufacturing process and provides a reference for protecting the health and safety of employees and preventing and controlling pollution to the environment;
- The Group signed the "Li Ning Manufacturing Restricted Substances List (MRSL) Compliance Statement" with its suppliers, requiring the suppliers to control the use of toxic and hazardous substances from the beginning and to undertake not to deliberately use toxic and hazardous substances, so as to prevent toxic and hazardous chemicals from harming the environment, reduce the negative impact from the manufacturing process on the environment and protect employees' health;
- The Group conducted environmental self-assessment/self-reporting by all material suppliers using third-party environmental audit tool (Higg Index) to evaluate suppliers' environmental management performance in terms of environmental management systems, energy/greenhouse gas emissions, water, waste, chemicals and noise, etc.;
- The Group conducted environmental performance audit on key material suppliers using third-party environmental audit tool (TGI, ZDHC) to evaluate suppliers' environmental management performance in terms of legal compliance, water, energy, solid waste, chemicals, gas emissions and noise, etc.;
- The Group conducted on-site chemical management audit on key material suppliers using third-party chemical management audit tool to evaluate suppliers' chemical management performance and risks of on-site chemicals, etc.;

- The Group conducted wastewater testing for core material suppliers and promoted their disclosure of data on the platform of the Institute of Public & Environmental Affairs (IPE), enabling 80% of the suppliers with hydrometallurgical process to disclose their data on the IPE platform, thereby facilitating the supply of data for the objective of green supply chains.

C. Interaction with the Zero Discharge of Hazardous Chemicals (ZDHC) Program member brands and Participation in the ZDHC Program:

As one of the six founding brands of ZDHC, the Li Ning Group actively participated in ZDHC's workstream meetings this year and collaborated with other ZDHC major brands and made the following contributions to environmental protection in the textile and footwear industry:

- The Group participated in regular meetings of the ZDHC management board and took part in the resolutions of and discussions on major issues concerning the ZDHC program;
- The Group conducted ZDHC Chemical Hazard Assessment – Discussion on Prioritization and Action, took part in the discussion of the work of chemicals phase out and harmful substances substitution and the development of relevant methodologies. In addition, the Group also released the new version of MRSL(1.1), developed the template of the ZDHC MRSL Declaration of Conformity and the extracted version of MRSL Conformity Guidance, updated and added guidance on 11 chemicals for suppliers' use, and signed "Li Ning Company Declaration of Conformity on MRSL" with its suppliers. The Group collaborated with four major commercial laboratories to develop uniform testing methodology and detection limit for 11 categories of hazardous substances, providing guidance on chemical management and control and safe alternatives;
- To achieve environment-friendly production and minimize the environmental impact brought about during the production process, the Li Ning Group has been committed to exploring quality solutions on environmental protection and chemical management and control. The Group actively participated in ZDHC-Assessments and Audits and took part in the integration of Higg Index, ZDHC Audit Agreement and OIA Chemicals Management Modules, which is expected to be launched for use in 2016;
- The Group participated in the Workstream of ZDHC-Stakeholder Partnering to work with bigger ZDHC Asian Brands, making positive contributions to the promotion of environmental protection in China and Asia;
- During the year, ZDHC updated and released the new version of Manufacturing Restricted Substances List (MRSL), which has included leather in the list for the first time. As the only Chinese brand in the ZDHC group, the Li Ning Group was involved in the formulation of the MRSL list, continuously making positive contributions to the goal of zero discharge of hazardous chemicals.

2. Product Safety and Sustainability:

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

During the year, the Group updated and published its own product safety-related standards Q TXLNB 0003-2015, Q TXLNF 2201-2015, Q TXLNF 1203-2015, Q TXLNF 3009A-2015, Q TXLNF 1201-2015, etc. in line with the industry product safety standards and latest market demands. In addition, the Group signed a "Li Ning Company Declaration of Conformity on Restricted Substances List (RSL)" with its suppliers. All of the Group's products sold on the market have passed inspections by independent third-party testing institutions holding national credentials.

The Group has been committed to establishing local brands' best practices in environmental protection and social responsibility. The Group invests large amount of resources each year in the development and use of environment-friendly materials. These materials can minimize the impact generated during the production process on the environment, and can save energy and resources.

3. Stakeholder Communication and Industry Cooperation:

During the year, in striving for the sustainable development of our Group's business, environmental performance and social interests to which our Group attaches great importance, the Group actively responded to and participated in open dialogues with active social groups and civil organizations with the aim of establishing stable, long-term communication channels.

During the year, the Group established a mechanism to interact with licensed brands in terms of environmental protection and social responsibility, regularly communicating with each other on the Group's policies, standards, requirements and promotional projects.

The Group also teamed up with ZDHC member brands during the year to carry out performance evaluation on environmental protection in relation to products and supply chains and the elimination of harmful chemicals, and to disclose the progress of the collaboration projects to the public on quarterly and annual basis. Through these interactions and mutual learning, the Group excelled among domestic industry players in respect of CSR practices and sustainable development philosophies.

During the year, the Group and other ZDHC member brands cooperated with China Textile Industry Association to organize the "Sustainable Manufacturing and Environmental Responsibility Management Seminar". The seminar was designed to advance positive drivers in environmental protection and sustainable development, and promote positive and long-term changes in the field of chemical management to fulfill the ultimate goal of "zero discharge".

During 2015, the Group and other ZDHC member brands also cooperated with China Artificial and Synthetic Leather Professional Committee to organize the "Exchange Meeting of Chinese Synthetic Leather Companies and ZDHC Member Brands", which had significantly positive and profound impacts on directing the textile and leather industry to fulfill "zero discharge" of hazardous chemicals by 2020, referring and offering quality material suppliers of artificial and synthetic leather to top famous brands, and procuring long-term and in-depth cooperation among both suppliers and purchasers.

During the year, the Group participated in the "China and Asia Green Textile Summit 2015", during which the Group put forward challenges and opportunities for the printing and dyeing industry and apparel brands, and expressed its view on collaborative solutions to energy saving, environmental protection, product innovation and enhancement in market competitiveness.

The Group was invited to participate in the "2015 Green Supply Chain Forum" during the year, and had in-depth discussions on the objectives of how to achieve the ultimate goal of zero discharge of hazardous chemicals in the textile industry supply chain with source suppliers of chemicals, dyes and additives, intermediary suppliers for dyeing, finishing and other processes, and various stakeholders, pushing a step towards this goal in the industry.

During the year, the Group conducted searches for the environmental performance of all of its suppliers on the information platform of the Institute of Public & Environmental Affairs (IPE), and procured its suppliers to disclose discharge data on the IPE platform.

AWARDS RECEIVED BY LI NING COMPANY LIMITED IN 2015

Honours

Employer brand

Enterprise with the Best Working Environment in 2015

Reasons for receiving the award: comfortable office environment, good team spirit, sound performance evaluation and remuneration system, equal opportunities in career advancement.

Best Talent Attraction Award 2015

Reasons for receiving the award: excellent practice in talent attraction and employee engagement.

TOP 100 Best Employer 2015

Reasons for receiving the award: the greater attractiveness of Li Ning as an employer among the job market.

2015 China Employer

Reasons for receiving the award: having an advanced model for talent recruitment and management with an outstanding employer's image internally and externally.

Best Employer Award 2015

Reasons for receiving the award: attaching importance to innovative approaches on human resources management; putting efforts in employee training; showing respect to talents; significant achievement in building corporate culture; positive employer's brand image distinguishing itself from the industry (sector).

Products

Best Marvel Series Product Award 2015 presented by the Walt Disney Company

Reasons for receiving the award: Li Ning Company partnered with Marvel's The Avengers to roll out the casual-sportswear featuring the style of the film and the classic comics. This series of apparel with unique color gained wide popularity.



Leading Sports Footwear Brand of the Year and Leading Footwear Brand of Innovative Designs presented by HC INTERNATIONAL, INC.

Reasons for receiving the award: The design and production concept of LI-NING 's smart running shoes, namely Motion Control and Trich Tu, and classic basketball shoes like the 4th generation of WOW series and LI-NING Mightiness epitomized Li Ning Company's spirit of continuing breakthroughs and innovations, and are well acclaimed among authoritative medias in the industry and its peers.

Best Cross-Sector Marketing Award 2015 presented by China Times

Reasons for receiving the award: Li Ning Company linked up product development and retail operating capacity with internet-driven business environment, and joined hands with more innovative technology corporations to explore and create more Internet+ Sports Life Experience for consumers. As a result, Li Ning Company gained recognition from China Times, a renowned financial media company in the PRC.

Best Smart Sports Gadget Award for LI-NING smart running shoes presented by Sports Money (體育大生意)

Reasons for receiving the award: The core development and research conducted on LI-NING SMART and Xiaomi Sports Cloud Big Data Technology Platform. The smart platform is the hybrid of "Professional Equipment + Smart Gadget + Mobile Internet + Data Analysis and Sharing" which provides customers with a wide range of running experience.

LI-NING was granted *Best Smart Sports Gadget Award* for its running shoes by Sports Money, a new sports media in the PRC.



Brand

2014 Best Running Tournament Award for LI-NING 10K Road Racing League presented by Runner's World

Reasons for receiving the award: With four years' effort, around 150,000 runners have hands-on experience in the 10K Road Racing League. With its outstanding league service and reputation gained among the runners, it has become an iconic road racing competition in China that is up to professional

standard and of wide influence, thereby gaining endorsement from Runner's World, the most influential magazine for runners.



Making it on the List of the Light Industry Design Centres (first cohort) for light industry in the PRC 2015

Reasons for receiving the award: As a leading sports brand, the Group placed its emphasis on both continuing development and innovation in pace with China's comprehensive implementation of the national growth strategy, thereby gaining recognition from the China Light Industry Council, being the only one sports brand selected by this authority.

The Most Respected Enterprise in China 2014–2015 granted by The Economic Observer

Reasons for receiving the award: Making efforts to explore Internet + Sports Life Services in order to render better sports life experience to consumers, Li Ning Company stayed steadfast to fulfill its social responsibilities as a corporate citizen. With the establishment of Li Ning Sports Park, Li Ning Company promoted popularity of sports in the general public by rolling out a philanthropy project named "Postal Parcel for Mothers". Moreover, Li Ning Company launched products such as smart running shoes and smart rackets as well as smart sports services to variegate the sports lifestyle of the public. LI-NING brand is the only sports brand that made it on the list of Economic Observer, the financial news heavyweight in the PRC, with recognition.

Elected as one of the Top 10 Made in China Contributors for Outstanding Quality by CCTV and The Economic Observer

Reasons for receiving the award: During the course of steering from Made in China to Created in China, the Group gripped the Internet+ wave with bold imagination and dauntless innovation to carry out change toward being supplier of "Internet+ Sports Life Experience Service" in terms of products, channels and consumer communication, thereby gaining recognition from authoritative medias including CCTV and the Economic Observer.

Best Business Model Award presented by 21 Century Business Review

Reasons for receiving the award: The Group forged ahead based on the digitalization strategy and platform, and the "sports marketing" business model driven by sports marketing, products and offerings. This breakthrough and its insightful strategy was highly regarded by a financial media group, namely 21st Century Press Group (《21世紀報業集團》) and its core media arms including "21st Century Business Review", "Southern Daily"* (《南方日報》) and "21st Century Business Herald"(《21世紀經濟報導》) unanimously.

The Lowest Carbon Emission Contributor Award presented by 21st Century Press Group

Reasons for receiving the award: The CBA apparel is made of eco-friendly recycled fiber and waste-to-value "coffee charcoal fabric", and the shoes that is made of tire was one of the winning entry of iF Creativity Award – These examples show that the Group never stops to bring about innovation that builds green and low-carbon philosophy into product design and R&D process, and this is the reason that it received recognition from 21st Century News Group, the authoritative financial press group in the PRC.

Scientific research

Named by "Physical Therapy in Sports" (a science magazine) as the Best Researcher Thesis in China

Reasons for receiving the award: The sports science-related research thesis titled "High-intensity stepwise conditioning programme for improved exercise responses and agility performance of badminton player with knee pain" published by Li Ning Company was named as the Best Researcher Thesis in China by Physical Therapy in Sports, a science magazine.